Information Memorandum dated 17 April 2020

# ELIA TRANSMISSION BELGIUM SA/NV

*Keizerslaan 20, 1000 Brussels, Belgium*
*Incorporated with limited liability (naamloze vennootschap/société anonyme) in Belgium*
*Enterprise number 0731.852.231 — RPR Brussels*

# EUR 3,000,000,000
# Euro Medium Term Note Programme
# Due from one month from the date of original issue

Under the Euro Medium Term Note Programme (the "**Programme**") described in this information memorandum (the "**Information Memorandum**"), Elia Transmission Belgium SA/NV (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The Notes issued under the Programme may be Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes (each as defined below) or a combination of any of the foregoing. The Notes will be issued in the Specified Denomination(s) specified in the relevant Pricing Supplement (as defined below). The minimum Specified Denomination of the Notes shall be at least EUR 100,000 (or its equivalent in any other currency). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 3,000,000,000 (or the equivalent in other currencies). The Notes have no maximum Specified Denomination amount.

This Information Memorandum does not constitute a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"). Accordingly, the Information Memorandum does not purport to meet the format and the disclosure requirements of the Prospectus Regulation and Commission delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004. The Information Memorandum has not been, and will not be, submitted for approval to the Belgian Financial Services and Markets Authority nor any other competent authority within the meaning of the Prospectus Regulation. This Information Memorandum and the Pricing Supplement (as defined below) in relation to Notes which will be listed and admitted to trading on the Euro MTF (as defined below) constitute a base prospectus and final terms for the purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019.

Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be listed and to be admitted to trading on the Euro MTF market operated by the Luxembourg Stock Exchange (the "**Euro MTF**"). The Euro MTF is a multilateral trading facility for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MiFID II**"). References in this Information Memorandum to Notes being "**listed**" (and all related references) shall mean that such Notes have been listed and admitted to trading on the Euro MTF. However, unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed and admitted to trading on the Euro MTF (or any other trading venue).

The Notes will be issued in dematerialised form under the Belgian Companies and Associations Code (*Wetboek van Vennootschappen en Verenigingen/Code des Sociétés et des Associations*), as amended (the "**Belgian Companies and Associations Code**") and cannot be physically delivered. The Notes will be represented exclusively by book entries in the securities settlement system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB System**"). Access to the NBB System is available through those of its NBB System participants whose membership extends to securities such as the Notes. NBB System participants (each a "**Participant**") include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking AG ("**Clearstream**"), SIX SIS AG ("**SIX SIS**"), Monte Titoli S.p.A. ("**Monte Titoli**"), Euroclear France SA ("**Euroclear France**") and Interbolsa S.A. ("**Interbolsa**"). Accordingly, the Notes will be eligible to clear through, and will therefore be accepted by, each Participant and investors may hold their Notes within securities accounts in each Participant. The Notes issued in dematerialised form and settled through the NBB System may be eligible as ECB collateral, provided that the applicable ECB eligibility requirements are met.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche of Notes will be set out in a pricing supplement (the "**Pricing Supplement**").

The Programme has been rated BBB+ by S&P Global Ratings Europe Limited ("**S&P**"). S&P is established in the European Union (the "**EU**") and is registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the relevant Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Notes issued under this Programme constitute debt instruments. An investment in such Notes involves risks. By subscribing to the Notes, investors lend money to the Issuer who undertakes to pay interest (if any) and to reimburse the principal on the maturity date. In case of bankruptcy or default by the Issuer, however, investors may not recover the amounts they are entitled to and risk losing all or a part of their investment. Each prospective investor must carefully consider whether it is suitable for that investor to invest in the Notes in light of its knowledge and financial experience and should, if required, obtain professional advice. In particular, prospective investors should have regard to the factors described under the Section "*Risk Factors*" on pages 13 to 34 in this Information Memorandum.**

**Notes issued under the Programme will not be offered or sold in Belgium to "consumers" (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended.**

**Arranger for the Programme**

**BNP PARIBAS**

**Dealers**

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| **BELFIUS** | **DEGROOF PETERCAM** | **NATWEST** |
| **BNP PARIBAS** | **ING** | **RABOBANK** |
| | **KBC** | |

This Information Memorandum does not comprise a prospectus for the purpose of the Prospectus Regulation. This Information Memorandum intends to provide information with regard to the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Information Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area or in the United Kingdom (each a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant State of Notes which are the subject of an offering contemplated in this Information Memorandum, as completed by a relevant Pricing Supplement in relation to the offer of those Notes, may only do so in circumstances in which no obligation arises for the Issuer, the Arranger or any Dealer (as defined in Section "*Overview of the Programme*") to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the Arranger or the Dealers has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Arranger or any Dealer to publish or supplement a prospectus for such offer.

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum is to be read in conjunction with all documents which are incorporated herein by reference and which are enclosed in Annex (see "*Documents incorporated by reference and enclosed in Annex*" below). Unless specified otherwise, information contained on websites mentioned herein does not form part of this Information Memorandum.

This Information Memorandum is an information memorandum and therefore does not, without a Pricing Supplement which has been duly completed and signed by the Issuer, constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers. Neither the delivery of this Information Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Arranger and the Dealers accepts any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by the Issuer or on its behalf or for the acts or omissions of the Issuer (or any other person other than the Arranger or the relevant Dealer) in connection with the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to in this Information Memorandum) which it might otherwise have in respect of this Information Memorandum or any such statement. Neither this Information Memorandum nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Information Memorandum or any other

financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers and the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS INFORMATION MEMORANDUM AND OFFERS OF NOTES GENERALLY

The distribution of this Information Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restriction. For a description of certain restrictions on offers and sales of Notes and on distribution of this Information Memorandum, see Section "*Subscription and Sale*".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

**MIFID II PRODUCT GOVERNANCE/TARGET MARKET** – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**IMPORTANT – EEA AND UK RETAIL INVESTORS** – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO CONSUMERS IN BELGIUM** – The Notes are not intended to be offered, sold or otherwise made available, and should not be offered, sold or otherwise made available, in Belgium to

"consumers" (*consumenten*/*consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht*/*Code de droit économique*), as amended.

**BENCHMARK REGULATION** – Amounts payable on Floating Rate Notes may, as specified in the relevant Pricing Supplement, be calculated by reference to the Euro Interbank Offered Rate ("**EURIBOR**") or the London Interbank Offered Rate ("**LIBOR**"), which are administered by the European Money Markets Institute ("**EMMI**") and the ICE Benchmark Administration Limited ("**ICE**"), respectively. As at the date of this Information Memorandum, each of EMMI and ICE appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**").

## STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the relevant Pricing Supplement (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) in relation to a particular issuance of Notes) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## PRESENTATION OF INFORMATION

In this Information Memorandum, unless otherwise specified or the context otherwise requires, references to "**euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Market data and other statistical information used in this Information Memorandum have been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and it is able to ascertain from information published by the relevant independent source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Information Memorandum contains various amounts and percentages which are rounded and, as a result, when these amounts and percentages are added up they may not total.

Certain statements included herein may constitute forward-looking statements. Such statements, certain of which can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Factors that might affect such forward-looking statements include, among other things, (a) the ability to maintain sufficient liquidity and access to capital markets, (b) market and interest rate fluctuations, (c) the strength of the global economy in general and the strength of the economies of the countries in which the Group conducts operations, (d) the potential impact of sovereign risk in certain EU countries, (e) the ability of counterparties to meet their obligations to the Group, (f) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial and company regulation and currency fluctuations, (g) the possibility of the imposition of foreign exchange controls by government and monetary authorities, (h) operational factors, such

as systems failure, human error, or the failure to implement procedures properly, (i) actions taken by regulators with respect to the Group's business and practices in one or more of the countries in which the Group conducts operations, (j) the timing, impact and other uncertainties of future actions and (k) the Group's success at managing the risks involved in the foregoing. The foregoing list of important factors is not exhaustive. When evaluating forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Information Memorandum.

The Issuer is not obliged to, and it does not intend to, update or revise any forward-looking statements made in this Information Memorandum whether as a result of new information, future events or otherwise and does not guarantee future performance, as the actual results or developments may be substantially different from the expectations described in the estimates and forward-looking statements. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Information Memorandum. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

The summaries and descriptions of legal provisions, taxation, accounting principles or comparisons of such principles, legal company forms or contractual relationships reported in this Information Memorandum may in no circumstances be interpreted as investment, legal or tax advice for potential investors. Potential investors are urged to consult their own legal advisor, accountant or other advisors concerning the legal, tax, economic, financial and other aspects associated with the subscription to the Notes.

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## DOCUMENTS INCORPORATED BY REFERENCE AND ENCLOSED IN ANNEX

### Documents incorporated by reference

This Information Memorandum should be read and construed in conjunction with the consolidated financial statements of the Issuer as of and for the year ended 31 December 2019, together with the audit report thereon.

The Issuer confirms that it has obtained the approval from its joint auditors to incorporate by reference into this Information Memorandum the consolidated financial statements of the Issuer as of and for the year ended 31 December 2019, together with the audit report thereon.

