PRESS RELEASE

22 February 2019

Strengthening our position in 50Hertz while progressing well in key investments

HIGHLIGHTS 2018

- **Grid investments of €636.7 million in Belgium and €491.5 million in Germany to ensure a reliable, sustainable and affordable energy system that meets society's demand for appropriate actions against global warming and climate change.**
- **Very high system reliability (99.999%), benefitting 30 million end users.**
- **Acquisition of an additional 20% stake in Eurogrid International in April 2018, resulting in full control over Eurogrid and a change in consolidation method.**
- **Normalised Net profit up 38.0% to €280.8 million as a result of the acquisition of additional shares of Eurogrid, solid operational performance and release of a legal claim provision in Germany together with the realisation of strategic investments in Belgium.**
- **Net profit (Elia Group share)[1] up 32.0% to €275.2 million.**
- **Dividend of €1.66 will be proposed at the General Meeting on 21 May 2019.**

Elia Group CEO Chris Peeters comments on 2018:

Our activities are central to the issues of global warming. Our network has equipped us with the resources we need to respond to society's concern about climate change. We are making the energy transition possible and ensuring that it is progressing at the right pace2018 was another milestone year in our ambitious CAPEX programme to strengthen and extend our Belgian and German grid, both on- and offshore. Major infrastructure projects have been delivered on time and within budget. Our annual results also reflect the excellent performance in our core activities. One of the most significant achievements was the rise in our share of 50Hertz to 80%, giving us full control of the company. The transaction will enable us to strengthen the collaboration between Elia in Belgium and 50Hertz in Germany and underscores our growth ambitions to become a leading Group of transmission system operators in the integrated European energy system. Belgium and Germany are facing specific challenges in achieving the energy transition. Our increased collaboration will enhance our critical knowledge to realise a reliable, sustainable and affordable power system in a European energy market that becomes increasingly integrated.

[1] Net profit attributable to owners of ordinary shares (post non-controlling interest and post hybrid coupon)

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1. 2018 IN A NUTSHELL

In the interest of society

The Elia Group is active in electricity transmission. With activities in Belgium (Elia) and Germany (50Hertz), we operate 18,600 km of high-voltage connections supplying power to 30 million end users. We invest heavily in the integration of renewable energy, the development of an offshore high-voltage grid and the construction of interconnectors to facilitate the integration of the European energy market. Our company plays a crucial role in the community by transmitting electricity from generators to distribution systems, which in turn deliver it to the consumer. Elia also plays an essential part in the economy, as our system supplies power directly to major companies connected to the grid. We develop services and mechanisms allowing the market to trade on different platforms, which fosters economic competitiveness and the well-being of all. In addition to our activities as a transmission system operator, the Elia Group provides consulting services to international customers through Elia Grid International (EGI).

Towards Zero accidents

The safety of everyone, everywhere, is always our number one priority. In 2018, the Elia Group continued to invest in safety and work in a responsible and safe manner. We are striving to eliminate all accidents. We also ensure that Elia's safety instructions are properly applied in order to prevent incidents. Every employee and contractor is familiar with the principles of our safety programme.

Full control and a new German partner in 50Hertz

On 26 April 2018, Elia System Operator SA/NV ('Elia') completed the acquisition of an additional 20% stake in Eurogrid International SCRL ('Eurogrid'), the holding company of 50Hertz Transmission GmbH ('50Hertz'). Following this transaction, Elia owns **80%** of Eurogrid and fully controls 50Hertz. Elia decided to exercise its pre-emption right after IFM Global Infrastructure Fund (IFM) stated that it intended to sell half of its 40% shareholding in Eurogrid in February 2018.

In August 2018, Elia announced the closing of the transactions with IFM and the German state-owned bank Kreditanstalt für Wiederaufbau ('KfW'). As a result, **KfW**, on behalf of the German Federal Government, has replaced IFM as a Eurogrid shareholder. This additional change in share ownership followed a second notification from IFM received in May 2018 concerning an agreement with a third party on the acquisition of IFM's remaining 20% stake in Eurogrid. The transaction fosters Belgian-German cooperation regarding critical grid infrastructure.

In August 2018, Elia successfully launched a €300 million 10-year senior bond and €700 million perpetual hybrid bond to refinance a bridge loan for the acquisition of the additional 20% stake in Eurogrid. Investors showed considerable interest, with book building completed in just a few hours due to high demand and the bonds were significantly oversubscribed.

Infrastructure work for greater interconnectivity

Major progress was made in Belgium on the construction of two new interconnectors: **NemoLink** (with Great Britain) and **ALEGrO** (with Germany). Greater interconnectivity promotes the increased integration of renewable energy and allows for more affordable prices on the European internal market. Nemo Link is a joint venture with National Grid Ventures (UK) and began commercial operations on January 30th 2019 (transfer capacity of 1000 MW). The two converter stations on both sides of the Channel (in Bruges and Richborough) convert the high voltage direct current (HVDC) from the 140 km subsea cable into alternating current for transmission onshore (and vice versa). Work on the ALEGrO-project began in mid-January 2018 and should take two years to complete. The 90-km-long underground HVDC connection (40 km of which is laid in Belgium) is being built in partnership with the German system operator Amprion.

In Germany, a major achievement in 2018 was the commissioning of **phase-shifting transformers** (PST) in **Röhrsdorf** and **Vierraden** for the interconnectors to the Czech Republic and Poland respectively. Both projects highlight the close working relationship between 50Hertz and its neighbouring transmission system operators. The PSTs allow to steer the international electricity flows in a more efficient way. Thus either help to manage costs of re-dispatching than enable higher trading capacities between EU-member states. As part of an innovative project, 50Hertz installed the interconnector between two offshore wind farms, known as the **Combined Grid Solution** project (transfer capacity of 400 MW). This is a joint project with the Danish system operator Energinet. The interconnector runs between the Kriegers Flack (DK) and Baltic 2 (GE) offshore wind farms which are located barely 30 km apart. End of the year both offshore cables connecting the Danish and the German platform have been energised. The Combined Grid Solution project is a world first ever combination of an offshore interconnector and an offshore wind park. It will be commissioned over the course of 2019.

Infrastructure work to integrate offshore wind

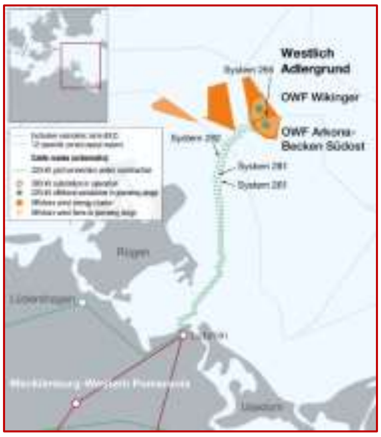
In Belgium, the construction of the **Modular Offshore Grid** (MOG) progressed rapidly in 2018. The offshore switchyard is being built 40 km off the coast of Zeebrugge. The MOG will serve as a 'plug' for cables from the new offshore wind farms to bring offshore wind power to the mainland. In 2018, the jacket was successfully installed while the topside was being completed. Cable production is on track and ready for installation in 2019.

In Germany, 50Hertz achieved the three cable connections (spanning 190 km in total) for two offshore wind farms in the Baltic Sea: Arkona-Becken Südost and Wikinger, which have a capacity of 385 MW and 350 MW respectively. Works on these offshore grid connections better known as **Ostwind 1** began in 2015. The Arkona offshore switchyard platform was successfully placed on its foundations in early April. In October 2018 the subsea cable was laid between the Wikinger offshore wind farm (Iberdrola) north of Rügen island and the connection point with the 50Hertz grid in Lubmin. In 2018 Wikinger fed in 885 GWh renewable energy into the 50Hertz grid, an amount equal to the electricity consumption of 220,000 households. The project is ahead of schedule and 10% below budget and will be completed by the end of next year.

Following an offshore wind tender in late April 2018, Germany's Bundesnetzagentur (Federal Network Agency) allocated 733 MW of connection capacity to the Baltic Sea, specifically to the Arcadis-Ost 1, Baltic Eagle and Wikinger Süd wind farms. After initiating talks with the wind farm operators, 50Hertz awarded the contract to manufacture and install three 220 kV AC cables (alternating current) for the **Ostwind 2** project to the consortium NKT-Boskalis.

Combined Grid Solution

Ostwind 1



Ostwind 2

Future development of the electricity grid

In line with the legal obligation in Belgium to draw up a **Federal Development Plan** every four years, in late May 2018 Elia submitted a draft report to CREG on the medium-term future of the Belgian high-voltage grid (Federal Development Plan 2020-2030). Elia advocates an accelerated approach to infrastructure development in order to fully exploit the advantages offered by the energy transition. The Federal Development Plan 2020-2030 was available for viewing in late 2018 during a public consultation.

A similar planning process was launched in Germany. The German government recently revised its renewables targets and wants to increase the share of renewables to 65% by 2030. Renewables from offshore wind and therefore **offshore grid connections** are key to achieving this target. North-South-transport capacities remain the backbone of making this transition happen. Key expansion projects are being developed, such as the HVDC **SüdOstlink** (High Voltage Direct current). The SüdOstlink project is one of the most important new transmission lines between northern and southern Germany and is vital to achieve a successful energy transition by 2030. The SüdOstLink will be able to transmit up to 2,000 MW of electricity and will have an approximated length of about 580 kilometres. Most of the line will consist of an underground cable.

Market developments

Following five years of development and testing, the nominated electricity market operators and transmission system operators launched the **XBID** platform (Cross-Border-Intra-Day) on 12 June 2018, opening up intraday cross-border trading between 14 European countries (Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Norway, the Netherlands, Portugal, Spain and Sweden). Most other European countries are due to take part in a second wave and will go live with XBID in 2019. The XBID project is a major step forward on the path to an integrated European intraday market.

The first shared **datahub** for the Belgian grid was launched in early 2018. The central IT platform is the result of close cooperation between Elia and the distribution system operators. The new IT system will promote flexibility on the electricity market to maintain a balance between supply and demand at the best price at all times. It is an example of efficient cooperation between Elia and the Belgian DSOs that will also be essential to ensuring a successful energy transition.

The 50Hertz **WindNODE** project has already entered the test phase of the digital Flexibility Platform. WindNODE is a four-year joint research project involving over 70 partners and striving to efficiently integrate large quantities of renewable electricity into the energy system by linking the partners to the system. WindNODE will use the opportunities afforded by digitalisation to create a smart energy system and allow the coordinated operation of multiple partners on the system.

After two years of intensive talks with all market players involved, Elia launched a formal public consultation in Belgium to revise the Federal Grid Code. This forms the legal foundations converting the European Network Codes into Belgian directives and governs cross-border transactions on the Belgian electricity market, among other things. After a consultation period, the amended proposal was submitted to the relevant authorities on 17 May 2018.

Shaping the Future

In November 2018, the Elia Group published a vision paper directing prosumers to better services and optimised energy bills. **Towards a Consumer-Centric System** encourages households and industries to directly benefit from advanced energy services via a real-time communication platform, appropriate market design and digital innovation. This will enable end users to fully exploit their technological investments, optimise their electricity bills and help to maintain system balance. In 2019, Elia and 75 market parties from different sectors will participate in an open sandbox environment to test innovative concepts for providing energy services to prosumers. The test phase will run until late 2019. In 2018, Elia (in Belgium) developed **I.O. Energy**, an initial use case testing the concept of a real-time communication platform, in partnership with Fluvius, Luminus, Enervalis and Scholt.

To keep pace with the ongoing energy transition, transmission system operators also have to respond to a number of challenges regarding the **horizontal dimension** of the energy system for pan-European long-distance transmission, as increasing quantities of bulk renewables have to be transported to consumption centres. The horizontal system challenges will be addressed in an Elia Group publication by late 2019 with a view to improving the effectiveness of the use of grid infrastructure and addressing issues like congestion and loop flows.