Such documents shall be incorporated in and form part of this Information Memorandum, save that the statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Information Memorandum to the extent that the statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Information Memorandum. Any non-incorporated parts of a document referred to in this Information Memorandum are either deemed not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Information Memorandum. Any documents themselves incorporated by reference in the documents incorporated by reference in this Information Memorandum shall not form part of this Information Memorandum.

Copies of documents incorporated by reference in this Information Memorandum may be obtained without charge from the website of the Issuer (https://www.elia.be/nl/investor-relations) and the website of the Luxembourg Stock Exchange (https://www.bourse.lu/).

The table below sets out the relevant page references for the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2019, as set out in the Financial Report included in the Issuer's Annual Report (separate page numbering).

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| Consolidated Financial Statements | Page 6 |
| Notes | Pages 9-50 |
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### Documents enclosed in Annex

This Information Memorandum should be read and construed in conjunction with the *pro forma* statement of profit and loss of the Issuer for the financial year ended 31 December 2019.

Such document is enclosed in the Annex to this Information Memorandum and forms part of this Information Memorandum.

## SUPPLEMENT

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or material inaccuracy relating to information contained in this Information Memorandum which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Information Memorandum is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

## OVERVIEW OF THE PROGRAMME

*The following overview is qualified in its entirety by the remainder of this Information Memorandum. The overview must only be read as an introduction to the Information Memorandum in conjunction with the other parts of the Information Memorandum, the documents incorporated by reference and the documents enclosed in Annex. Any decision to invest in the Notes should be based on a consideration of the Information Memorandum as a whole by the investor.*

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| **Issuer** | Elia Transmission Belgium SA/NV (the "**Issuer**"). |
| **Description of the Issuer** | Elia Transmission Belgium SA/NV is a limited liability company (*naamloze vennootschap/société anonyme*) and was established under Belgian law by a deed dated 31 July 2019. Its registered office is located at 1000 Brussels, Keizerslaan 20 and it is registered in the Crossroads Bank for Enterprises (*Kruispuntbank van Ondernemingen/Banque-Carrefour des Entreprises*) under the number 0731.852.231 (RLE Brussels). The Issuer's legal entity identifier (LEI) is 549300A3EZXECDLW2V25. |
| **Principal activities of the Issuer** | The Issuer is a transmission system operator for the Belgian very-high-voltage (380kV – 150kV) and high-voltage (70kV – 30kV) electricity network, and for the offshore grid in the Belgian territorial waters in the North Sea. The principal activities of the Issuer are to provide electricity transmission services by developing, operating and maintaining the very-high and high-voltage electricity grid in Belgium. |
| **Description of the Programme** | Euro Medium Term Note Programme. |
| **Size** | Up to EUR 3,000,000,000 (or its equivalent in any other currencies) aggregate nominal amount of Notes outstanding at any one time. |
| **Arranger and Dealers** | BNP Paribas as Arranger.<br><br>Bank Degroof Petercam SA/NV, Belfius Bank SA/NV, BNP Paribas, Coöperatieve Rabobank U.A., ING Bank N.V., Belgian Branch, KBC Bank NV and NatWest Markets N.V. as the Dealers.<br><br>The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Information Memorandum to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a Dealer in respect of one or more Tranches. |
| **Agent** | KBC Bank NV. |
| **Method of Issue** | The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in |

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| | respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in a pricing supplement (the "**Pricing Supplement**"). |
| **Currencies** | Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers. |
| **Maturity** | Subject to compliance with all relevant laws, regulations and directives and unless previously redeemed or purchased and cancelled, each Note will have the maturity as specified in the relevant Pricing Supplement. |
| **Issue Price** | Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. |
| **Form of Notes** | The Notes are issued in dematerialised form in accordance with the Belgian Companies and Associations Code. The Notes will be represented by book entry in the records of the securities settlement system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**NBB System**"). The Notes can be held by their holders through participants in the NBB System, including Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa and through other financial intermediaries which in turn hold the Notes through Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France, Interbolsa or other participants in the NBB System. The Notes are accepted for settlement through the NBB System and are accordingly subject to the applicable settlement regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 and the Terms and Conditions governing the participation in the NBB System and its annexes, as issued or modified by the NBB from time to time. The Noteholders will not be entitled to exchange the Notes into notes in bearer form. |
| **Specified Denomination** | The Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that the specified denomination shall be at least EUR 100,000 (or its equivalent in any other currency). |
| **Fixed Rate Notes** | Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement. |
| **Floating Rate Notes** | Floating Rate Notes will bear interest determined separately for each Series as follows:<br>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or<br>(ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.<br>Interest periods will be specified in the relevant Pricing Supplement. |
| **Zero Coupon Notes** | Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest. |

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| **Interest Periods and Interest Rates** | The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement. |
| **Redemption** | The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. |
| **Optional Redemption** | The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such redemption. |
| **Early Redemption** | Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See Section "*Terms and Conditions of the Notes – Redemption, Purchase and Options*". |
| **Status of the Notes** | The Notes constitute (subject to the negative pledge provisions) direct, unconditional, unsubordinated and unsecured obligations of the Issuer.<br>See Section "*Terms and Conditions of the Notes – Status*". |
| **Negative Pledge** | See Section "*Terms and Conditions of the Notes – Negative Pledge*". |
| **Cross-Default and Cross-Acceleration** | See Section "*Terms and Conditions of the Notes – Events of Default*". |
| **Ratings** | The Programme has been rated BBB+ by S&P.<br>Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement.<br>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. |
| **Withholding Tax** | All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Belgium, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding been required. |
| **Governing Law** | The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Belgian law. |
| **Listing and Admission to Trading** | Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be listed and admitted to trading on the Euro MTF market operated by the Luxembourg Stock Exchange.<br>As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted. |
| **Selling restrictions** | The primary offering of any Notes will be subject to offer restrictions in the United States, the United Kingdom, the EEA, Japan and to any |

applicable offer restrictions in any other jurisdiction in which such Notes are offered. See section "*Subscription and Sale*".

The Notes will not be offered or sold in Belgium to "consumers" within the meaning of the Belgian Code of Economic Law.

With respect to the United States, the Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

# RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme. The Issuer may however be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and therefore the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents incorporated by reference herein or enclosed in Annex) and reach their own views prior to making any investment decision.*

*Words and expressions defined in the Conditions shall have the same meanings in this section.*

## Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with Notes issued under the Programme

***Risks related to changes in law and the evolving regulatory framework at the European, federal and regional levels may negatively impact the Issuer's profit***

The business, results of operations, revenue, profits, financial position, prospects and cash flows of the Issuer could be affected by the European and Belgian regulatory frameworks, which, in each case, include both economic and environmental rules and regulations. The activities of the Issuer are subject to extensive European, federal and regional legislation and regulation. Unplanned and/or adverse changes or diverting interpretations in regulatory or policy mechanisms (including, but not exhaustively, tariffs, incentives, renewable energy targets and operating rules) could conflict with the Issuer's existing and envisioned strategy with potential financial and organisational impacts.

The regulated activities of the Issuer depend on licences, authorisations, exemptions and/or dispensations in order to operate its business. Such licences, authorisations, exemptions and/or dispensations may be withdrawn, amended and/or additional conditions may be imposed on the regulated activities of the Issuer. Any such withdrawal or amendment and/or the imposition of any additional conditions could affect the revenue, profits and financial position of the Issuer.

*European Union*

The current regulatory framework for the activities of the Issuer is based on the Third Energy Package and the Clean Energy Package, both consisting of a set of European Union (EU) Directives and Regulations relating to the European internal energy market.

New Directives and Regulations in preparation at the European level and/or existing Regulations and Directives awaiting transposition into national law (in particular certain of the Directives approved as part of the Clean Energy Package – see Issuer's Description, Section 3.3 "*Regulatory Framework in Europe*") may modify the existing regulatory framework and could have an impact on the Issuer's operations and profitability. The Issuer strives to proactively anticipate European legislation, including new Directives and Regulations that are being prepared at EU level or are awaiting transposition into national law, in order to minimise these uncertainties.

*Belgium – Federal*

The Belgian federal regulatory framework for the electricity market was established when the first EU Directive on the internal electricity market was transposed by the Belgian Law of 29 April 1999 on the organisation of the electricity market (*wet betreffende de organisatie van de elektriciteitsmarkt/loi relative à l'organisation du marché de l'électricité*) (the "**Electricity Act**"). The Law of 8 January 2012 amended the Electricity Act to implement the Third Energy Package legislation.

In accordance with Article 258 of the Treaty on the Functioning of the European Union ("**TFEU**"), the European Commission oversees the transposition of European Directives into national law. On 16 October 2014, the European Commission put Belgium on notice for incorrect transposition of the Third Energy Package Directives. On 25 February 2016, the European Commission published a press release revealing that it issued a so-called reasoned opinion to Belgium on the incorrect transposition of the Third Energy Package Directives (the "**Reasoned Opinion**"). According to the press release, Belgium had not correctly transposed certain unbundling rules (requiring a full separation of the ownership and accounting of the transmission system in Belgium from any generation or supply activities), as a result of which other companies, other than the established Belgian Transmission System Operator ("**TSO**") for electricity (i.e. the Issuer), had been prevented from developing and operating interconnectors with other EU Member States. In addition, the European Commission argued that the rules on the powers of the federal energy regulator CREG (*Commissie voor de regulering van de elektriciteit en het gas/ Commission de regulation de l'électricité et le gas*) and certain rules pertaining to consumers had not been transposed correctly.

On 25 December 2016, the Electricity Act was slightly amended to reinforce the power of the CREG (raising the amount of the penalties the CREG can impose for non-compliance with legal or regulatory obligations), in line with the European Commission's comments made in the Reasoned Opinion. With respect to the other elements mentioned in the Reasoned Opinion, Belgian authorities provided the European Commission with their views and arguments in respect of the appropriate transposition of the relevant European provisions into Belgian law.

To date, the further consequences (such as further amendments to the Electricity Act or other applicable legislation) that may result from the Reasoned Opinion are unknown. An amendment to the Electricity Act could potentially include a formal process where another company than Elia would be explicitly authorised to develop interconnections from Belgium to foreign countries. The construction of interconnections by other companies than Elia could restrain the wideness of future investments which Elia may consider.

The Electricity Act has been amended on various other occasions for a variety of reasons (of which certain affecting the Issuer, e.g. regarding the strategic reserve, the market-wide capacity remuneration mechanism ("**CRM**") and the modular offshore grid ("**MOG**") – see below and Issuer's Description, Section 3.4 "*The Belgian legal framework*"), and further amendments to align with Clean Energy Package legislation may be expected in the coming years. These amendments may have an impact on the Issuer's operations and profitability.

The vast majority of revenues of the Issuer are generated by the network tariffs set pursuant to the legislation in force and to the tariff methodology established by the CREG, which in turn is based on tariff guidelines set out in the Electricity Act. These tariff guidelines have been amended by a Law of 28 June 2015 to incentivise demand-side response and increase the efficiency of the market and the energy system (including energy efficiency). Two Laws of 13 July 2017 have further amended the tariff guidelines to incentivise storage and to protect the competitive position of electro-intensive industry in relation to the costs for the MOG. The Laws of 13 July 2017 also introduced the principle of transfer of energy, which is important to create a level playing field for demand-side participation. Further changes may result from the transposition of the Clean Energy Package legislation into Belgian law.

On 28 June 2018, the CREG published the tariff methodology for the current regulatory period, running from 2020 to 2023 (see risk factor "*Tariff methodology for the period 2020-2023*" and Issuer's Description, Section 3.4.4 "*Belgian regulated tariff framework*"). On the basis of this methodology, Elia System Operator SA/NV

("**Elia System Operator**") has drafted a tariff proposal, which was subsequently approved and published by the CREG on 7 November 2019. These tariffs are non-negotiable between individual customers and the Issuer and fixed for the entire regulatory period. Nonetheless, The CREG can ask the Issuer to provide an updated tariff proposal or the Issuer can request a revision if the tariffs are no longer proportionate due to changed circumstances. Future changes to the tariff framework may have an impact on the Issuer's financial position and profitability.

As the national TSO, the Issuer performs various public service obligations imposed by the federal government in Belgium, particularly with a view to guaranteeing resource adequacy and security of supply (including the procurement and contracting of a strategic reserve and a future market-wide CRM (see the Risk Factor "*Public service obligations*" and Issuer's Description, Sections 3.4.1 "*General framework*" and 3.4.3 "*Public service obligations*"). Changes in these public service obligations can have an impact on the Issuer's operations and cashflow.

*Belgium – Regional*

In addition to the federal regulatory framework, the Issuer is subject to the regional regulatory frameworks governing aspects of the electricity markets in the three Belgian Regions (Flanders, Wallonia and Brussels-Capital). This can give rise to contradictions between the various regulations, which can hinder the performance of the Issuer's activities. The further development of, and changes to, regional regulations could have an impact on the Issuer's activities. In addition, any amendment to the Belgian institutional system, including in relation to the division of competence between federal and regional authorities (especially those relating to the approval of transmission tariffs, currently a federal competence and performed by the CREG) may also impact the Issuer's roles and responsibilities.

In the framework of their respective competences, the regional regulators (VREG (*Vlaamse Regulator van de Elektriciteits- en Gasmarkt*) in Flanders, CWaPE (*Commission Wallonne pour l'Energie*) in Wallonia and Brugel (*Brussel Gas Elektriciteit/Bruxelles Gas Electricité*) in Brussels-Capital) have taken measures to support the further development of renewable energy by introducing different mechanisms of green and (in Flanders) combined heat and power certificates. The Issuer is involved in this activity through public service obligations imposed on it (see Risk Factor "*Public service obligations*" and Issuer's Description, Sections 3.4.1 "*General framework*" and 3.4.3 "*Public service obligations*"). Changes in these public service obligations may have an impact on the Issuer's operations and cashflow.

In the upcoming years, further amendments may be expected in the regional legislation to implement the elements of the Clean Energy Package that fall within the regional competences (in particular with respect to distribution system operators ("**DSO**s"), energy efficiency and performance, and onshore renewables). These amendments may have an impact on the Issuer's operations.

***Risks related to the tariff methodology, fair remuneration and certain parameters for the determination thereof which are subject to certain uncertainties that may negatively impact the Issuer's profit***

**General principles and drivers of the tariff methodology for the period 2020-2023**

The vast majority of the Issuer's income is driven by the regulatory framework applied to it. The transmission tariffs are based on budgeted costs reduced by non-tariff revenues and based on the estimated volumes of electricity transported through the national and the local and regional transmission systems (the "**Grid**").

Under the current tariff methodology, the Issuer's remuneration is largely determined by a "fair remuneration" mechanism (which in turn is based on the average Regulated Asset Base ("**RAB**")), combined with certain "incentive components" (see Issuer's Description, Section 3.4.4 "*Belgian regulated tariff framework*").

The different drivers for tariff setting in 2020-2023 are determined based on the following key parameters: (i) a "fair remuneration", (ii) the "non-controllable elements" (costs and revenues not subject to an incentive

mechanism), (iii) the predefined "controllable elements" (costs and revenues subject to incentive mechanism), (iv) the "influenceable costs" (costs subject to an incentive mechanism under special conditions), (v) the (other) "incentive components" and (vi) the settlement of deviations from budgeted values.

Changes in the tariff methodology occur from time to time. Compared to the previous tariff methodology, the definition, the calculation and the compensation of the underlying parameters have been modified. The most important changes are: (i) changes in the formula for the calculation of the fair remuneration, (ii) the replacement of certain incentives with new incentives and (iii) the modification of the cost allocation mechanism for activities regulated outside of Belgium and non-regulated activities.

**Fair remuneration**

Fair remuneration is the return on capital invested in the network based on the Capital Asset Pricing Model ("**CAPM**"). It is based on the average annual value of the RAB, which is calculated annually, *inter alia*, taking into account new investments, depreciations and changes in working capital requirements.

The formula takes into account a risk-free interest rate, which is fixed at 2.4 per cent. for the tariff period 2020-2023. Please also refer to the general principles of tariff setting in Issuer's Description, Section 3.4.4 (*Belgian regulated tariff framework*). Exceptional changes in the economic environment and/or the financial market conditions may trigger a renegotiation of the formula for fair remuneration and can directly impact the permitted level of fair remuneration for the Issuer. This is, however, less likely to have an impact than under the previous tariff methodology (which worked with the actual, variable OLO (*Obligation Linéaire*/*Lineaire Obligatie*) reference rates).

**Incentive components**

Certain of the (other) incentive components meant to encourage the efficiency and the performance of the Issuer's operations have been amended in the tariff methodology 2020-2023. This could influence the Issuer's ability to meet predetermined targets and, therefore, its net profit. Generally speaking, these incentive components represent a less significant proportion of the Issuer's overall net profit in comparison to the previous tariff methodology.

**Settlement of regulated debt/receivable**

In Belgium, transmission tariffs are set pursuant to forecasts of volumes of electricity transmitted, costs and revenues. Deviations between real volumes of electricity transmitted and budgeted volumes and between effectively incurred costs/revenues and budgeted costs/revenues can result in a "regulated debt" or a "regulated receivable", which is booked on an accrual account. This mechanism applies to all of the abovementioned key tariff drivers. The financial settlement of any such deviations is taken into account when setting the tariffs for the next period. In the short term, this process may have important temporary effects on the cash position of the Issuer.

Regardless of deviations between forecasted parameters and actually incurred costs and revenues, the CREG takes the final decision as to whether the incurred costs and revenues are deemed reasonable to be included in the tariff calculation. This decision can result in the acceptance or rejection of such costs or revenues. To the extent that certain elements are rejected, the corresponding amounts will not be taken into account for the setting of tariffs for the next period. While the Issuer can ask for a judicial review of such decision by the CREG, any such rejection of costs (if confirmed) may have an overall negative impact on the Issuer's profitability.