Elia has launched a pilot project to analyse potential applications of blockchain technology in the energy sector with a view to confirming blockchain's suitability for automating a number of processes related to activating flexible reserves and developing a decentralised flexibility management solution.

Together with Elia, 50Hertz is exploring the potential of **large-scale batteries** to enhance the system's flexibility. Batteries have the potential to significantly boost flexibility very quickly in the event of outages. The three-year study started in 2018.

As part of the pioneering **CompactLine** project, 50Hertz built an entirely new line at the Jessen/Nord substation in 2018. CompactLine is a 380-kV line characterised by lower pylo heights, narrower routes and smaller, slid pylons fitting into sections of existing 220 kV lines. During 2019, the 2 km line will be monitored and tested under real operating conditions.

Operation Excellence

After a study analysis of what can be imported if market conditions are favourable, Elia in Belgium increased the import level in the first half of 2018 from a maximum of 4,500 MW to 5,500 MW. The need for an optimised capacity allocation was immediately highlighted during the second half of 2018 when half of the nuclear unites of ENGIE-Electrabel had unexpected outages (Doel1, Doel2, Tihange2 and Tihange3) on top of those that were already planned (Doel4, Tihange1). This has never been seen before in Belgium. To deal with the crisis, Elia participated actively in a taskforce that was led by the Ministry of Energy. Thanks to international action to support Elia, reshuffled maintenance interventions and despite the critical situation, security of supply was never in danger.

In Germany, 50Hertz continued to take measures to improve the efficient use of its existing infrastructure and grid given the significant gap between the permit and realisation of new lines and yet at the same time, the rapid development of renewables. This includes congestion management measures to manage the current development as efficiently as possible. In 2018, the total installed capacity of renewables in the 50Hertz control zone further increased to 21.352 MW. Over 55% of the consumed electricity came from renewables which makes 50Hertz one of the world's frontrunners.

In addition, 50hertz realized further efficiencies in a course of a coherent programme to reduce the costs of operations either in the maintenance than in the administrative activities. The programme was launched in 2017 and largely put in place in 2018.

A reflection/merit of this efforts is the 100% efficiency status granted by the regulator BNetzA end of the year and applicable for the 3rd Regulatory Period.

Stakeholder engagement & sustainability

In 2018, Elia and 50Hertz launched several initiatives aimed at improving dialogue with external stakeholders. Elia is convinced that the early involvement of all stakeholders is key to the success of the energy transition and the huge projects needed to make it happen. The Group continued its efforts to gather as much input from citizens as possible from the early concept stage onwards and is working closely with the local authorities vital to bringing together all interested parties. Sustainability is also at the top of the agenda and a number of projects were introduced in 2018 to minimise our ecological footprint, resulting in an improved ESG rating in the robust and/or second tier section at 50Hertz.

Awards & recognition

Elia was awarded the **Top Employer** 2018 label, identifying it as one of Belgium's 64 top employers and one of the best three in the energy sector. This Top Employer label was also awarded in 2019. The Elia Group's corporate movie won an award at the Belgian Corporate Movie Festival and the Elia Group's 2017 Annual Report won the *Best 1st Sustainability Report* award, an initiative launched by the Belgian Institute of Auditors. Peter Michiels won *HR Manager of the Year* and Catherine Vandenborre and Chris Peeters were nominated for *CFO of the Year* and *Manager of the Year* respectively.

More information on the progress on crucial investments in Belgium and Germany and other significant events during 2018 can be found in chapter 3 'Significant events during 2018.

2. KEY FIGURES

2.1 Consolidated results and financial position of the Elia Group for 2018:

Key figures (in € million)	2018	2017 (restated[2])	Difference (%)
Total revenue	1,931.8	867.1	122.8%
Equity accounted investees	65.6	109.1	(39.8%)
EBITDA	750.5	455.4	64.8%
EBIT	502.6	324.6	54.8%
Non-recurring items	*28.1*	*0.1*	*n/a*
Normalised EBIT	*474.5*	*324.7*	*46.1%*
Net finance costs	(93.2)	(76.5)	21.9%
Normalised net profit	**280.8**	**203.4**	**38.0%**
Net profit	**307.1**	**208.5**	**47.3%**
Non-controlling interests	*25.7*	*0.0*	*n/a*
Net profit attributable to the Group	**281.4**	**208.5**	**35.0%**
Hybrid securities	*6.2*	*0.0*	*n/a*
Net profit attributable to owners of ordinary shares	***275.2***	***208.5***	***32.0%***
Total assets	13,754.3	6,582.3	109.0%
Equity attributable to the owners of the company	3,447.5	2,563.3	34.5%
Net financial debt	4,605.6	2,689.1	71.3%
Key figures per share	2018	2017	Difference (%)
Reported earnings per share (EUR) (Elia share)	4.52	3.42	32.0%
Return on Equity (adj.) (%) (Elia share)	10.04	8.14	23.4%
Equity attributable to owners of the company per share (EUR)	44.9	42.1	6.7%

EBIT = result from operating activities and share of profit of equity-accounted investees (net of income tax)
EBITDA = EBIT + depreciation/amortisation + changes in provisions
Non-recurring items: see section 8 for more information on the non-recurring items.
Equity attributable to the owners of the company: Equity attributable to ordinary shareholders and hybrid securities
Net financial debt = non-current and current loans and borrowings less cash and cash equivalents
Reported EPS = Net profit attributable to owners ordinary shares / weighted average number of shares
RoE (adj.) = Net profit attributable to owners ordinary shares / equity attributable to owners of ordinary shares

The Group has decided to revise its segment structure in comparison with last year. Resulting from the increased stake in Eurogrid, the Group's internal reporting process has been reviewed which ultimately resulted in an amended segment reporting. With this change, the Group believes that the structure of the segments is more in line with the operational activities and allow a better comprehension of the Group's performance considering the various regulatory frameworks.

Pursuant to IFRS 8, the Group has identified the following operating segments:

- **Elia Transmission (Belgium),** which comprises the activities based on the Belgian regulatory framework
- **50Hertz Transmission (Germany)**, which comprises the activities based on the German regulatory framework
- **The non-regulated segment (incl. NemoLink)**, which consists out of the non-regulated activities within Elia, the financing costs linked to the 20% participation in Eurogrid International CVBA, EGI, NemoLink and Atlantic Grid

Analyst & Investor conference call

The Elia Group will host a conference call for institutional investors and analysts on 22 February 2019 at 10:30 a.m. CET. For dial-in details and webcast links please visit our website (http://www.eliagroup.eu).

[2] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note a in the attached consolidated financial statements for more details.

Financial

The 2018 financial statements are strongly affected by the acquisition of an additional 20% stake in Eurogrid, which Elia acquired on 26 April 2018. This transaction increased Elia's shareholding in Eurogrid from 60% to 80%, giving Elia full control over Eurogrid. The consolidation of Eurogrid and its affiliates consequently switched from the equity method, which applied for the first four months of the 2018 financial year, to a full consolidation as from acquisition (May 2018). The total acquisition price amounts to €976.5 million for the additional 20% stake, plus €12.2 million in interest. The acquisition was fully financed by the issuance of a €700 million hybrid bond and a €300 million senior bond, the lending costs of which are regarded as non-regulated and therefore not covered by the tariffs. The hybrid bond has no profit impact as it is equity accounted under IFRS due to its perpetual nature and the issuer's ability to optionally defer the coupons.

At year end 2018, **revenue** totalled €1,931.8 million, representing a 122.8% increase compared to the €867.1 million revenue recorded in the previous year. The reported revenue was primarily driven by the inorganic growth resulting from the aforementioned acquisition of Eurogrid, adding a full eight months of Eurogrid revenue amounting to €956.8 million. On a rebased basis[3], revenue increased by €235.0 million (up 13.8%), driven by higher revenue in Belgium (up €108.1 million) and an increase in revenue of Germany since consolidating Eurogrid (up €130.1 million), partially offset by lower EGI revenue (down €3.7 million).

The **reported EBIT** increased by 54.8%, amounting to €502.6 million. Germany contributed slightly more than half with a reported EBIT of €282.5 million (€63.5 million based on the equity method and €219.0 million under full consolidation). On a rebased basis, EBIT increased by 8.3%, driven by strong operational performance in Belgium and Germany, partly offset by an operating loss linked to the Elia Group's non-regulated activities.

The **Elia Group's normalised net profit** increased by 38.0% to €280.8 million. This increase was the result of the aforementioned acquisition (and its consolidation impact) and a higher normalised result for both Elia Transmission and 50Hertz Transmission, partially offset by the higher non-regulated cost for financing the additional stake in Eurogrid.

- **Elia Transmission (Belgium**) achieved strong results, with a normalised net profit of €114.9 million (up 17.2%) driven by the full realisation of the mark-up investments since the start of the tariff period in 2016 (up €11.1 million), the higher average equity and OLO compared to 2017 (up €2.9 million) and lower regulatory settlements from the previous year (up €1.7 million). These impacts were offset to some extent by a lower contribution from incentives (down €1.8 million). Finally, the normalised net profit benefitted from limited damage to electrical installations (up €2.5 million).

- **50Hertz Transmission (Germany**) **(on a 100% basis)** achieved a strong increase in normalised net profit (up 18.5%), mainly due to the release of a legal claim provision (up €50.8 million). This provision was established after German unification to cover possible legal claims by landowners in East Germany. Following a re-assessment driven by a tax audit, part of the provision was released. A major portion (€48.7 million) was released in April and therefore only 60% was attributable to Elia. The ongoing investment programme at 50Hertz also resulted in higher remuneration on both onshore and offshore CAPEX (up €22.1 million) and the operating costs and other costs further decreased (up €5.5 million) on the back of the efficiency programme launched in 2017. Furthermore, the offshore investment cost coverage fell by €40.4 million, due to the transition towards a cost-plus mechanism in 2019. Indeed, the regulatory allowance for offshore OPEX changed from a 3.4% OPEX lump sum on invested CAPEX, as applied in the past, to a pass-through mechanism for incurred costs. Finally, considering the higher depreciations (down €8.3 million) linked to the ongoing investment programme and lower financial costs (up €6.3 million), the normalised net profit for the German activities amounted € 216.3 million.

- The **non-regulated segment (incl. NemoLink)**, recorded a normalised net loss of €7.8 million (down €2.9 million). This loss is due to the non-regulated financing costs for the aforementioned acquisition (not covered by the tariffs) and EGI's lower result. As the NemoLink interconnector was not yet operational by year end 2018, its net contribution to the result was limited to €0.7 million.

The **reported Elia Group net profit** saw a more pronounced increase (up 47.3%) to €307.1 million. This increase is mainly related to non-recurring income linked to the acquisition (€4.3 million), as well as revenue linked to the partial commissioning of the Ostwind 1 offshore connection at 50Hertz Transmission (€23.5 million).

The **net profit of the Elia Group attributable to owners of ordinary shares** (after deducting the €25.7 million in non-controlling interests and €6.2 million attributable to hybrid securities holders) was up 32.0% to €275.2million. This increase was

[3] Rebased financial statements: Purely for comparative purposes the 2017 financial statements have been rebased as if the acquisition and change in consolidation would have occurred in 2017 by (1) increasing the participation in Eurogrid from 60% to 80% as from May 1st 2017, (2) applying a Full Consolidation method for Eurogrid as from May 1st, 2017 identical to the change in consolidation method as applied as from May 1st, 2018, (3) not adjusting pre-acquisition periods (i) with effects directly related to the transaction (eg purchase cost, financing, goodwill, business combination impacts (IFRS 3)…) (ii) with remeasurement of topics resulting from changes in estimates occurred in 2018, but not known in 2017, and (4) considering IFRS 15 as if it had been implemented on January 1, 2017. The rebased figures are only presented as a support for assessing growth rates on a comparable basis, and not as a measure of our pro forma financial performance.

driven by the acquisition of the additional 20% stake in Eurogrid and the combined result of an increase in net profit in both Belgium and Germany.

In 2018, the acquisition of the additional 20% stake in Eurogrid positively contributed to the Elia Group net result for a total amount of €21.0 million. This is the combined impact from the 20% share of Eurogrid's net income since acquisition (up €26.4 million) and the remeasurement at fair value of the initial 60% participation (up €9.2 million), offset to some extent by financial costs linked to the acquisition (including the hybid bond)[4] (down €12.3 million) and other acquisition related expenses (down €2.3 million).

The individual segment reporting sections below provide more detail about the financial performance of the two constituent TSOs (Elia Transmission in Belgium and 50Hertz Transmission in Germany) and the Group's non-regulated activities (incl. NemoLink).

Net financial debt increased to €4,605.6 million, €1,272.9 million of which is linked to the full consolidation of Eurogrid. Net debt increased further with the issue of €300 million senior bond to finance the aforementioned acquisition and a €210 million bank loan was taken out to fund NemoLink. With regard to Elia Transmission, the sizeable CAPEX programme was mainly financed by cash flow from operating activities, the use of €50 million of commercial paper and €100 million EIB loan. Within Eurogrid, no external debt was issued in 2018.

Equity attributable to the owners of the company rose 34.5% compared with year-end 2017, from €2,563.3 million to €3,447.5 million. This increase is driven by the issue of a €700 million hybrid bond, the reservation of the 2018 profit (€281.4 million) less payment of dividends for 2017 (€98.7 million) and the capital increase of €5.3 million reserved for personnel. The equity per share consequently rose from €42.1 to €44.9.

[4] In IFRS the hybrid bond is accounted in equity. Purely for illustrating the accretive character of the acquisition, the €12.3 million of financial charges linked to the acquisition is including the costs of the hybrid instrument.

2.1.A. Segment reporting Elia Transmission (Belgium)

Key results

Elia Transmission key figures (in € million)	2018	2017 (restated[5])	Difference (%)
Total revenue	959.4	851.3	12.7%
Equity accounted investees	1.8	2.0	(10.0%)
EBITDA	369.1	349.7	5.5%
EBIT	228.9	218.9	4.5%
Non-recurring items	0.0	*0.0*	*n.r.*
Normalised EBIT	228.9	*218.9*	4.5%
Net finance costs	(65.4)	(77.1)	(15.2%)
Income tax expenses	(48.6)	(38.8)	25.3%
Net profit	**114.9**	**103.0**	**11.5%**
Non-recurring items	0.0	*5.0*	*n.r.*
Normalised net profit	**114.9**	***98.0***	**17.2%**
Total assets	5,909.2	5,449.0	8.4%
Total equity	1,757.1	1,687.1	4.2%
Net financial debt	2,825.1	2,511.9	12.5%
Free cash flow	(263.3)	(32.8)	702.9%

Free cash flow = net cash from operating activities – net cash used in investing activities

Financial

Elia Transmission's revenue rose to €959.4 million, a 12.7% increase on the same period the previous year. The increase in revenue is the result of a higher allowed regulated net profit, higher depreciations and higher taxes that are passed through into revenue. These increases were partly offset by lower costs, mainly for ancillary services and financing, which are all passed through into revenue to the benefit of consumers.

The table below provides more detail of changes in the various revenue components:

Detailed revenue (in € million)	2018	2017 (restated[4])	Difference (%)
Grid connection	42.6	42.2	0.9%
Management and development of grid infrastructure	472.7	479.2	(1.4%)
Management of the electrical system	116.2	118.5	(1.9%)
Compensation for imbalances	189.5	170.7	11.0%
Market integration	25.5	24.3	4.9%
International revenue	57.8	47.3	22.1%
Other income	61.0	61.4	(0.6%)
Subtotal revenue & other income	**965.3**	**943.6**	**2.3%**
Settlement mechanism: deviations from approved budget	(5.9)	(92.3)	(93.6%)
Total revenue and other income	**959.4**	**851.3**	**12.7%**

Grid connection revenue increased slightly to €42.6 million (up 0.9%) mainly due to higher revenue from connection studies.

Revenue from the **management and development of grid infrastructure** (down 1.4%) and the **management of the electrical system** (down 1.9%) fell slightly mainly due to a tariff decrease.

[5] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note a in the attached consolidated financial statements for more details.

Services rendered in the context of energy management and individual balancing of balancing groups are paid within the revenues from **compensation for imbalances**. These revenues increased by €18.8 million to €189.5 million, largely due to the tariff increase for the management of power reserves and black-start based on offtake (up €15.0 million), a volume decrease for management of power reserves and black-start based on injection (down €11.8 million) and by higher revenues from compensation of imbalances (up €15.6 million). The increase in imbalance revenue is due to higher imbalance prices in 2018 in general and for the month of March in particular due to an unexpected cold snap and high imbalance price peaks during the second half of 2018.

Finally, the last section of tariff revenue encompasses the services Elia Transmission provides within the context of **market integration**, which rose by 4.9% to €25.5 million mainly as a result of a tariff increase.

International revenue increased by €10.5 million (up 22.1%), due to higher congestion income on the southern border due to a combination of improved nuclear availability in France and low nuclear availability in Belgium throughout 2018.

Other income remained in line with prior year at an amount of €61.0 million and mainly represents client contributions and income from own work capitalised.

The **settlement mechanism** (€5.9 million) encompasses both deviations in the current year from the budget approved by the regulator (+€52.9 million) and the settlement of net surpluses from prior tariff period (-€47.0 million). The operating excess, in relation to the budget of the costs and revenues authorised by the regulator, must be returned to the consumers and therefore does not form part of the revenues. The operational surplus compared to the budget is primarily a result of the higher tariff sales (€5.1 million), increased cross-border revenues (€15.7 million), lower costs for ancillary services (€24.6 million) and lower financial charges (€28.8 million). This was partly offset by a higher regulated net profit (€7.3 million) and higher taxes compared to the budget (€18.6 million).

The **EBITDA** (up 5.5%) and **EBIT** (up 4.5%) were mainly affected by increased regulated net profit, higher depreciations, lower financing costs and higher current taxes to be passed on in the tariffs, partly offset by the lower result of equity-accounted investments.

Net **finance costs** (down 15.2%) fell by €11.7 million compared to the previous year. Over the course of 2018, interest rate swap contracts which matured at the end of 2017, have been renewed at lower interest rates benefitting from the low interest rate environment. The lower lending costs are entirely to the consumer's benefit, in accordance with the regulatory framework.

The **normalised net profit** increased by 17.2% to €114.9 million, mainly due to the following factors:

1. Increase in the **fair remuneration** (up €2.9 million):
   The higher average OLO compared to 2017 (up 0.07%) and the increase in equity due to the reservation of part of the 2017 result (€45 million), led to a fair remuneration of €44.0 million.
2. Decrease in the **incentives** realised (down €1.8 million):
   Strong operational performance, primarily with regard to the incentive linked to import capacity (up €3.4 million), welfare (up €1.1 million) and continuity of supply (up €0.6 million), was offset by lower performance on the influencable incentive (down €2.1 million), lower incentive on timely completion of the investment programme as no project was planned to be taken into operation in 2018 (down €1.0 million) and lower efficiency (down €1.7 million). In addition, the higher average tax rate negatively impacted the net contribution from incentives (down € 2.2 million).
3. Higher **mark-up** for strategic investments (up €11.1 million) accounted for €42.2 million.
4. No major damage to electrical installations compared to 2017 (up €2.5 million)
5. Regulatory settlement for previous year (up €1.7 million)
6. Others (up €0.2 million): represents mainly a higher bad debt allowance for trade receivables with the adoption of IFRS 9 and deferred tax effects.

As no non-recurring items were recognised in 2018, the **reported net profit** increased to a lesser extent, up 11.5% to €114.9 million. In 2017, with the approval of the legislation implementing the corporate tax reform, a non-recurring profit of € 5.0 million was recognised following a re-assessment of the deferred tax assets and liabilities according to the new future tax rates that apply to the period when the asset will be realised or the liability settled.

Total **assets** increased by €460.2 million to €5,909.2 million, mainly as a result of the investment programme. The **net financial debt** increased to €2,825.1 million (up 12.5%), as Elia's capex programme was mainly financed by cash flows generated from operating activities, the drawing of €100 million EIB loan contracted in 2017 and commercial paper totalling €50 million.

The **equity** increased mainly as a result of the reservation of the 2018 profit and the capital increase of €5.3 million reserved for personnel, minus the contribution of regulated activities to the 2017 dividend payment.

Operational

The total load estimation increased slightly from 87.1 TWh in 2017 to 87.5 TWh in 2018 (up 0.4%). The net offtake from the Elia network decreased from 67.3 TWh in 2017 to 66.1 TWh in 2018 (down 1.7%).

In 2018, net injection on Elia network decreased significantly from 62.0 TWh in 2017 to 49.9 TWh in 2018 (down 19.6%), mainly due to the low availability of the nuclear power plants. This injection decrease is mainly compensated by the Elia Net imports increase from 6.5 TWh in 2017 to 17.5 TWh (up 168%).

Total Elia imports increased by 53% to 21.7 TWh, while the total Elia exports decreased by 45% to 4.2 TWh. In total, the electricity flows between Elia network and its neighbouring TSOs increased by 18% to 25.9 TWh.

Investments

Elia further accelerated its investments in 2018, reaching a record €637 million[6] in Belgium (including Nemo). These investments were mainly related to upgrading high-voltage substations and installing high-voltage interconnections, intended to incorporate renewable energy into the grid and facilitate the further integration of the European energy market through interconnections.

Work on major interconnection projects such as Brabo (€47.2 million) and ALEGrO (€101.0 million) continued, and investments were made in upgrading the high-voltage Mercator-Horta line (€43.1 million). €111.4 million was also invested in the Modular Offshore Grid. Lastly, Elia Transmission continued to finance Nemo Link to the tune of €59.5 million.

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[6] Excluding Nemo and including capitalisation of software and IAS 23 (Borrowing Costs) and IFRS 15 (Revenue Recognition - Transfer of Assets from Customers), this totals €600.6 million.

2.1.B. Segment reporting 50Hertz Transmission (Germany)

Key results

50Hertz Transmission key figures (in € million)	2018	2017 (restated[7])	Difference (%)
Total revenue	1,364.9	1,330.2	2.6%
EBITDA	475.0	472.4	0.5%
EBIT	385.4	322.6	19.5%
Non-recurring	*30.6*	*0.2*	*n.r.*
Normalised EBIT	354.8	322.4	10.1%
Net finance costs	(45.6)	(54.3)	(16.1%)
Income tax expenses	(101.9)	(85.6)	19.1%
Net profit	**237.9**	**182.7**	**30.2%**
Of which attributable to the Elia Group	**169.2**	**109.6**	***54.4%***
Non-recurring	*21.6*	*0.1*	*n.r.*
Normalised net profit	**216.3**	**182.6**	**18.5%**
Total assets	6,752.1	6,188.1	9.1%
Total equity	1,491.8	1,354.4	10.1%
Net financial debt	1,272.9	1,442.3	(11.7%)
Free cash flow	278.7	283.8	(1.8%)

* Income, expenses, assets and liabilities are reported in the table at 100%

Financial

50Hertz Transmission's revenue increased by 2.6% compared to the same period last year. This was the result of growing revenue following the ongoing capex programme, partially offset by lower pass-through energy costs and a reduced allowance for offshore operational costs.

Total revenue is detailed in the table below.