***The Issuer is subject to the risk of an early termination or non-renewal of the appointment as Transmission System Operator (TSO)***

The Electricity Act provides that one single TSO can be appointed to manage and operate the electrical transmission system. The TSO is proposed for appointment by one or several network owners which own, alone or jointly, a substantial part of the network that covers at least 75% of the national territory and at least

two thirds of the territory of each Region. Currently, only the Issuer meets these conditions and has therefore been appointed as TSO for a renewable period of 20 years starting on 31 December 2019. In practice, the physical assets belonging to the transmission system are owned by Elia Asset NV/SA, a subsidiary wholly owned by the Issuer, with the exception of one share. The Issuer and Elia Asset operate as one economic unit ("**Elia**") under the terms of a silent partnership agreement (*stille maatschap/société simple interne*) which has been signed on 31 December 2019.

The Issuer can ask a renewal of its TSO appointment as from five years prior to the expiry of the current mandate. Following such request, the federal regulator CREG issues its opinion and the request is discussed within the Council of Ministers, following which the federal energy minister decides on the renewal. The European Commission is also informed of this decision. The Electricity Act further provides that the Issuer needs to act as a fully unbundled transmission system operator under applicable EU legislation, implying a full separation of the network operation and ownership from generation and supply activities/undertakings in the electricity and gas sectors.

As a precondition to the appointment as TSO, compliance with these requirements is assessed pursuant to a certification procedure run by the CREG (with the involvement of the European Commission). Elia has been initially certified as a fully ownership unbundled TSO by a decision of the CREG dated 6 December 2012. In the framework of the strategic reorganisation of Elia Group SA/NV (previously Elia System Operator, "**Elia Group**"), the CREG reconfirmed Elia's certification, as a precondition to the Issuer's appointment as TSO, in a decision of 27 September 2019. This decision confirmed the Issuer as a fully ownership unbundled TSO (without a formal new certification process being required), with an obligation to stay in line and comply with the criteria and obligations required to obtain such certification, as monitored on an ongoing basis by the CREG. Certification can be re-initiated upon the initiative of another candidate TSO, the CREG, the European Commission or the current TSO (the Issuer) itself, under certain circumstances.

In the event of bankruptcy, winding-up, merger or demerger of the Issuer, its appointment will be terminated. In addition, the appointment can be revoked by the Belgian federal government following the advice of the CREG and consultation with the Issuer under certain circumstances, including:

- a significant change in shareholding without prior certification, which could jeopardise the independent network operation;
- serious breach of the Issuer's obligations under the Electricity Act or its implementing decrees; or
- where the Issuer is no longer certified as a fully ownership unbundled system operator.

The early termination or non-renewal of the appointment of the Issuer as the single Belgian TSO may have a material adverse effect on the Issuer's activities, profits and financial situation. However, any other company would need to enter into contractual arrangements with the Issuer to be able to operate, as a TSO, the network (indirectly) owned by the Issuer (without prejudice to the requirements to obtain a TSO appointment as set out above).

**The Issuer is subject to certain public service obligations**

The different governments in Belgium have imposed a number of public service obligations on the Issuer in connection with its role as national and/or regional/local TSO. These obligations are mainly related to ensuring resource adequacy and security of supply (including the procurement and contracting of a strategic reserve and a future market-wide CRM) and the financial support for the development of renewable energy (see Issuer's Description, Sections 3.4.1 "*General framework*" and 3.4.3 "*Public service obligations*").

The latter includes an obligation for the Issuer to purchase "green certificates" at a guaranteed minimum price, as a financial support instrument for the producers of renewable power in Belgium. For certain renewable power produced offshore, the support scheme defines a mechanism of prepayments before the attribution of the green certificates. The costs (including prepayments incurred for the performance of public service

obligations by the Issuer) are fully passed on to the end consumers through the regulated tariffs. The Issuer can ask the CREG (usually on an annual basis) to adapt the tariffs to cover any gaps between expenses and tariff revenues caused by the performance of public service obligations. To the extent that there would be a timing difference between the incurrence and the recovery of such costs, the costs would have to be pre-financed by the Issuer, and consequently, may negatively impact the Issuer's cash flow.

In the Walloon Region, the government introduced three schemes designed to reduce the likelihood of the Issuer requesting to increase the tariffs to be paid by end consumers in the Walloon Region (as a result of the Issuer passing on the costs of its obligation to purchase green certificates). These schemes introduced by the Walloon government are: (i) the use of a special purchasing vehicle (Solar Chest) to purchase and store green certificates; (ii) a phased purchase of green certificates by the Walloon Governmental Agency for Climate and Air (AWAC) and (iii) a new scheme in force since 24 May 2019, called the "mobilisation mechanism", which allows the Issuer, at the request of the Walloon government, to sell the tariff claims corresponding to the right to cover the purchasing cost of Walloon green certificates and a financial cost to spread their impact over a predefined period through the tariffs, to a debt investment company (SIC). This SIC can issue long-term bonds, the proceeds of which will be paid to the Issuer to cover the actual purchase cost of the certificates. The SIC will be remunerated through a new tariff component to cover the financing of the bonds issued. Each scheme is intended to delay the Issuer's obligation to purchase green certificates by several years. Both schemes require administrative support from the Issuer and, ultimately, the Issuer may be required to purchase a large amount of green certificates in the Walloon region. To the extent that (i) the Issuer is required to purchase a large amount of green certificates and (ii) there is a mismatch in the timing and/or amount of the purchases resulting in a delay for the Issuer in recovering the costs incurred in purchasing the green certificates, those costs would have to be pre-financed by the Issuer.

**Liabilities arising from the offshore regime may have a negative impact on the Issuer**

In accordance with the current laws and regulations, the Issuer is obliged, without undue delay, to connect certain (current and future) offshore generation facilities to its (extended) MOG (see Issuer's Description, Section 3.4.1 "*General framework*"). Any delay in completion or whole or partial unavailability of such connection is subject to a statutory compensation mechanism by the Issuer. The cost of those damages is covered by the network tariffs, unless to the extent that they are attributable to the Issuer's gross negligence or wilful misconduct (*faute lourde ou faute intentionnelle – grove fout of opzettelijke fout*). In those cases, the Issuer's financial responsibility is capped to its fair remuneration related to the MOG for the year concerned under the applicable tariff methodology. Any such claim for damages could negatively impact the Issuer's activities, profits and financial situation.

## Risks related to the operations of the Issuer

***Higher unpredictability of energy flows due to higher share of variable renewable energy sources may increase the risk of transmission disruption***

The negative trend of Belgium's national electricity generation capacity as a consequence of the mothballing of generation units has resulted in an overall decrease in the production capacity available to Belgian end customers and a growing dependence on the import of electricity from foreign markets. The need to continue to resort to a strategic reserve and/or other mechanisms therefore remains a major concern for the future. To enhance security of supply and address generation adequacy concerns, a strategic electricity reserve mechanism has been put in place by the Electricity Act. Elia has been appointed to organise this mechanism and the Issuer is therefore responsible for the correct execution hereof. This reserve consists of identified and reserved electricity generation capacity (the latter being kept outside the electricity market), which may be called upon by the Issuer in the event of electricity shortages as well as a demand-side response provided by large end customers or aggregators. The mechanism allows such capacity to be (re)activated to bridge shortages in available production capacity, in order to match the load required to ensure the Belgium's security of supply.

The costs associated with contracting the strategic reserve (including the remuneration for the producers for keeping the production capacity available) are recuperated through a surcharge on the tariff for public service obligations. The contracting of the strategic reserve constitutes a public service obligation for the Issuer (see also the risk factor "Public service obligations").

In relation to the risk of disruptions, it can be noted that under the regulated access contract, the Issuer's liability is limited to cases of deception, deliberate or heavy fault. In case of heavy fault, its liability is capped at EUR 300 per MWh that could not be injected and/or taken off at the relevant access point for the duration of the interruption, with an overall cap of EUR 1 million per damage case per year and EUR 5 million annually (including for third-party claims). The Issuer is never liable for indirect or consequential damage, including loss of profit and business interruption.

The increased volumes of decentralised intermittent electricity generation, the decreasing centralised generation capacity, the increasing importance of DSOs in that context and the fact that the Issuer is also facing an ageing asset base, are all factors that make it more challenging to manage the energy balance and avoid the risk of an electricity shortage and problems of supply.

This potential increased risk of transmission disruption may affect Issuer's profitability.

***Slowing down of the economic activities of industrial clients and reduction of the consumption by residential clients, including as a result of the current Covid-19 crisis, may have an impact on the Issuer's financial position***

Economic growth has slowed in Europe since the summer of 2018. This was mostly due to the sharp decline in German car production, concerns about Brexit and the Italian budgetary policy and the trade war between the US and China.

Looking forward, the main macroeconomic risks are related to external factors, such as heightened geopolitical tensions, the possible tightening of financial conditions worldwide causing elevated indebtedness, disruptions caused by intensifying patterns of automatisation and digitalisation or the occurrence of unexpected events such as Covid-19 and a build-up of mercantilist and protectionist pressures.