Total revenue (in € million)	2018	2017 (restated[7])	Difference (%)
Vertical grid revenue	1,047.3	1,241.4	(15.6%)
Horizontal grid revenue	233.8	210.2	11.2%
Ancillary services revenue	121.5	94.0	29.3%
Other revenue	68.4	73.5	(6.9%)
Subtotal revenue	**1,471.0**	**1,619.1**	**(9.1%)**
Settlement mechanism: deviations from approved budget	(106.1)	(288.9)	n.r.
Total revenue and other income	**1,364.9**	**1,330.2**	**2.6%**

Vertical grid revenue (tariffs to end customers) declined by €194.1 million (down 15.6%) compared to 2017, primarily driven by the decrease in the total allowed revenues by the regulatory framework. The compensation for non-controllable energy costs reduced by €272.6 million, mainly from the settlement of prior years. In 2017 a tariff deficit was recovered (caused by high energy costs in 2015), while in 2018 a tariff surplus is paid back to the customers (caused by low energy costs in 2016). Furthermore, regulatory remuneration generated from the asset base increased as a consequence of the onshore and offshore investments made (up €11.9 million). Finally, the revenues were positively impacted by higher third-party offshore costs passed through to the customers (up €40.9 million).

Horizontal grid revenue (tariffs to other TSOs) increased by €23.6 million (up 11.2%), mainly driven by a higher allowance for offshore costs (up €21.2 million). In Germany, all offshore connection costs are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs. Due to rising offshore investments, which in 2018 pertain mainly to the offshore grid connection for

[7] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note a in the attached consolidated financial statements for more details.

Ostwind 1 and Ostwind 2, the cost recovery charged horizontally to the other TSOs is rising and thus affecting horizontal revenue.

Ancillary services revenue increased by €27.5 million (up 29.3%) compared to 2017. Due to a new cost sharing agreement between the German TSOs, more redispatch costs can be charged to other TSOs. As such, redispatch revenues increased (up €10.2 million), even though the total redispatch requirements were reduced by grid extension (Southwest coupling line) and efficient management. Furthermore, the new cost sharing mechanism for reserve power plants generated revenues for the first time in 2018 (up €13.7 million).

The **settlement mechanism** includes both the annual offsetting of deficits and surpluses arising accounted for prior to 2018 (+ €120.8 million) and the net surplus generated in 2018 between the costs allowed to be passed on in the tariffs and the actual costs (- €226.9 million). The liability for 2018 is strongly driven by the actual redispatch costs totalling far below this year's revenue cap allowance (- 166.5 m€). Furthermore, the grid revenues (horizontal and vertical) are based on an offshore OPEX allowance of 3.4% on invested capital. With the transition towards a cost-plus mechanism starting in 2019, there is a strong likelihood that only incurred offshore costs will be accepted in 2018 (pass-through approach). The difference between the revenue allowance and the actual costs is to be paid back to the customer, resulting in the recognition of a liability for offshore costs (- €72.8 million).

EBITDA increased slightly by €2.6 million to €475.0 million (up 0.5%). Total investment remuneration fell (down €25.9 million), as the higher onshore (up €17.5 million) and offshore (up €14.0 million) remuneration triggered by the ongoing investment programme, was more than offset by the lower regulatory allowance for offshore OPEX (down €57.4 million). The regulatory revenues from the Base Year mechanism decreased (down €3.3 million) from the annual adjustment for inflation and efficiency targets linked to the application of the regulatory framework. OPEX and other costs fell slightly (up €2.4 million). The efficiency programme implemented in 2017, resulted in a further drop in several operational expenses, such as maintenance and insurance, while own work capitalised revenues increased due to a higher allocation of personnel costs to new investments and were only partially offset to a certain extent by higher personnel costs, driven by both an increase in tariff wages and additional staffing to roll out the growing investment programme. **Normalised EBIT** (up 10.1%) was further impacted by the release of a provision for legal claim easements (up €72.1 million). Following a re-assessment driven by a tax audit, part of the provision was released. This was partly offset by the increased depreciations resulting from the commissioning of the southwest coupling line and the North Ring in the second half of 2017 and the partial commissioning of Ostwind 1 in 2018 (down €11.8 million).

In light of non-recurring revenue linked to the partial commissioning of the Ostwind 1 project (€33.3 million) and a bonus for the efficient management of renewable energies (€0.1 million), partially offset by regulatory settlement of prior years (-€2.8 million), the **reported EBIT** totalled €385.4 million.

The **normalised net profit** increased by 18.5% to €216.3 million as a result of:

1. Growing asset base leading to higher investment remuneration (up €31.5 million);
2. Lower Offshore OPEX remuneration (down €57.4 million);
3. Lower Base Year revenue (down €3.3 million);
4. Lower OPEX and other costs (up €2.4 million);
5. Release of a provision (up €72.1 million);
6. Increased depreciation (down €11.8 million) driven by the commissioning of investments;
7. Reduced net finance costs (up €7.4 million), mainly due to lower interest on tax risk (up €3.8 million) and lower interest on the legal claim easement provision after the release (up €2.6 million);
8. Increased income tax expense (down €7.2 million).

Total assets increased by € 564.0 million to €6,752.1 million (up 9.1%), mainly driven by the investments made and a further increase in the cash position. 2018 showed a positive **free cash flow** of €278.7 million, €84.3 million of which was generated by the EEG mechanism. The ongoing investment programme has been financed by operating cash flow and working capital. No new long term debt was issued by Eurogrid GmbH in 2018. N**et financial debt** consequently fell to €1,272.9 million compared to the end of 2017. It includes an EEG cash position of €859.4 million.

Operational

A net volume of 50.4 TWh was drawn off from the 50Hertz grid, 3.3% more than during the same period last year (48.8 TWh). In 2018, 50Hertz was again a net exporter of electricity, with net exports of 49.2 TWh (48.8 TWh in 2017). Some 15.0 TWh of electricity was imported and 64.2 TWh exported (12.3 TWh and 61.1 TWh in 2017). The year's peak load totalled 9,284 MW (9,107 MW in 2017).

Investments

To fulfil grid users' requirements, 50Hertz Transmission invested €491.5 million in 2018, 7% more than in the previous year (€460.6 million).

A total of €219.5 million was invested in onshore projects, while offshore investments totalled to €272.0 million. The most significant onshore investments went to the modernisation of the telecommunications network (€24.2 million), the reinforcement of high voltage pylons to improve the operational safety (€15.1 million), the restructuring and reinforcement of the overhead line from Wolmirstedt to Güstrow (€11.3 million) and the reinforcement of the overhead line from Wolmirstedt to Helmstedt (€10.3 million). Offshore investments were mainly made for the offshore grid connection of Ostwind 1 (€126.8 million), Ostwind 2 (€98.7 million) and the offshore interconnector project Kriegers Flak Combined Grid Solution (€43.8 million).

2.1.C. Segment reporting for non-regulated activities (Incl. NemoLink)

Key results

Non-regulated activities (incl. NemoLink)key figures (in € million)	2018	2017 (restated[8])	Difference (%)
Total revenue	13.9	19.8	(29.9%)
Equity accounted investees	0.3	(1.4)	n.m.
EBITDA	(7.9)	(2.6)	198.8%
EBIT	(8.9)	(3.0)	200.6%
Non-recurring	*(3.3)*	*0.0*	*n.r.*
Normalised EBIT	*(5.6)*	*(3.0)*	90.3%
Net finance income	1.3	0.6	105.8%
Income tax expenses	4.1	(2.5)	n.m.
Net profit	**(3.5)**	**(4.9)**	**(28.2%)**
Of which attributable to the Elia Group	***(2.8)***	***(4.1)***	***(31.7%)***
Non-recurring	*4.3*	*0.0*	*n.r.*
Normalised net profit	***(7.8)***	***(4.9)***	**59.7%**
Total assets	1,677.9	594.4	182.3%
Total equity	1,052.7	334.7	214.5%
Net financial debt	507.6	171.4	196.1%

EBIT = result from operating activities and share of profit of equity-accounted investees (net of income tax)
EBITDA = EBIT + depreciation/amortisation + changes in provisions
Non-recurring items: see section 8 for more information on the non-recurring items.
Equity = equity attributable to owners of the company and holders of hybrid securities
Net financial debt = non-current and current loans and borrowings less cash and cash equivalents

Financial

The **non-regulated revenue** decreased by 29.9% compared with 2017. This was mainly due to EGI revenue, which fell from €13.2 million to €9.5 million due to the decline in owner engineering services rendered compared to 2017 levels. Furthermore, the 2018 sale of the Training and Research Centre for Power Systems Security (GridLab) to DNV GL resulted in lower revenue (down €1.0 million).

A **normalised operating loss (EBIT)** of €5.6 million was generated due to higher non-regulated costs and the lower contribution from EGI, partially offset by a limited contribution from NemoLink (as not yet in operation in 2018). The **reported operating loss** increased more markedly to €8.9 million as the acquisition of Eurogrid generated non-recurring expenses of €3.3 million related to legal and advisory fees.

The **net finance income** increased to €1.3 million, primarily as a result of the acquisition of an additional stake in Eurogrid, which is considered as non-regulated financing and therefore does not affect tariffs. The remeasurement to fair value of the Group's initial 60% shareholding in Eurogrid resulted in the recognition of a financial non-recurring gain of €9.2 million, partly offset by the financial costs of financing this transaction. First, a bridge loan of €968.1 million was taken out, resulting in financial expenses of €1.8 million. In August, the bridge was successfully refinanced through the issue of a €300 million senior bond (coupon 1.50%) and a €700 million hybrid bond (coupon 2.75%). While the hybrid bond has no profit impact (accrued dividends are directly accounted in equity), €2.6 million of interest cost have been recognised for the senior bond (incl. issuance and hedging costs). In addition, the mid swap rate for both the senior and hybrid bond were fully hedged. The unwinding of the hedge linked to the hybrid bond resulted in a non-recurring financial loss of €3.2 million.

The **normalised net loss** increased to €7.8million and is mainly related to the financing cost for the acquisition of Eurogrid (down €3.5 million), lower result from EGI (down €0.5 million) and higher non-regulated costs. As NemoLink was not yet into operation in 2018, the net contribution from NemoLink was limited to €0.7 million. Taking into account non-recurrent items, the **reported net loss** decreased to €3.5 million, as the remeasurement to fair value of the Group's initial participation in Eurogrid

[8] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note a in the attached consolidated financial statements for more details.

(up €9.2 million) was partially offset by acquisition-related expenses and non-recurrent financing and hedging costs (down €4.9 million).

Total **assets** increased by €1,083.5 million to €1,677.9 million driven by the increased participation in Eurogrid on which a goodwill of €703.3 million was recognised. Consequently, the **net financial debt** increased to €507.6 million and reflects mainly the senior bond contracted to finance the additional 20% stake in Eurogrid.

2.2 Segment reconciliation

Group results per segment (in million EUR)	**2018** Elia Transmission	**2018** 50Hertz Transmission	**2018** Non-regulated (incl. Nemo)	**2018** Consolidation entries	**2018** Elia Group
Total revenue	959.4	1,364.9	13.9	(406.4)	1,931.8
Equity accounted investees, net of tax	1.8	0.0	0.3	63.5	65.6
EBITDA	**369.1**	**475.0**	**(7.9)**	**(85.7)**	**750.5**
Depreciation, amortization, impairment and changes in provisions	(140.2)	(89.6)	(1.0)	(17.1)	(247.9)
EBIT	**228.9**	**385.4**	**(8.9)**	**(102.8)**	**502.6**
Net finance costs	(65.4)	(45.6)	1.3	16.4	(93.2)
Income tax expenses	(48.6)	(101.9)	4.1	44.2	(102.2)
Normalised net profit	**114.9**	**216.3**	**(7.8)**	**(42.6)**	**280.8**
Net profit	**114.9**	**237.9**	**(3.5)**	**(42.2)**	**307.1**
Non-controlling interest					*25.7*
Hybrid securities					*6.2*
Net profit attributable to owners of ordinary shares					**275.2**
Total assets	5,909.2	6,752.1	1,677.9	(584.9)	13,754.3
Net financial debt	2,825.1	1,272.9	507.6		4,605.6

3. SIGNIFICANT EVENTS DURING 2018

Significant progress on crucial investments in Belgium and Germany

NemoLink - Belgium

Nemo Link, a joint project between Elia and National Grid, was officially inaugurated on 5 December. This was a major event for Elia, as Nemo Link is the first interconnector between Belgium and the United Kingdom (UK), the first subsea interconnector, and marks the first time that Elia has used HVDC (high-voltage direct current) technology.

The inauguration of the Nemo Link interconnector is the culmination of an enormous project that took nearly 10 years to complete. Connecting the Richborough (UK) and Herdersbrug (Belgium) converter stations via a 140-km-long cable (130 km of which is under water) was an extremely complex, technically challenging undertaking. The project, including full commissioning tests, was completed in mid-January and has been operational since 30th January 2019.

The commissioning of Nemo Link heralds an important new phase in the integration of the European electricity grid and fosters the transition to a sustainable and affordable energy system. With a capacity of 1,000 MW (equal to that of a nuclear reactor), Nemo Link represents a significant asset in terms of ensuring security of supply and the integration of renewable energies into the energy mix.

Modular Offshore Grid - Belgium

Work on the Modular Offshore Grid (MOG) project is progressing well. Following the awarding of all main construction contracts in early 2018, the jacket was successfully installed on the seabed in early November, anchoring the platform to the seabed with four posts at a depth of 60 metres. The construction of the immense switchyard platform is on schedule and the project is well on track to go live by the end of Q3 2019 and become fully operational in 2020.

As part of the MOG project, Elia is building an electricity hub for four offshore wind farms to bring the energy they generate onshore as efficiently as possible. This is the first project of its kind in Belgium and will create further opportunities for the development of renewable energy in the North Sea.

ALEGrO project – Belgium

After obtaining all the necessary permits and authorisations in late 2017, work on the ALEGrO project (building the first electricity interconnector between Belgium and Germany) started in 2018. Three parallel subprojects have consequently been launched, namely: the construction of a 49-km-long underground connection alongside existing infrastructure (the E40 motorway, high-speed rail link, etc.) between the transformer substation at Lixhe and the connection point with Amprion on the German border; the converter station at Lixhe, in the municipality of Visé, which will link the ALEGrO connection to the existing network; and a microtunnel to enable cables to pass under the River Meuse and Albert Canal at the Cheratte viaduct. In Germany, Amprion started working on the 41-km-long connection as well as the Oberzier converter station at the end of October 2018.

Elia expects construction work on the infrastructure for this interconnection to take two years, with testing in 2020 and commissioning at the end of that year.

Brabo project - Belgium

The Brabo project is part of the effort to upgrade the Belgian electricity grid and is necessary to safeguard the supply to the whole of Belgium in general and the Port of Antwerp area in particular. Preparations were made in early 2018 in and along the River Scheldt in order to erect the biggest electricity pylons in Belgium, to connect the high-voltage substation at Lillo with Liefkenshoek.

Foundation works were completed by mid-October, triggering the next phase of the project (the assembly of the pylons). This work is currently ongoing and is expected to last until Q2 2019.

Mercator-Horta – Belgium

Work is progressing well on the 49-km, 380-kV Mercator-Horta high-voltage line between Kruibeke and Zomergem in East Flanders. The project's initial phase involved reinforcing the pylons and their foundations; this phase is complete. The second phase (the replacement of the old conductors) started in April 2018. The reinforcement work will end in 2019 and is currently still on schedule.

This work will enable the line, which in recent years has become an increasingly important link in the European electricity system, to transmit more energy. The Mercator-Horta upgrade is crucial to guaranteeing higher import capacity, consequently ensuring efficient energy exchanges with Belgium's neighbours, increasing security of supply and further integrating renewable energy.

Ostwind 1 - Germany

Work on the Ostwind 1 project is almost complete. This project predominantly aims to enhance the integration of renewable energy by connecting the Lubmin onshore substation with two offshore substations (OSSs) and interconnect the latter by means of three subsea cables.

After three years of construction, the submarine cables have now been laid. Early-2018 the two OSSs were constructed and successfully interconnected by cable. Only residual works need to be performed now. The electricity, however, can already be fed into the grid. The project is well on track to become fully operational by its binding completion dates. Thanks to various savings made, for consumers' benefit, the project's overall cost will be less than initially planned.

Ostwind 2 - Germany

Following an offshore wind tender submitted in April 2018, the German Federal Network Agency (BNetzA) allocated 733 MW of connection capacity to three wind farms in the Baltic Sea: Arcadis-Ost 1, Baltic Eagle and Wikinger Süd. This represents another key step towards the culmination of the German energy transition. After initiating talks with the wind farm operators to mutually agree on of the timeframes and technical design of the required grid connection, 50Hertz awarded the contract for the manufacturing and installation of three 220KV alternating current (AC) cables for the Ostwind 2 project to the consortium of Danish cable manufacturer NKT and Dutch installation company Boskalis.

Kriegers Flak Combined Grid Solution - Germany

Work on the Kriegers Flak Combined Grid Solution project is progressing well. This entails constructing the first interconnector between two national offshore wind farms, with a planned transfer capacity of 400 MW. In the first half of 2018, the offshore platforms were successfully installed. The platforms will serve to collect power generated by the future offshore wind farm on the Kriegers Flak reef and enable Denmark and Germany to exchange electricity. After installing both offshore cables, another important milestone was reached early November, as 50Hertz and the Danish Energinet successfully accomplished a 24hours energising test of both of the offshore cables connecting the Danish platform of the Kriegers Flak wind farm with the German platform Baltic 2. The civil works and the construction of the back-to-back converter station encountered a delay primarily due to the overheated construction market in Germany. Consequently, the commissioning of the Combined Grid Solution is planned for Q2 2019.

Significant progress on innovative technologies enabling the energy transition

Elia, SettleMint and Actility launch one of Europe's first blockchain pilot projects in the energy sector

Elia has launched a pilot project to analyse potential applications of blockchain technology in the energy sector with a view to confirming blockchain's suitability for automating a number of processes related to activating flexible reserves and developing a decentralised flexibility management solution.

The increase in renewable energy generation is making it increasingly difficult for transmission system operators to guarantee that generation and consumption are balanced at all times. Power derived from renewables fluctuates constantly, so flexible reserves that can be activated swiftly (like batteries, demand management via heat pumps, etc.) are needed to ensure a constant balance. Elia is exploring the opportunities offered by blockchain technology as a payment system to address the business side of such complex, rapid transactions. The pilot project, conducted together with SettleMint and Actility, will last three months.

A shared datahub for the Belgian Grid

The first shared central datahub for the Belgian grid has been up and running since March 2018. This new IT system is the result of close cooperation between the distribution system operators (DSOs) and Elia and will encourage further market flexibility. It gathers all the data needed to perform an economic assessment of the flexibility used, e.g. the consumption profiles of all grid users who opt to offer flexibility. The system calculates the quantity of energy 'not consumed' or generated over a given period, thereby ensuring that the market processes involved in flexibility run smoothly. Against a backdrop of growing intermittent renewable energy generation, greater grid flexibility is becoming increasingly necessary to ensure that supply and demand are balanced at all times at the lowest possible cost.

50Hertz puts compactLine into operation

After 11 months of construction, compactLine is now transmitting electricity. compactLine is a new system design consisting of masts and rope suspensions that is far more compact than a conventional extra-high-voltage overhead line. In 2013, a research consortium led by 50Hertz started developing compactLine, which has since been implemented as a pilot line in Jessen, Saxony-Anhalt, on behalf of 50Hertz, over a length of approximately 2 km. With a route width of 55 m and a mast height of 32 m, compactLine better fits into the landscape than conventional overhead lines, without compromising key functionalities.

Successful debt capital market transaction by Elia System Operator NV/SA

In August, Elia successfully launched a €300-million 10-year senior bond and a €700-million perpetual hybrid bond to refinance a bridge loan for the acquisition of an additional 20% stake in Eurogrid International. Owing to considerable investor interest, with book building completed in just a few hours, the bonds were significantly oversubscribed, leading to an annual coupon of 1.50% for the senior bond and a coupon of 2.75% for the hybrid bond.

In December, Elia successfully took out a €210-million loan to finance Nemo Link. The loan has a fixed term of 15 years with a fixed interest rate of 1.8% per annum. The proceeds of the loan will go to Nemo Link.

New tariff methodology 2020-2023 in Belgium

On June 28, the Belgian regulator approved the new tariff methodology that will be applicable for the period 2020-2023. With regard to the regulated activities, this methodology represents a continuation of the main principles already applicable today. The regulatory framework remains a cost-plus model, with cost coverage of all reasonable costs and remuneration. This remuneration is based on an equity remuneration and incentives and also the embedded debt principle remains applicable. The parameters for the computation of the equity-based remuneration were revised: the risk-free rate will be fixed ex-ante at 2.4% for the whole period and also the regulatory gearing increases from 33% to 40%. The remuneration includes specific incentives, intended to incentivise Elia to further enhance the performance regarding a wide range of regulated activities in Belgium.

New tariff methodology 2019-2023 in Germany

In 2018, the activities to set the regulatory framework for the third regulatory period (2019-2023) were continued. After, the German regulator having already decided to cut the interest rate for the return on equity (RoE) for new assets from 7.39% to 5.64% after tax, the main outstandings were related to the determination of the cost base as well as of the general productivity factor (Xgen) and the individual efficiency factor (Xind). 50Hertz received the regulator's decision on the cost base as well as the individual efficiency factor on January 24th 2019.

The general productivity factor for the third regulatory period is to be defined based on scientific methods and on data from the German grid operator industry. The defined factor of 0.9% was published by the regulator on December 5th 2018.

Concerning the definition of the individual efficiency factor there were not enough comparable data available from other transmission system operators in the European Union. Instead, a relative grid analyses for the four German transmission system operators was carried out. In the decision on the cost assessment process from January 24th 2019, the regulator confirms the efficiency of 50Hertz at 100%.

As part of the approval procedure for the base year 2016, the regulator has decided on the Balance Sheet items. In the 3rd regulatory period, receivables and current assets related to EEG and similar surcharges will not be accepted anymore in the imputed Balance sheet. The impact of the EEG phase-out from the RAB is mitigated by a specific remuneration scheme acknowledged by the regulator. The regulator accepts an amount that equals to 50% of the remuneration that would be due for full acceptance of those renewable-related receivables.

4. IMPORTANT EVENTS AFTER 31 DECEMBER 2018

With regard to the Belgian new tariff methodology applicable for the period 2020-2023, Elia lodged in 2018 and appeal against a new provision defining the impact on regulated tariffs of loans contracted to finance non-regulated activities. According to this provision, the financing of non-regulated activities is valorised on terms equivalent to a financing that would be fully ensured by equity. On January 10, Elia received a copy of the judgment of the 'Markets Court', which declares its appeal admissible but unfounded. The subject matter of this judgment is limited to this provision of the tariff methodology 2020-2023 which remains in force as approved and published on 28 June 2018 and thus applicable from 2020. Based on a detailed analysis of this judgement, Elia remains convinced that this judgement has no significant impact on our current investments in non-regulated activities. Should elements arise in the future that would lead to substantially different consequences, then Elia will analyse them and take a position in due time, including possible legal and other mitigating remedies.

5. OUTLOOK AND OTHER INFORMATION[9]

With NemoLink being in operation since the beginning of this year and anticipating on a capital increase in 2019, the Elia Group expects to realise an Adjusted return on equity (ROE adj.) between 7% and 8%. This return is based on the underlying performance of both Elia Transmission and 50Hertz Transmission.