Since the Issuer's regulated framework ensures the major part of the Issuer's cash flows and financial performance, the Issuer does not, as at the date of this Information Memorandum, expect that Covid-19 will have a major impact on the Issuer. Potential drops in revenues could nevertheless temporally affect the liquidity needs, but these are being closely monitored. Furthermore, such drops in revenue are in general 100% recoverable through future tariffs. Therefore, the Issuer currently does not anticipate a material impact of Covid-19 on the 2020 financial performance.

Further instability due to the uncertain geopolitical environment cannot be excluded. A further economic downturn may have an adverse effect on the financial condition of the Issuer. If the Issuer's suppliers face financial difficulties, they may no longer be able to comply with their obligations and, as a result, infrastructure projects may be delayed or not be completed which could impact the Issuer's profitability.

***Any negative results from new business developments are entirely born by the Issuer and represent an additional financial risk***

The Issuer strives to anticipate new business opportunities relating to its core businesses within and beyond the Belgian regulated framework.

The Issuer agreed with the Belgian regulator on a "transfer pricing" framework in the tariff methodology for both its regulated activities and non-regulated activities (i.e. the activities other than those that are regulated in Belgium). This framework provides for a mechanism to determine whether the results of these activities may be included in the profits available for distribution to the shareholders or whether they should be used for future tariff reductions. As regards the participations included in the RAB, the Issuer agreed with the CREG that at least a part of the positive results of these activities can be included in the profits and should not therefore be

used for tariff reductions. Losses deriving from these activities, however, are entirely borne by the Issuer. In addition, the financing costs and potential losses linked to non-regulated activities are not covered by the Belgian regulatory framework and therefore are entirely borne by the Issuer.

***The Issuer may be held liable in case of a transmission disruption or a system breakdown***

The transmission systems operated by the Issuer are very reliable. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur which interrupt the smooth operation of one or more infrastructure components. In most cases, these incidents have no impact on end customers' power supply because the meshed structure of the grids operated by the Issuer, as the case may be, means that electricity can reach end customers via a number of different connections in the system. However, in extreme cases, an incident in the electricity system may lead to a local or widespread electricity outage (known as a black-out) provoking liability claims and litigation which could negatively impact the financial position of the Issuer.

In addition, transmission disruptions on the network of the Issuer may be caused by operational hazards or unforeseen events, including, but not limited to, an overload of the very-high-voltage network caused by major unscheduled foreign electricity flows, accidents, breakdowns or failures of equipment or processes, human errors, sabotage, acts of a terrorist nature, Information and Communication Technology ("**ICT**") system and process failures, intrusions in the ICT network (including computer viruses) and performance below expected levels of capacity and efficiency. The presence of such aforementioned unscheduled electricity flows on the network of the Issuer are considered as an emergency situation allowing the TSO to take any emergency measures it deems appropriate, such as disconnecting some or all electricity exports, requesting electricity-generating companies to increase or decrease their electricity production or requesting from the competent Minister a reduction in the electricity consumption in the relevant area. The probability of the occurrence of one or more of the abovementioned events may increase if the competent authorities do not approve the necessary operational procedures and/or investments as proposed in the development plans of the Issuer and its relevant affiliates.

The Issuer regularly holds crisis management drills so that the Issuer is ready to deal with the most unexpected and extreme situations. In the event of an error attributable to the Issuer or one of its affiliates, the respective general terms and conditions of its contracts provide for appropriate liability caps for the Issuer and the relevant affiliate, as the case may be, to a reasonable level, while each relevant insurance policy is designed to limit some of the financial repercussions if these risks would occur.

System breakdowns or blackouts may occur due to a major imbalance between the quantity of electricity injected in the network and that taken off in a given geographical area. Such imbalance may be created by a network failure, an incident in one or more power plants or the lack of sufficient on-line generation capacity at a given time in a given geographical area.

***A failure of the IT systems and processes used by the Issuer or a breach of their security measures may result in losses for customers and reduced revenues for the Issuer***

The operations of the Issuer and its relevant affiliates (operational management, communication and monitoring) depend, to a large extent, on ICT systems, comprising processes, hardware and software, and telecommunication technologies. The Issuer and each of its relevant affiliates take appropriate measures to revise, update and back-up its ICT processes and hardware, software and network protection (for example, failover mechanisms) on an ongoing basis to the maximum extent permitted by technical and financial considerations.

The Issuer and its relevant affiliates also collect and store sensitive data, their own business data and that of their suppliers and business partners. The Issuer and its relevant affiliates are subject to several privacy and data protection rules and regulations, including, as of 25 May 2018, the General Data Protection Regulation (EU Regulation 2016/679 of 27 April 2016), and are continuously adapting their processes and are putting in place new processes to ensure compliance.

Despite all precautions taken, important system hardware and software failures, failure of compliance processes, computer viruses, malware, cyber-attacks, accidents or security breaches could still occur.

Any such events could impair the ability of the Issuer and/or the ability of any of the Issuer's relevant affiliates to provide all or part of their services and generally may result in a breach of its legal and/or contractual obligations. This could in turn result in legal claims or proceedings, contractual liability, liability under any other data protection laws, criminal, civil and/or administrative sanctions, a disruption of the operations of the Issuer or the operations of the relevant affiliates of the Issuer, damage to the reputation of the Issuer or to the reputation of the relevant affiliates of the Issuer and in general could adversely affect the business of Issuer or the business of the relevant affiliates of the Issuer.

***Environmental risks, public health risks or city planning constraints***

The Issuer's future profit will in part depend on its ability to realise its contemplated projects and organic growth which, in turn, depends on its ability to obtain the necessary permits and to manage potential environmental and public health risks and accommodate city planning constraints without incurring significant costs

Since the remuneration of the Issuer is in part based on its ability to realise projects (as the current remuneration is subject to the Regulatory Asset Base) (see section "*The Issuer's business – Regulatory framework*"), its future profits will in part depend on its ability to maintain and grow such asset base (after amortisations and depreciations). To that effect, it will need to realise its contemplated organic growth (including its envisaged capital expenditure) and realise its various projects. In case the Issuer would not be able to realise or not timely realise its various projects and investment program, this could have a negative impact on the Issuer's future profits.

The timely implementation of projects are, among other things, highly correlated to the timely obtainment of approvals or permits that allow to perform the planned operations. Such approvals or permits may be refused, or if granted, they may be challenged before the competent courts.

The operations and assets of the Issuer are subject to European, national and regional regulations dealing with environmental matters, city planning and zoning, building and environmental permits and rights of way. Such regulations are often complex and subject to frequent changes (resulting in a potentially stricter regulatory framework or enforcement policy). The most significant environmental challenges that the Issuer faces relate to soil pollution, polychlorinated biphenyls, contamination by defective equipment, herbicides, waste and electromagnetic fields ("**EMF**").

Compliance with existing or new environmental, soil sanitation, city planning and zoning regulations may impose significant additional costs on the Issuer and delay the projects which it pursues. Such costs include expenses relating to the implementation of preventive or remedial measures or the adoption of additional preventive or remedial measures to comply with future changes in laws or regulations. While the Issuer has recognised provisions and accruals in connection with such obligations in its financial statements, the provisions made by the Issuer may not be sufficient to cover all costs that are potentially required to be made in order to comply with these obligations, including if the assumptions underlying these provisions prove to be incorrect or if the Issuer would face additional, currently undiscovered, contamination. Additional costs may also be incurred by the Issuer in respect of actual or potential liability claims, the defence of the Issuer in legal or administrative procedures or the settlement of third-party claims.

Resistance to actions or programs in connection with environmental, city planning or zoning and permitting matters, may result in delays in the construction phase of the grid extension and/or may require the Issuer (or, as the case may be, the relevant affiliate of the Issuer) to incur additional costs relating to public inquiries, publicity measures or legal defence, which may adversely affect its financial results.

Although there are currently no environmental law requirements (but only requirements under article 139 of the *Règlement Général sur les Installations Electriques* (RGIE)) with respect to EMFs emanating from

underground and overhead electrical cables, it cannot be excluded that the legal environment in this respect may become more restrictive in the future. This may result in the Issuer incurring additional costs in managing environmental and public health risks or city planning constraints, as well as an increased risk of potential liability claims or administrative proceedings initiated by affected persons, or may have an impact on the way investment projects can be implemented. Furthermore, over the past few years, public concern about EMF has been growing and residents have increasingly opposed new projects. Due to continuous actions from pressure groups and local residents, authorities may become more reluctant to deliver the necessary permits in the future.

***The Issuer is subject to certain potential risks relating to Brexit***

Most of the transactions and activities of the Issuer are mainly driven locally in Belgium and Euro denominated, except for the investment of and activities in relation to Nemo Link Ltd ("**Nemo Link**") (see section "The Issuer's business – Nemo Link") which could be impacted by Brexit.

Both in the scenario of a hard Brexit and a Brexit in which the UK remains in the Internal Energy Market, the risks relating to Brexit should be relatively limited.

The main impact of a hard Brexit would be that all auctions of Nemo Link would have to change from implicit (i.e. day-ahead and intraday) auctions to explicit (i.e. long-term) auctions. This change would lead to a less efficient trade of electricity, poorer predictability of energy flows and potential regulatory divergence in the long term. This in turn could have a general negative impact on security of supply, energy costs and the integration of renewable energy.