- In **Belgium**, we remain confident to achieve a regulated return (ROE) between 5% and 6% assuming a stable trend in Belgian 10-year OLO, no changes to the regulatory framework and an anticipated capital increase. The investment programme will be further increased to approximately €700 million with a view in further upgrading and expanding the grid. The Modular Offshore Grid is planned to be commissioned in the second half of 2019 and will create further opportunities for the development of renewable energy in the North Sea.

- In **Germany**, we enter the first year of the 3rd regulatory period. Driven by the lower return on equity set by the German regulator, we remain confident in our ability to achieve a return (ROE) between 8% and 10%. 50Hertz Transmission intends to invest approximately €420 million in 2019.

Elia Group - Outlook	**2019**	**2018**
Return on Equity (adj.) (%) (Elia share)[10]	7% - 8%	10.04%

6. JOINT AUDITORS' REVIEW REPORT

The joint statutory auditors, Ernst & Young Bedrijfsrevisoren/Réviseurs d'Entreprises represented by Mr Patrick Rottiers and KPMG Bedrijfrevisoren/Réviseurs d'Enterprises represented by Mr Alexis Palm, have confirmed that their audit procedures, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting information included in this press release.

7. FINANCIAL CALENDAR FOR 2019

Publication of 2018 Annual Report	Early April 2019
General Meeting of Shareholders	21 May 2019
Interim statement Q1 2019	22 May 2019
Payment of dividend for 2018	End May 2019
Publication of 2019 half yearly results	26 July 2019
Interim statement Q3 2019	29 November 2019

8. Non-recurring items – Reconciliation table

[9] The following statements are forward looking and actual results may differ materially
[10] Net profit attributable to owners ordinary shares / equity attributable to owners of ordinary shares

(in million EUR) - Period ended 31 Dec. 2018	Elia Transmission	50Hertz Transmission (100%)	Other (100%)	Consolidation entries	Elia Group
EBIT – Non-recurring items					
Regulatory settlements prior year	0.0	(2.8)	0.0	1.4	(1.4)
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	0.0	(0.6)	(0.6)
Offshore commissioning	0.0	33.3	0.0	0.0	33.3
Energy bonuses	0.0	0.1	0.0	0.0	0.1
Eurogrid acquisition costs	0.0	0.0	(3.3)	0.0	(3.3)
Total EBIT non-recurring items	**0.0**	**30.6**	**(3.3)**	**0.8**	**28.1**
Non-recurring financial cost	0.0	0.0	(3.8)	0.0	(3.8)
Revaluation participation Eurogrid	0.0	0.0	9.2	0.0	9.2
Total Before tax non-recurring items	**0.0**	**30.6**	**2.1**	**0.8**	**33.5**
Impact tax reform on deferred tax	0.0	0.0	0.0	0.0	0.0
Tax impact	0.0	(9.0)	2.2	(0.4)	(7.3)
Net profit – non recurring items	**0.0**	**21.6**	**4.3**	**0.4**	**26.3**

(in million EUR) - Period ended 31 Dec. 2017	Elia Transmission	50Hertz Transmission (100%)	Other (100%)	Consolidation entries	Elia Group
EBIT – Non-recurring items					
Regulatory settlements prior year	0.0	(4.6)	0.0	4.6	0.0
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	0.0	0.1	0.1
Energy bonuses	0.0	4.8	0.0	(4.8)	0.0
Total EBIT non-recurring items	**0.0**	**0.2**	**0.0**	**(0.1)**	**0.1**
Impact tax reform on deferred tax	5.0	0.0	0.0	0.0	5.0
Tax impact	0.0	(0.1)	0.0	0.1	0.0
Net profit – non recurring items	**5.0**	**0.1**	**0.0**	**(0.1)**	**5.1**

About the Elia Group

ONE OF EUROPE'S TOP FIVE PLAYERS

The Elia Group is active in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. With subsidiaries in Belgium (Elia) and northwest Germany (50Hertz), we operate 18,600 km of high-voltage connections. As such, our group is one of Europe's top five. With a reliability level of 99.999%, we give society a robust power grid, which is important for socioeconomic prosperity. We also aspire to be a catalyst for a successful energy transition towards a reliable, sustainable and affordable energy system.

WE MAKE THE ENERGY TRANSITION HAPPEN

By expanding international high-voltage connections and integrating ever-increasing amounts of renewable energy production, the Elia Group promotes both the integration of the European energy market and the decarbonisation of our society. The Elia Group is also innovating its operational systems and developing market products so that new technologies and market parties can access our grid, thus making the energy transition happen.

Headquarters

Elia System Operator
Boulevard de l'Empereur 20
1000 Brussels – Belgium

50Hertz GmbH
Heidestraße 2
D-10557 Berlin – Germany

IN THE INTEREST OF SOCIETY

As a key player in the energy system, the Elia Group is committed to working in the interest of society. We respond to the rapidly changing energy mix, i.e. the increase in renewable energy, and constantly adapt our transmission grid. We also ensure that investments are made on time and within budget, with a maximum focus on safety. When we carry out our projects, we manage stakeholders proactively by establishing two-way communication with all affected parties very early on in the development process. We also offer our expertise to our sector and relevant authorities to build the energy system of the future.

INTERNATIONAL FOCUS

In addition to its activities as a transmission system operator, the Elia Group provides various consulting services to international customers through its subsidiary Elia Grid International (EGI). Elia is also part of the Nemo Link consortium that is building the first subsea electrical interconnector between Belgium and the UK.

The Group operates under the legal entity Elia System Operator, a listed company whose core shareholder is the municipal holding company Publi-T.

www.elia.be/www.eliagroup.eu

ANNEXES:

Basis for segment reporting

The Group has decided to revise its segment structure in comparison with last year. Resulting from the increased stake in 50Hertz, the Group’s internal reporting process has been reviewed which ultimately resulted in an amended segment reporting. With this change, the Group believes that the structure of the segments is more in line with the operational activities and its current internal reporting.

The Group has chosen for a segment reporting driven by the different regulatory frameworks that currently exist within the Group. Such reporting is also in line with the Group’s internal reporting to the Chief Operating Decision Maker (CODM), which enables him to better evaluate and assess the Group’s performance and activities in a transparent way.

Pursuant to IFRS 8, the Group has identified the following operating segments based on the aforementioned criteria:

- Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia System Operator NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA, Ampacimon SA and Enervalis NV, whose activities are directly linked to the role of Belgian transmission system operator.
- 50Hertz Transmission (Germany), which comprises the activities based on the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of transmission system operator in Germany.
- The non-regulated activities (incl. NemoLink), which consists out of:
  - Eurogrid International CVBA;
  - the non-regulated activities within Elia System Operator NV/SA, Elia Asset NV/SA and Elia Engineering NV/SA;
  - Atlantic Grid, comprising E-Offshore A LLC and Atlantic Grid Investment A Inc, who are connected to the Atlantic Wind Connection project which aims to develop the first high-voltage direct current offshore grid off the East Coast of the United States;
  - EGI (Elia Grid International NV/SA, Elia Grid International GmbH and Elia Grid International LLC), companies supplying specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice, while fully complying with regulated business environments;
  - Nemo (Nemo Link Ltd), linked to the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries.

The three operating segments have also been identified as the Group's 3 cash-generating units, as the group of assets managed by the segments independently generates cash flows.

The CODM has been identified by the Group as being the Boards of Directors, the CEOs and the Management Committees of each segment. The CODM periodically reviews the performance of the Group's segments using various indicators such as revenue, EBITDA and operating profit.

The information presented to the CODM follows the Group's IFRS accounting policies and therefore no reconciling items have to be disclosed.

Consolidated statement of financial position

(in million EUR)	31 December 2018	31 December 2017 restated *
ASSETS		
NON CURRENT ASSETS	**11,362.8**	**6,079.1**
Property, plant and equipment	8,456.2	3,202.4
Intangible assets and goodwill	2,502.3	1,738.6
Trade and other receivables	177.0	147.8
Equity-accounted investees	135.4	928.6
Other financial assets (including derivatives)	86.9	60.9
Deferred tax assets	5.0	1.0
CURRENT ASSETS	**2,391.5**	**503.2**
Inventories	19.2	13.6
Trade and other receivables	558.9	281.1
Current tax assets	3.6	3.8
Cash and cash equivalents	1,789.3	195.2
Deferred charges and accrued revenues	20.6	9.6
Total assets	**13,754.3**	**6,582.3**
EQUITY AND LIABILITIES		
EQUITY	**3,748.9**	**2,564.4**
Equity attributable to owners of the Company	3,447.5	2,563.3
Equity attributable to ordinary shares	2,741.3	2,563.3
Share capital	1,521.5	1,517.6
Share premium	14.3	11.9
Reserves	173.0	173.0
Hedging reserve	(6.2)	0.0
Retained earnings	1,038.7	860.8
Hybrid securities	706.2	0.0
Non-controlling interest	301.4	1.1
NON CURRENT LIABILITIES	**6,289.0**	**3,047.9**
Loans and borrowings	5,773.8	2,834.7
Employee benefits	104.0	84.3
Derivatives	2.9	0.0
Provisions	96.9	20.8
Deferred tax liabilities	95.2	19.5
Other liabilities	216.2	88.5
CURRENT LIABILITIES	**3,716.4**	**970.0**
Loans and borrowings	621.1	49.5
Provisions	16.5	4.5
Trade and other payables	1,989.1	378.5
Current tax liabilities	93.1	2.9
Accruals and deferred income	996.6	534.6
Total equity and liabilities	**13,754.3**	**6,582.3**

** See note a for details regarding the restatement as a result of a change in accounting policy.*

Consolidated statement of profit or loss

(in million EUR) - Period ended 31 December	2018	2017 restated *
Continuing operations		
Revenue	1,822.8	808.2
Raw materials, consumables and goods for resale	(41.5)	(9.6)
Other income	109.0	59.0
Services and other goods	(945.7)	(344.4)
Personnel expenses	(229.3)	(147.2)
Depreciations, amortizations and impairments	(252.3)	(131.2)
Changes in provisions	4.4	0.4
Other expenses	(30.4)	(19.6)
Results from operating activities	**437.0**	**215.6**
Share of profit of equity accounted investees (net of tax)	65.6	109.1
Earnings before interest and tax (EBIT)	**502.6**	**324.6**
Net finance costs	**(93.3)**	**(76.4)**
Finance income	21.9	5.5
Finance costs	(115.2)	(81.9)
Profit before income tax	**409.3**	**248.2**
Income tax expense	(102.2)	(39.6)
Profit from continuing operations	**307.1**	**208.6**
Profit for the period	**307.1**	**208.6**
Profit attributable to:		
Equity holders of ordinary shares	275.2	208.6
Hybrid securities	6.2	0.0
Non-controlling interest	25.7	0.0
Profit for the period	**307.1**	**208.6**
Earnings per share (EUR)		
Basic earnings per share	4.52	3.42
Diluted earnings per share	4.52	3.42

** See note a for details regarding the restatement as a result of a change in accounting policy.*

Consolidated statement of profit or loss and other comprehensive income

(in million EUR) - Year ended 31 December	31 December 2018	31 December 2017 restated
Profit for the period	**307.1**	**208.6**
Other comprehensive income (OCI)		
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	(8.4)	9.4
Related tax	2.2	(3.2)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	0.8	(13.7)
Equity accounted investees - share of OCI	0.0	1.1
Effective portion of changes in fair value of investments	2.7	0.0
Related tax	(0.2)	2.3
Other comprehensive income for the period, net of tax	**(2.9)**	**(4.1)**
Total comprehensive income for the period	**304.2**	**204.5**
Total comprehensive income attributable to:		
Owners of the Company	271.9	204.5
Hybrid securities	6.2	0.0
Non-controlling interest	26.1	0.0
Total comprehensive income for the period	**304.2**	**204.5**

** See note a for details regarding the restatement as a result of a change in accounting policy.*

Consolidated statement of changes in equity

(in million EUR)	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	**Equity attributable to ordinary shares**	Hybrid securities	**Equity attributable to the owners of the company**	Non controlling interests	**Total equity**
Balance at 1 January 2017, as reported	1,517.2	11.8	(6.1)	0.0	173.0	815.5	2,511.4	0.0	2,511.4	1.2	2,512.6
Change in accounting policy IFRS 15						(56.9)	(56.9)		(56.9)		(56.9)
Restated balance at 1 January 2017	1,517.2	11.8	(6.1)	0.0	173.0	758.6	2,454.5	0.0	2,454.5	1.2	2,455.7
Profit for the period						208.6	208.6		208.6	(0.0)	208.6
Other comprehensive income			6.2			(10.3)	(4.1)		(4.1)		(4.1)
Total comprehensive income for the period			**6.2**			**198.3**	**204.5**		**204.5**	**(0.0)**	**204.5**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	0.2	0.1					0.3		0.3		0.3
Share-based payment expenses	0.1						0.1		0.1		0.1
Dividends						(96.2)	(96.2)		(96.2)		(96.2)
Total contributions and distributions	0.3	0.1				(96.2)	(95.8)		(95.8)		(95.8)
Total transactions with Owners	0.3	0.1				(96.2)	(95.8)		(95.8)		(95.8)
Balance at 31 December 2017	**1,517.6**	**11.9**	**0.0**	**0.0**	**173.0**	**860.8**	**2,563.3**	**0.0**	**2,563.3**	**1.1**	**2,564.4**
Balance at 31 December 2017, as originally presented	1,517.6	11.9	0.0	0.0	173.0	938.1	2,640.7	0.0	2,640.7	1.1	2,641.8
Change in accounting policy IFRS 15						(77.4)	(77.4)		(77.4)		(77.4)
Restated balance at 31 December 2017	1,517.6	11.9	0.0	0.0	173.0	860.8	2,563.3	0.0	2,563.3	1.1	2,564.4
Change in accounting policy IFRS 9						2.9	2.9		2.9		2.9
Restated balance at 1 January 2018	1,517.6	11.9	0.0	0.0	173.0	863.7	2,566.2	0.0	2,566.2	1.1	2,567.4
Profit for the period						281.6	281.6		281.6	25.7	307.3
Other comprehensive income			(6.2)	0.0		2.8	(3.5)		(3.5)	0.5	(3.1)
Total comprehensive income for the period			**(6.2)**	**0.0**		**284.4**	**278.2**		**278.2**	**26.1**	**304.2**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	2.8	2.5					5.3		5.3		5.3
Share-based payment expenses	1.0						1.0		1.0		1.0
Issue of hybrid securities						(3.2)	(3.2)	700.0	696.8		696.8
Distribution on hybrid securities						(6.2)	(6.2)	6.2	0.0		0.0
Taxes on distribution on hybrid securities						(1.8)	(1.8)		(1.8)		(1.8)
Dividends						(98.7)	(98.7)		(98.7)	(20.0)	(118.7)
Total contributions and distributions	3.8	2.5				(109.9)	(103.6)	706.2	602.6	(20.0)	582.6
Changes in ownership interests											
Non-controlling interests adjustment on EGI, due to acquisition						0.5	0.5		0.5	(0.5)	0.0
Acquisition				0.0		0.0	0.1		0.1	294.6	294.7
Total changes in ownership interests				0.0		0.5	0.5		0.5	294.1	294.7
Total transactions with Owners	3.8	2.5		0.0		(109.4)	(103.1)	706.2	603.1	274.1	877.3
Balance at 31 December 2018	**1,521.4**	**14.4**	**(6.2)**	**0.0**	**173.0**	**1,038.7**	**2,741.3**	**706.2**	**3,447.5**	**301.4**	**3,748.9**

** See note a for details regarding the restatement as a result of a change in accounting policy. A full reconciliation is provided as at 31 December 2017. The impact per 1 January 2017 is estimated at €56.9 million.*

*** Profit for the period equals profit for the period attributable to the Owners of the company, minus the effect of the change in accounting policy under IFRS 9 with regard recognition in profit or loss (€0.2 million).*

Consolidated statement of cash flows

(in million EUR)	31 December 2018	31 December 2017 restated *
Cash flows from operating activities		
Profit for the period	**307.1**	**208.6**
Adjustments for:		
Net finance costs	93.3	76.5
Other non-cash items	1.1	0.1
Income tax expense	105.9	29.2
Profit or loss of equity accounted investees, net of tax	(65.6)	(109.1)
Depreciation of property, plant and equipment and amortisation of intangible assets	249.5	131.4
Gain on sale of property, plant and equipment and intangible assets	12.6	6.5
Impairment losses of current assets	3.8	0.0
Change in provisions	(9.2)	(5.3)
Change in fair value of derivatives	1.3	1.1
Change in deferred taxes	(3.6)	10.4
Cash flow from operating activities	**696.1**	**349.3**
Change in inventories	(1.8)	9.3
Change in trade and other receivables	(50.5)	98.2
Change in other current assets	7.8	4.8
Change in trade and other payables	(12.9)	(12.3)
Change in other current liabilities	117.9	95.3
Changes in working capital	**60.5**	**195.3**
Interest paid	(141.8)	(88.4)
Interest received	5.7	1.7
Income tax paid	(103.8)	(27.6)
Net cash from operating activities	**516.7**	**430.3**
Cash flows from investing activities		
Acquisition of intangible assets	(23.2)	(10.6)
Acquisition of property, plant and equipment	(991.1)	(369.1)
Acquisition of equity accounted investees	(23.8)	(57.2)
Acquisition of investment	(988.7)	0.0
Acquired cash from acquisition of subsidiary	1,902.7	0.0
Proceeds from sale of property, plant and equipment	2.4	1.5
Proceeds from sales of investments	0.2	0.0
Proceeds from capital decrease from equity accounted investees	0.0	0.1
Dividend received	2.0	56.8
Loans and long term receivables to joint ventures	(35.7)	(84.6)
Net cash used in investing activities	**(155.2)**	**(463.1)**
Cash flow from financing activities		
Proceeds from the issue of share capital	5.3	0.4
Expenses related to the issue of share capital	(0.1)	0.0
Dividends paid (-)	(98.7)	(96.2)
Repayment of borrowings (-)	0.0	(100.0)
Issuance of hybrid (+)	696.8	0.0
Proceeds from withdrawal of borrowings (+)	656.9	247.2
Non-controlling interests	(20.0)	0.0
Other cash flows from financing activities	(7.6)	0.0
Net cash flow from (used in) financing activities	**1,232.6**	**51.4**
Net increase (decrease) in cash and cash equivalents	**1,594.1**	**18.6**
Cash & Cash equivalents at 1 January	195.2	176.6
Cash & Cash equivalents at 31 December	1,789.3	195.2
Net variations in cash & cash equivalents	**1,594.1**	**18.6**

** See note a for details regarding the restatement as a result of a change in accounting policy.*

Segment reporting – reconciliation

Consolidated results (in million EUR) - Period ended 31 December	2018 Elia Transmission (a)	2018 50Hertz Transmission (b)	2018 Non-regulated (incl. NemoLink) (c)	2018 Consolidation entries & intersegment transactions (d)	2018 Elia Group (a)+(b)+(c)+(d)
Total revenues and other income	959.4	1,364.9	13.9	(406.4)	1,931.8
Depreciation, amortization, impairment and changes in provisions	(140.2)	(89.6)	(1.0)	(17.1)	(247.9)
Results from operating activities	227.1	385.4	(9.3)	(166.2)	437.0
Share of profit of equity accounted investees, net of tax	1.8	0.0	0.3	63.5	65.6
Earnings before interest and tax (EBIT)	228.9	385.4	(8.9)	(102.8)	502.6
Earnings before depreciations, amortizations, interest and tax (EBITDA)	369.1	475.0	(7.9)	(85.7)	750.5
Finance income	0.6	2.5	19.1	(0.3)	21.9
Finance costs	(66.0)	(48.1)	(17.8)	16.7	(115.2)
Income tax expenses	(48.6)	(101.9)	4.1	44.2	(102.2)
Profit attributable to the Owners of the Company	**114.9**	**169.2**	**(2.8)**	**0.1**	**281.4**
Consolidated statement of financial position (in million EUR)	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Total assets	5,909.2	6,752.1	1,677.9	(584.9)	13,754.3
Capital expenditures	600.7	511.0	0.0	(20.8)	1,090.9
Net financial debt	2,825.1	1,272.9	507.6	0.0	4,605.6

Consolidated results (in million EUR) - Period ended 31 December	2017 Elia Transmission	2017 50Hertz Transmission	2017 Non-regulated (incl. NemoLink)	2017 Consolidation entries & intersegment transactions	2017 Elia Group
Total revenues and other income	851.3	1,330.2	19.8	(1,334.2)	867.1
Depreciation, amortization, impairment and changes in provisions	(130.8)	(149.9)	(0.3)	150.2	(130.8)
Results from operating activities	217.0	322.6	(1.6)	(322.5)	215.5
Share of profit of equity accounted investees, net of tax	2.0	0.0	(1.4)	108.5	109.1
Earnings before interest and tax (EBIT)	218.9	322.6	(3.0)	(213.9)	324.6
Earnings before depreciations, amortizations, interest and tax (EBITDA)	349.7	472.4	(2.6)	(364.1)	455.4
Finance income	1.9	1.9	3.6	(1.9)	5.5
Finance costs	(79.0)	(56.2)	(3.0)	56.3	(81.9)
Income tax expenses	(38.8)	(85.6)	(2.5)	87.3	(39.6)
Profit attributable to the Owners of the Company	**103.0**	**109.6**	**(4.0)**	**0.0**	**208.6**
Consolidated statement of financial position (in million EUR)	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Total assets	5,449.0	6,188.1	594.4	(5,649.2)	6,582.3
Capital expenditures	388.1	478.1	0.0	(478.1)	388.1
Net financial debt	2,511.9	1,442.3	171.4	(1,436.5)	2,689.1

Notes

a. Basis of preparation and significant accounting policies used for preparation of the financial statements

The consolidated financial information is an extract from the consolidated financial statements that will be published in April 2019.

There were no changes in accounting policies in comparison with the accounting policies used as at 31 December 2017, with the exception of the following:

(i) the application of the new, revised or amended IASB standards below, which came into effect on 1 January 2018:

- **IFRS 9: Financial Instruments** reflects all phases of the financial instruments project and replaces IAS 39: Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The group elected to apply the exemption in IFRS 9 relating to transition for classification, measurement and impairment, and, accordingly has not restated comparative periods in the year of initial application. In addition to this, the Group has elected to, in accordance with IFRS 9, to recognise changes in fair value of an equity investment that is not held for trading in OCI (aside from dividend income).

  The Group also reviewed in detail the impact of all three aspects of IFRS 9.

Classification and measurement

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

Equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group decided to apply the option to present fair-value changes in OCI.

The impact of the change on the Group in equity shares in non-listed companies is detailed below:

(in € million) – Equity shares in non-listed companies	Available for sale assets	FVOCI
Closing balance 31 December 2017 – IAS 39	**0.2**	**-**
Reclassify non-traded equities from available-for-sale to FVOCI	(0.2)	0.2
Opening balance 1 January 2018 – IFRS 9	-	**0.2**

The impact of this change on the Group's equity is as follows:

(in € million) – Equity shares in non-listed companies	Effect on Group's equity
Remeasurement of non-traded equities from available-for-sale to FVOCI - Elia Transmission (Belgium)	-
Remeasurement of non-traded equities from available-for-sale to FVOCI - 50Hertz Transmission (Germany) (*)	3.2
Effect on the Group's retained earnings	**3.2**

** Non-traded equities held within 50Hertz Transmission (Germany) were subject to a remeasurement of €5.4 million (at 100%) as at 1 January 2018.*

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. IFRS 9 does not have an impact on the accounting policies for derecognition of financial assets and liabilities.