However, the Issuer does not expect any of the aforementioned changes to have a strong impact on Nemo Link's revenue and long-term underlying business case. Furthermore, the Issuer does not expect levies to be implemented on the electricity exchange between the UK and Belgium as this is not allowed or foreseen by the global WTO rules.

Furthermore, Nemo Link has prepared for both Brexit scenarios. The non-IEM access rules for explicit day-ahead auctions were approved by the two regulators CREG and Ofgem in March 2019. The non-IEM access rules for explicit long-term and intraday auctions will follow shortly thereafter. There is also an adequate coordination and alignment between all channel TSOs and channel National Regulatory Authorities ("**NRAs**") in order to have the same switch at the same time on all interconnectors between European countries and the UK.

***The outcome of legal disputes and lawsuits may negatively affect the business operations and/or the financial results***

The Issuer and the relevant affiliates of the Issuer carry out their activities in such a way as to reduce (as much as possible) the risk of legal disputes and, if necessary, the appropriate provisions are identified and implemented on a quarterly basis. Nevertheless, legal disputes cannot always be avoided. In addition, the outcome of legal proceedings in which the Issuer and/or the relevant affiliates of the Issuer are currently involved, or the outcome of any potential future legal proceedings, is uncertain and any such legal proceedings may adversely affect the business, financial condition and results of operations of the Issuer and the business, financial condition and results of operations of the relevant affiliates of the Issuer.

***Supplier risks may negatively affect the budget, quality and/or the timely commissioning of infrastructure works***

The electricity transmission infrastructure is a key component of the business of the Issuer and of the relevant affiliates of the Issuer. The Issuer and the relevant affiliates of the Issuer rely on a limited number of key suppliers to realise their infrastructure objectives.

Given the complexity of the infrastructure works and the increasing demand in the market, the Issuer and the relevant affiliates of the Issuer may not be able to find sufficient suppliers and supplies for their projects. The Issuer and the relevant affiliates of the Issuer will regularly perform a predictive capacity analysis at market

level in order to minimise this risk. In addition, the Issuer and the relevant affiliates of the Issuer are also exposed to the risk that their respective suppliers, when facing financial difficulties, may not be able to comply with their contractual obligations.

Any cancellation of or delay in the completion of the infrastructure works of the Issuer or the relevant affiliates of the Issuer could have an adverse effect on the business of the Issuer or on the business of the relevant affiliates of the Issuer.

***Health and safety accidents***

The Issuer and the relevant affiliates of the Issuer operate facilities where accidents or external attacks may cause bodily harm to persons. In the event of an attack, accident, error or negligence, persons working in or near electricity transmission facilities may be exposed to the risk of electrocution.

As a result, the Issuer and the relevant affiliates of the Issuer may be exposed to potential liabilities that may have a material, negative impact on their financial position, require significant financial and managerial resources or possibly harm their respective reputations.

The safety and welfare of individuals (both the Issuer's staff, the staff of the relevant affiliates of the Issuer and third parties) is a key priority and a daily preoccupation for the Issuer and for the relevant affiliates of the Issuer. The Issuer and the relevant affiliates of the Issuer have put in place a health and safety policy, undertake safety analyses and promote a safety culture. However, neither the Issuer nor its relevant affiliates can guarantee that these measures will prove wholly effective in all circumstances.

***Inefficient internal control mechanism may have an impact on the Issuer's performance and risks***

The multi-year tariff mechanism, which is based on a secured income incentive regulation, increases the need for year-on-year increases in the Issuer's overall efficiency and the efficiency of the Issuer's relevant affiliates. To this effect, the efficiency of internal processes is monitored regularly to ensure that they are kept under proper control. This is overseen by the Audit Committee, which controls and monitors the work of the Internal Audit & Risk Management Departments in order to limit to a maximum extent the risk of inefficient internal control mechanisms. A failure of the Issuer's internal control mechanism may have an impact on the Issuer's performance and risk.

***Acts of terrorism or sabotage may adversely affect the Issuer's results of operations***

The Issuer's electricity network, assets and operations (and those of its relevant affiliates) are widely spread geographically and are potentially exposed to acts of terrorism or sabotage. Such events could negatively affect such networks, assets or operations and may cause network failures or system breakdowns. Network failures or system breakdowns could in turn have a material adverse effect on the Issuer's financial condition and operational results, particularly if the destruction caused by acts of terrorism or sabotage are of major importance and are not sufficiently insured and/or the financial impact could not be recovered via tariff mechanism (for example, through the reduction of revenues due to the unavailability of some parts of the network).

## Financial risks

***Fluctuations of capital market parameters such as interest rates may negatively influence the financial situation of the Issuer***

In order to finance its investments and to achieve its short- and long-term strategic goals, the Issuer and its affiliates need access to capital markets. The Issuer is partly financed by debt instruments with floating interest rates. A change in interest rates of financial instruments in the market can have an impact on the financial charges. The funding costs linked to the financing of the regulated activities are qualified as "Non-controllable elements" and potential deviations from budgeted figures can be passed on in a subsequent regulatory tariff period (or in the same period in the event of an exceptional change in charges). The regulated tariffs are set

pursuant to forecasts of interest rate. A fluctuation in interest rates of the Issuer's debt can have an impact on the actual financial charges by causing a time differential (positive or negative) between the financial costs effectively incurred by the Issuer and the forecasted financial costs. This could cause transitory effects on the cash position of the Issuer.

With regard to the instruments put in place to finance the participation in the joint venture Nemo Link, the interest costs cannot be passed through by way of increase of the regulated tariffs in Belgium.

***Regulatory schemes can be adversely affected by fluctuations of interest rates***

In Belgium, the fair remuneration of equity calculation is based on a CAPM formula, including risk-free rate. For the 2020-2023 regulatory period the risk-free rate is defined as an ex-ante estimate of the yield of the Belgian 10-year government bond ("**OLO**"). For the 2020-2023 period, this ex-ante estimate has been fixed at 2.4 per cent. In case of an important change of the Belgian macro-economic situation and/or the market circumstances compared to the expected situation and conditions, the CREG and the Issuer can agree a modification of the fixed OLO rate. Subject to any modifications agreed between the CREG and the Issuer in case of movements in markets, the full visibility/fixed rate means no immediate exposure to interest rate movements in Belgium for the regulated activities of the Issuer over 2020-2023.

***Negative changes in financial markets could affect the Issuer's ability to meet its financing obligations and needs, and this could impact its profitability***

The ability of the Issuer to access global sources of financing to cover its financing needs or repayment of its debt could be negatively impacted by the deterioration of financial markets. In particular, the Issuer is dependent on its ability to access debt and capital markets in order to raise the funds necessary to repay its existing indebtedness and meet its financing needs under its future investments. As part of the Issuer's efforts to mitigate the funding risk, the Issuer aims to diversify its financing sources in debt instruments.

The refinancing risk is managed through developing strong bank relationships with a group of financial institutions, through maintaining a strong and prudent financial position over time and through diversification of funding sources.

The short-term liquidity risk is managed on a daily basis with funding needs being fully covered through the availability of credit lines and a commercial paper program.

***Credit, market, capital structure and liquidity risk***

In its operations the Issuer faces credit, market, capital structure and liquidity risk.

The credit risk faced by the Issuer stems from uncertainties on the liquidity and solvency of its counterparties. Although the Issuer continuously assesses the liquidity and solvency of its counterparties, there is a risk that the Issuer may face difficulties in meeting its financial obligations if its counterparties do not pay the outstanding amounts owed to the Issuer as and when they fall due. The Issuer limits this risk to the extent possible by monitoring cash flows continually, by making sure that credit facilities are available and by requiring suppliers and/or customers in some contracts to provide an appropriate bank guarantee in favour of the Issuer.

The Issuer is acting in accordance with the Belgian regulatory frameworks, which include an optimal capital structure (target equity/debt ratio). In case the Issuer deviates from the predefined target equity/debt ratio due to a lack of investors in the equity capital market, the profitability of the Issuer could be impacted.

The Issuer monitors its cash flow forecasts and the cash available and the unutilised credit facilities to ensure to have sufficient cash available on demand to meet expected expenses and investments including complying with the financial obligations.

***Risks associated with financial debt outstanding***

The ability of the Issuer to access global sources of financing to cover its financing needs or repayment of its debt could be impacted negatively by the deterioration of financial markets.

On 31 December 2019, the aggregate financial indebtedness of the Issuer amounted to EUR 3,297,573,446.

The terms and conditions of these financings contain certain financial covenants. Any covenants are monitored on an on-going basis in order to ensure compliance. A breach of financial covenants could however have an adverse effect on the financial position of the Issuer.

The Issuer's level of debt could:

- make it difficult for the Issuer to comply with its obligations, including interest payments;
- limit its ability to obtain additional financing to operate its business;
- limit its financial flexibility in planning for and reacting to industry changes; and
- place it at a competitive disadvantage as compared to less leveraged companies.