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12 month or on a lifetime basis.

The assessment for the Belgian segment indicated that, due to the application of the Expected Credit Losses method (ECL) at 1 January 2018, the bad debt allowance for trade receivables needs to increase by €0.3 million at that date compared with the allowance for trade receivables recognised under IAS 39. Deferred tax assets would increase by €0.1 million and net profit for the period would decrease by €0.2 million.

A similar assessment for the German segment indicates that due to the application of the Expected Credit Losses (ECL) method at 1 January 2018 that the bad debt allowance for trade receivables needs to increase by €0.2 million at that date compared with the allowance for trade receivables recognised under IAS 39. Deferred tax assets would increase by less than €0.1 million, and net profit for the period would decrease by €0.2 million.

Hedge accounting

Under the amended hedging requirements, more hedge relationships could be eligible for hedge accounting, as the new standard introduces a more principles-based approach. However, at 1 January 2018, there were no new hedge relationships to be designated.

Accounting policies

The above implies changes to the accounting policies as at 1 January 2018, with an effect on the following items:

- Investments in equity instruments are measured at FV through OCI without recycling of fair value changes to profit and loss. Those assets are classified as non-trade equities measured at FVOCI.
- Loans and receivables, including short-term trade receivables: The Group aligned with to the new impairment approach for loans and receivables as incorporated in IFRS 9, including trade receivables. The ‘expected loss' model has been applied that focuses on the risk that a loan will default rather than whether a loss has been incurred.

- **IFRS 15: Revenue from Contracts with Customers** establishes a new comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18: Revenue, IAS 11: Construction Contracts, IFRIC 18: Transfers of Assets from Customers, and IFRIC 13: Customer Loyalty Programmes.

The Group has adopted IFRS 15 on its consolidated financial statements and only identified an impact as a result of the application of IFRIC 18. The Group opted for the full retrospective application of IFRS 15, which implied that comparatives were restated for the effect of IFRS 15.

The Group also used the practical expedients for completed contracts, meaning that completed contracts that began and ended in the same comparative period, as well as those that are completed at the beginning of the earliest period presented, were not restated.

Under IFRS 15, recognised revenue should reflect the consideration received by an entity in exchange for the transfer of control of promised goods or services to customers. The Group used a five-step approach to assess whether a contract falls within the scope of IFRS 15 and how revenue should be recognised.

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer

The Group has a number of standard contracts for its customers, covering most of its revenue. These contracts are specific to each segment. As a consequence, the analysis of the potential impact of IFRS 15 is performed by reviewing those standard contracts. In the table below, an overview of the different revenue buckets is given, with reference to the relevant contracts and the result of the potential impact under IFRS 15.

Revenue bucket (per segment)	Revenue bucket (Group)	Contracts	Status analysis	Within the scope of IFRS 15	Change in accounting policy	Change in amount of revenue	Change in timing of revenue	Impact on opening equity on 1 January 2018 (net of tax)
Elia Transmission (Belgium) revenues								
Grid connection	Revenue	Connection contract	complete	yes	no	no	no	0.0
Management and development of grid infrastructure	Revenue	Access contract	complete	yes	no	no	no	0.0
Management of the electrical system	Revenue	Access contract	complete	yes	no	no	no	0.0
Compensation for imbalances	Revenue	ARP contract	complete	yes	no	no	no	0.0
Market integration	Revenue	ARP contract	complete	yes	no	no	no	0.0
International revenues	Revenue	Congestion revenues	complete	yes	no	no	no	0.0
Other income	Transfers of assets from customers	Customer contributions	complete	yes	yes	no	yes	(63.3)
Other income	Revenue	EGI contracts	complete	yes	no	no	no	0.0
Other income	Optimal use of assets	Telecom contracts	complete	yes	no	no	no	0.0
50Hertz Transmission (Germany) revenues (at 100%)								
Vertical grid revenues	n/a	Grid use contract	complete	yes	no	no	no	0.0
Ancillary-services revenues	n/a	Contract for balancing groups	complete	yes	no	no	no	0.0
Other income	n/a	Customer contributions	complete	yes	yes	no	yes	(23.5)

(*) 50Hertz Transmission (Germany)'s equity adjustments are stated at 100%. Those adjustments have a 60% impact on the Group's consolidated equity. As such, the total impact on the Group's equity is €77.4 million.

Received client contributions (IFRIC 18) are currently directly recognised in full as revenue, whereas under IFRS 15 the cash considerations should be presented as deferred revenue and will be recognized in revenue over the lifetime of the underlying asset.

The impact of the transition to IFRS 15 on the revenue of the segments Elia Transmission Belgium and 50Hertz Transmission Germany is shown below:

Elia Transmission (Belgium) revenues – Period ended	**31 December 2017** as reported	**31 December 2017** under IFRS 15	**31 December 2017** difference
Grid connection	42.2	42.2	0.0
Management and development of grid infrastructure	479.2	479.2	0.0
Management of the electrical system	118.5	118.5	0.0
Compensation for imbalances	170.7	170.7	0.0
Market integration	24.3	24.3	0.0
International revenue	47.3	47.3	0.0
Other income	81.7	61.4	(20.4)
Subtotal revenues and other income	**963.9**	**943.6**	**(20.4)**
Settlement mechanism: deviations from approved budget	(92.3)	(92.3)	0.0
Total revenues and other income	**871.7**	**851.3**	**(20.4)**

50Hertz Transmission (Germany) revenues – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 Difference
Vertical grid revenues	1,241.4	1,241.4	0.0
Horizontal grid revenues	210.2	210.2	0.0
Ancillary services revenues	94.0	94.0	0.0
Other income	72.7	73.5	0.8
Subtotal revenue and other income	**1,618.3**	**1,619.1**	**0.8**
Settlement mechanism: deviations from approved budget	(288.9)	(288.9)	0.0
Total revenues and other income	**1,329.4**	**1,330.2**	**0.8**

Only the segments Elia Transmission (Belgium) and 50Hertz Transmission (Germany) are affected by IFRS 15.

The summarised impact on the Group's revenue is detailed below:

Revenues – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 difference
Revenue	806.4	806.4	0.0
Transfers of assets from customers	22.1	1.7	(20.4)
Total revenue	**828.5**	**808.2**	**(20.4)**
Other operating income			
Services and technical expertise	(0.3)	(0.3)	0.0
Own production	25.5	25.5	0.0
Optimal use of assets	14.3	14.3	0.0
Other	18.5	18.5	0.0
Gain on sale PPE	1.0	1.0	0.0
Total other operating income	**59.0**	**59.0**	**0.0**

The companies which are included in the 50Hertz Transmission Germany segment are accounted for using the equity method (at 60%) as at 31 December 2017, therefore the impact of IFRS 15 on their revenue recognition is given in the entry 'Share of profit of equity-accounted investees (net of income tax)' in the Group's results.

The summarised impact on the Group is detailed below:

Key figures – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 difference
Total revenues	887.5	867.1	(20.4)
Share of profit of equity-accounted investees (net of income tax)	108.7	109.1	0.4
Income tax expenses	(39.1)	(39.6)	(0.5)
Net profit	**229.1**	**208.6**	**(20.6)**
Total assets	6,596.5	6.582.3	(14.2)
Total equity	2,640.7	2.563.3	(77.4)
Key figures per share			
Basic earnings per share (EUR)	3.76	3.42	(0.34)
Equity per share (EUR)	43.36	42.09	(1.27)

The income tax expenses, as presented in the table above, include the combined effect of additional temporary differences accumulated throughout the financial year 2017 which has resulted in an increased deferred tax liability of €6.9 million, as well as an offsetting effect resulting from remeasuring the accumulated temporary differences at the lower tax rates, as enacted as part of the tax reform, having an effect of €7.4 million.

Besides IFRS 9 and IFRS 15, some other standards, amendments and interpretations came in effect in 2018 with only limited impact for the Group:

- Clarification of classification and measurement of share based payment transactions (Amendments to IFRS 2)
- Foreign Currency Transactions and Advance Considerations (IFRIC 22)
- Transfers of Investment Property (Amendments to IAS 40)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (Amendments to IAS 28).

The Elia Group did not early adopt any new standards, amendments of standards or interpretations.

b. Scope of consolidation

In April 2018, the Group completed the acquisition of an additional 20% stake in Eurogrid International SCRL ('Eurogrid'), the holding company which holds the 50Hertz Transmission (Germany) segment. Following this transaction, Elia owns 80% of Eurogrid and has full control over 50Hertz Transmission (Germany).

The acquisition resulted from Elia's decision to exercise its pre-emption right after the IFM Global Infrastructure Fund, a fund advised by IFM Investors Pty Ltd, stated that it intended to sell half of its 40% shareholding in Eurogrid on February 2, 2018. Through the acquisition, the Group acquired an additional 20% stake in Eurogrid. The finalisation of this acquisition is a major step forward in realising Elia Group's growth strategy. It will allow further strengthening of the cooperation between Elia and 50Hertz, and underscores Elia's ambition to be one of the leading transmission system operators in Europe. The transaction enhances the Group's profile and resources, enabling it to realise a reliable, sustainable, affordable and integrated power system and will not negatively affect the tariffs for the end consumer, which are regulated in the respective countries.

As from the date of closing of this transaction (i.e. 26 April 2018), Elia obtained full control over 50Hertz Transmission (Germany) and, as such, its financials have been consolidated in full in the Elia's group accounts as from that date. The transaction is financed using a hybrid bond (€700 million) and a senior bond (€300 million) in the second half of 2018.

For detailed accounting policies in respect to 'Business combinations and Goodwill', we refer to note 3.1 in the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017.

The below table provides an overview of subsidiaries, joint ventures, associated companies and other shareholdings held across the group.

Name	Country of establishment	Headquarters	Stake % 2018	2017
Elia Asset NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International NV/SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	80.00
Elia Grid International GmBH	Germany	Heidestraße 2a, 12435 Berlin	90.00	80.00
Elia Grid International LLC	Qatar	Office 905, 9th Floor, Al Fardan Office Tower, Westbay - Doha	90.00	-
Eurogrid International CVBA/SCRL *	Belgium	Bd de l'Empereur 20, 1000 Brussels	80.00	60.00
Eurogrid GmbH *	Germany	Heidestraße 2a, 12435 Berlin	80.00	60.00
50Hertz Transmission GmbH *	Germany	Heidestraße 2a, 12435 Berlin	80.00	60.00
50Hertz Offshore GmbH *	Germany	Heidestraße 2a, 12435 Berlin	80.00	60.00
E-Offshore A LLC *	U.S.	874, Walker Road, Suite C, 19904 Dover, Delaware	80.00	60.00
Atlantic Grid Investment A Inc *	U.S.	1209 Orange Street, 19801 Wilmington, Delaware	80.00	60.00
Joint arrangements				
Gridlab GmbH	Germany	Mittelstraße 7, 12529 Schönefeld	-	60.00
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Associated companies accounted for using the equity method				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	22.16	20.58
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	20.54	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	12.47	12.47
Other participations				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	9.00	8.00
Atlantic Grid A LLC	U.S.	4445, Willard Av, Suite 1050, 20815 Chevy Chase, Maryland	7.46	5.86
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 04109 Leipzig	5.76	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	6.16	4.62

(*) During the four first months of financial year 2018, these shareholdings were consolidated using the equity method. As such, 60% of the profit attributable to the owners of the Company is included in the Share of profit of equity-accounted investees (net of tax) of the Group. During the last 8 months of the 12 month period ended 31 December 2018, these entities were considered subsidiaries (as control has been obtained as part of the acquisition) and results were consolidated in full.