Extra need for capital expenditure and working capital could be financed by the Issuer in the form of bank loans, issuing bonds or other debt instruments. Financing costs of the Issuer related to the activity of TSO are qualified as non-controllable costs and are fully passed through via the tariffs.

***If the Issuer does not generate positive cash flows it will be unable to fulfil its debt obligations***

The ability of the Issuer to pay principal and interest on the Notes and on its other debt depends primarily on the regulatory framework and the regulated tariffs (see the Risk Factor titled "*Regulatory framework*").

Changing conditions in the credit markets and the level of the outstanding debt of the Issuer can make the access to financing more expensive than anticipated and could increase the Issuer's financial vulnerability. Consequently, the Issuer cannot assure investors that it will have sufficient cash flows to pay the principal, premium, if any, and interest on its debt. If the cash flows and capital resources are insufficient to allow the Issuer to make scheduled payments on its debt the Issuer may have to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance its debt. There can be no assurance that the terms of its debt will allow these alternative measures or that such measures would satisfy its scheduled debt service obligations. If the Issuer cannot make scheduled payments on its debt, it will be in default and, as a result:

- its debt holders could declare all outstanding principal and interest to be due and payable; and
- its lenders could terminate their commitments and commence foreclosure proceedings against its assets.

For a description of the consequences of a failure to make payments in respect of the Notes, see further the risk factor entitled "*The occurrence of an event of default under the Notes may result in greater financial pressure on the Issuer*" below.

***The occurrence of an event of default under the Notes may result in greater financial pressure on the Issuer***

As described in the risk factor entitled "*If the Issuer does not generate positive cash flows it will be unable to fulfil its debt obligations*" above, there is a risk that the Issuer may not be able to fulfil its payment obligations in respect of the Notes. Upon the occurrence of any event specified in Condition 9 (*Events of Default*) (including, *inter alia*, failure to make scheduled payments in respect of the Notes), Notes may be declared immediately due and payable by a Noteholder. If the Noteholders were to request repayment of their Notes upon the occurrence of an event of default, the Issuer cannot assure that he will be able to pay the required amount in full.

In case Noteholders declare repayment pursuant to an event of default under the Notes, this will result in amounts being repaid by the Issuer prior to the expected date of repayment, thus resulting in greater short-term

(and, possibly, long-term) financial pressure on the Issuer. In addition, any such default may adversely affect the credit rating of the Issuer, resulting in a higher cost of borrowing for the Issuer.

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption (following an event of default under the Notes) at a rate that will provide the same return as their investment in the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Risks associated with tax assessments***

The statements in relation to taxation set out in this Information Memorandum are based on current law and the practice of the relevant authorities in force or applied at the date of this Information Memorandum. Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Information Memorandum and/or the date of purchase of any Notes may change at any time, potentially with retroactive effect (including during any subscription period or the term of such Notes). Any such change may have an adverse effect on a Noteholder, including that the liquidity of such Notes may decrease and/or the amounts payable to or receivable by an affected Noteholder may be less than otherwise expected by such Noteholder. Furthermore, although tax rules are applied with accuracy and precision, it is possible that the Issuer's own interpretation of tax laws does not correspond with that of the relevant authorities at the time of potential controls.

Potential purchasers and sellers of the Notes should also be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred, where the investors are resident for tax purposes and/or other jurisdictions. Any such taxes may adversely affect the return of a Noteholder on its investment in the Notes.

Tax audits may result in a higher taxable income or in a lower amount of tax losses carry forwards being available to the Issuer.

***The Issuer is subject to certain reputational risks***

Generally speaking, circumstances may arise that have a negative impact on the Issuer's image. Real or perceived failures of governance or regulatory compliance could harm its reputation. Many other factors, including the materialisation of the risks discussed in several of the other risk topics, could impact the Issuer's license to operate, harm its ability to secure new resources and contracts, and limit its ability to access capital markets. The Issuer has an internal control mechanism to guarantee, among other things, regulatory compliance including the confidentiality of data (GDPR).

***A lack or loss of highly qualified staff may result in insufficient expertise and knowhow to meet the strategic objectives***

The Issuer pursues an active recruitment policy to maintain an appropriate level of expertise and know-how in a competitive labour market. This is an on-going risk, bearing in mind the highly specialised and complex nature of its business.

***The Issuer may not have adequate insurance coverage***

The Issuer and its affiliates have subscribed to insurance contracts necessary to operate their business in line with industry standards. However, it cannot be assured that such insurance will be sufficient in all circumstances. Although the Issuer's contracts include certain specific limitation clauses in respect of some of these risks (see section "*The Group's Business*"), the Issuer may not be (fully) insured against certain risks to which they are exposed (such as material damages to overhead lines, third-party losses, damages, blackout claims or cyber-attacks). Any damage or claim above the insured threshold may have a negative impact on the Issuer's profitability.

Furthermore, for some specific risks (such as blackout claims in excess of insurance coverage and environmental liabilities, terrorism or cyber-attack) adequate insurance may not be available at reasonable

conditions or may not be available at all. Should those risks materialise, these could have a negative impact on the Issuer's profitability and/or its cash flows.

## Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

***Notes subject to optional redemption by the Issuer***

The Issuer's ability to redeem the Notes at its option may affect the market value of the Notes. In particular, during any period when the Issuer has the right to elect to redeem the Notes or the market anticipates that redemption might occur, the market value of those Notes generally would not be expected to rise substantially above the redemption price. This also may be true prior to any redemption period. The Issuer may, for example, be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. In the case of any such early redemption, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or at premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"***

Interest rates and indices, including interest rate benchmarks, such as EURIBOR and LIBOR, which can be used to determine the amounts payable under Floating Rate Notes ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation could have a material adverse effect on any Floating Rate Notes referencing or linked to such Benchmark.

Under the Conditions, certain replacement provisions will apply if a Reference Rate used as a reference for the calculation of interest amounts payable under the Floating Rate Notes were to be discontinued or otherwise became unavailable.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available. Where the Relevant Screen Page is not available and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Agent by reference to quotations from Reference Banks (as defined in Condition 4(i) (*Definitions*)) to the Issuer or any third party appointed by the Issuer. Where such quotations are not available (as may be the case if the Reference Banks are not submitting rates for the determination of such Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Reference Rate was discontinued. Uncertainty as to the continuation of the Reference Rate, the availability of

quotes from Reference Banks and the rate that would be applicable if the Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

If a Benchmark Event (as defined in Condition 4(h) (*Benchmark discontinuation*)) (which, amongst other events, includes the permanent discontinuation of an Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Notes linked to or referencing the Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer may vary the Conditions and/or the Agency Agreement as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders. Please also refer to the risk factor entitled "*Modification and waivers*" below.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate. However, such Adjustment Spread may not always be effective to reduce or eliminate economic prejudice to Noteholders. If no Adjustment Spread can be determined, the Successor Rate or Alternative Rate will apply without an Adjustment Spread. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Notes linked to or refencing the Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser, or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner or the Independent Adviser is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest. In such circumstances, the Issuer will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or the Independent Adviser will continue to attempt to determine a Successor Rate or Alternative Rate to apply to the next succeeding and any subsequent Interest Accrual Periods, as necessary.

Applying the initial Rate of Interest or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event will result in Notes linked to or referencing the relevant Benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant Benchmark were to continue to apply or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event (as applicable), will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" (*Interbank Offered Rates*) Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable and may adversely affect the value of, and return on, the Floating Rate Notes.

***In respect of any Notes issued with a specific use of proceeds, such as Green Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***

The Pricing Supplement relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Green Projects**"). Prospective investors should have regard to the information set out in the relevant Pricing Supplement regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes, together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer, the Arranger or any Dealer that the use of such proceeds for any Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates and, in particular, with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or to receive such other equivalent label. It is uncertain whether any such clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that no adverse environmental, social and/or other impacts will occur during the implementation of any projects or uses the subject of, or related to, any Green Projects.

It is possible that a third party (whether or not solicited by the Issuer) makes available an opinion or certification in connection with the issue of any Notes of which the proceeds would be used for Green Projects. Any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Information Memorandum. It would furthermore not be, nor should it be deemed to be, a recommendation by the Issuer, the Arranger, the Dealers or any other person to buy, sell or hold any such Notes. Any such opinion or certification will only be current as of the date that opinion or certification is initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or of the provider of such opinion or certification for the purpose of any investment in such Notes. At the date of this Information Memorandum, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

Where any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), it is possible that such listing or admission does not satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular

with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject, of or related to, any Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer, the Arranger, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes. Please also refer to the risk factor entitled "*The secondary market generally*" below.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects in, or substantially in, the manner described in the relevant Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that, accordingly, such proceeds will be totally or partially disbursed for such Green Projects. Nor can there be any assurance that such Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

If any of the abovementioned risks materialise, this may have an adverse effect on the value of such Notes and, potentially, on the value of any other Notes which are intended to finance Green Projects. It could furthermore result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Prospective investors are therefore advised to make their own determination regarding a potential investment in such Notes.

## Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

***Modification and waivers***

The Conditions contain provisions for Noteholders to consider matters relating to the Notes and affecting their interests generally, including the modification or waiver of any provision of the Conditions. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority or, as the case may be, who did not sign the relevant written resolution or provide their electronic consents for the passing of the relevant resolution. Such decisions may include decisions relating to a reduction of the amount to be paid by the Issuer upon redemption of the Notes.

Furthermore, the Conditions also provide that the Agency Agreement, any agreement supplemental to the Agency Agreement and the Conditions may be amended without the consent of the Noteholders for the purpose of (i) curing any manifest error, (ii) complying with mandatory provisions of law or (iii) in the case of the Agency Agreement or any agreement supplemental to the Agency Agreement, in any manner which the Issuer and the Agent may deem necessary or desirable, provided that no such change shall be inconsistent with the Conditions nor, in the reasonable opinion of the Issuer, adversely affect the interests of the Noteholders.

Finally, pursuant to Condition 4(h) (*Benchmark discontinuation*), if a Benchmark Event occurs, certain changes may be made to the interest calculation and related provisions of Floating Rate Notes as well as the Agency Agreement in the circumstances and as set out in that Condition, without the requirement for the consent of the Noteholders. Please also refer to the risk factor entitled "*The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks" (such as the Floating Rate Notes)*".

Accordingly, there is a risk that the terms of the Notes may be modified, waived or varied in circumstances where a Noteholder does not agree to such modification, waiver or variation, which may adversely impact the rights of such Noteholder.

***Noteholders are structurally subordinated to creditors of the Issuer's Subsidiaries***

The Issuer may be partially dependent on dividends and other payments from its Subsidiaries to generate the funds necessary to meet its financial obligations (including under the Notes). Please also refer to the risk factor entitled "*Risks related to the operations of the Issuer – Risks associated with financial debt outstanding – Dividends from Subsidiaries*". Generally, the claims of creditors of subsidiaries of the Issuer will have priority over claims of the Issuer with respect to the assets and earnings of such subsidiaries. In the event of a bankruptcy, liquidation, winding-up, dissolution, receivership, insolvency, reorganisation, administration or similar proceeding relating to any one or more of the Issuer's subsidiaries, holders of such subsidiaries' indebtedness and the trade creditors of such subsidiaries will generally be entitled to payment of their claim from the assets of such subsidiaries before assets are made available for distribution to the Issuer.

***Belgian Withholding Tax***

If the Issuer, the NBB, the Agent or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the NBB, the Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

The Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding for any taxes imposed by tax authorities in Belgium upon payments made by or on behalf of the Issuer in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding taxes, except that no such additional amounts shall be payable in respect of any Notes in the circumstances described in Condition 7 (*Taxation*).

***Change of law***

The Conditions, and any non-contractual obligations arising therefrom or in connection therewith, of the Notes are governed by, and shall be construed in accordance with Belgian law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to Belgian law, or the official application, interpretation or the administrative practice of Belgian law, after the date of issue of the relevant Notes. Any such decision or change may affect the enforceability of the Noteholders' rights under the Conditions or render the exercise of such rights more difficult and, hence, materially adversely impact the value of any Notes affected by it.

***Relationship with the Issuer***

All notices and payments to be delivered to the Noteholders will be distributed by the Issuer to such Noteholders in accordance with the Conditions. In the event that a Noteholder does not receive such notices or payments, its rights may be prejudiced but it may not have a direct claim against the Issuer therefor.

***Reliance on the procedures of the NBB System, Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa for transfer, payment and communication with the Issuer***

The Notes will be issued in dematerialised form under the Belgian Companies and Associations Code and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the NBB System.

Access to the NBB System is available through its NBB System participants whose membership extends to securities such as the Notes. NBB System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*) and Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa.

Transfers of interests in the Notes will be effected between the NBB System participants in accordance with the rules and operating procedures of the NBB System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the NBB System participants through which they hold their Notes.

The Issuer and the Agent will have no responsibility for the proper performance by the NBB System or the NBB System participants of their obligations under their respective rules and operating procedures.

A Noteholder must rely on the procedures of the NBB System, Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Notes within the NBB System.

## Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***The secondary market generally***

An active secondary market in respect of the Notes may never be established or may be illiquid and this could adversely affect the value at which investors could sell their Notes. Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid. Therefore, no assurances can be given that it will continue or that it will be or remain liquid. In such circumstances, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings (including any unsolicited ratings) may, however, not reflect the potential impact of all risks related to the structure, market, additional factors discussed in this section, and other factors that may affect the value of the

Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, any negative change in or withdrawal of a credit rating assigned to the Notes (and/or to Elia Group (including for reasons not related to the Issuer and its subsidiaries) and/or to the Issuer after the receipt of its standalone credit rating) could adversely affect the trading price of the Notes, including where this would lead to a negative change in or withdrawal of a credit rating assigned to such Notes, if any. The Issuer currently does not have a standalone credit rating but has been assessed as core to Elia Group by S&P (with rating BBB+ with stable outlook). All senior unsecured debt currently held by the Issuer has been rated BBB+ by S&P on the basis of the rating of the Elia Group. The programme has been rated BBB+ by S&P.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the United Kingdom and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU and non-United Kingdom credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU or non-United Kingdom rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Information Memorandum.

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in, or incorporated by reference in or enclosed in Annex to, this Information Memorandum or any applicable supplement;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions

should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions (the "**Conditions**") that, subject to completion in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes. To the extent permitted by applicable law and/or regulation, the Pricing Supplement in respect of any Tranche of Notes may supplement, amend or replace any information in the Information Memorandum. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.*

The Notes are issued by Elia Transmission Belgium NV/SA, a Belgian limited liability company with its registered office at Keizerslaan 20 Boulevard de l'Empereur, 1000 Brussels, Belgium, enterprise number 0731.852.231 (RPR/RPM Brussels) subject to a Belgian paying agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated on or about 17 April 2020 between the Issuer and KBC Bank NV as paying agent (the "**Agent**", which expression shall include any successor paying agent) and as calculation agent. The calculation agent for the time being (if any) is referred to below as the "**Calculation Agent**". Unless otherwise specified in the relevant Pricing Supplement, the Agent will act as the Calculation Agent. The Noteholders (as defined below) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement are available for inspection by the Noteholders at the specified office of the Agent. The relevant Pricing Supplement will be obtainable at the registered office of the Issuer and of the Agent only by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Agent as to its holding of such Notes and identity.

The final terms for the Notes (or the relevant provisions thereof) are set out in the Pricing Supplement incorporated by reference into the Notes and supplement these Conditions. References to the "**relevant Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) incorporated by reference into the Notes.

In these Conditions, any reference to any law, decree, regulation, directive or any implementing or other legislative measure shall be construed as a reference to such law, decree, regulation, directive or implementing or other legislative measure as the same may be amended, supplemented, restated or replaced from time to time.

### 1 Form, Denomination and Title

The Notes will be issued in dematerialised form in accordance with the Belgian Companies and Associations Code (*Wetboek van Vennootschappen en Verenigingen/Code des Sociétés et des Associations*) and cannot be physically delivered. The Notes will be represented exclusively by book entry in the records of the securities settlement system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**NBB System**"). The Notes can be held by their holders through participants in the NBB System, including Euroclear, Clearstream Banking AG, SIX SIS, Monte Titoli, Euroclear France, Interbolsa or other participants in the NBB System whose membership extends to securities such as the Notes (each a "**Participant**") through other financial intermediaries which in turn hold the Notes through any Participant. The Notes are accepted for settlement through the NBB System and are accordingly subject to the applicable Belgian regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 (each as amended or re-enacted or as their application is modified by other provisions from time to time) and the Terms and Conditions governing the participation in the NBB System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition 1 being referred to herein as the "**NBB System Regulations**"). Title to the

Notes will pass by account transfer. The Noteholders will not be entitled to exchange the Notes into notes in bearer form.

If at any time the Notes are transferred to another clearing system, not operated or not exclusively operated by the NBB, these provisions shall apply *mutatis mutandis* to such successor clearing or securities settlement system and successor clearing or securities settlement system operator or any additional clearing or securities settlement system and additional clearing or securities settlement system operator.

Noteholders are entitled to exercise the rights they have, including voting rights, making requests, giving consents, and other associative rights (as defined for the purposes of the Belgian Companies and Associations Code) upon submission of an affidavit drawn up by the NBB (or any other participant duly licensed in Belgium as a recognised accountholder for the purposes of Article 7:41 of the Belgian Companies and Associations Code (a "**Recognised Accountholder**")) (or the position held by the financial institution through which such holder's Notes are held with such Recognised Accountholder, in which case an affidavit drawn up by that financial institution will also be required).

The Notes are issued in the Specified Denomination(s) specified in the relevant Pricing Supplement. The minimum Specified Denominations shall be at least EUR 100,000 (or its equivalent in any other currency).

The Notes may have multiple Specified Denominations, provided that the larger Specified Denominations are integral multiples of the smaller Specified Denominations. If the minimum Specified Denomination of Notes of a series is EUR 100,000, such Notes will only be tradeable in integral multiples of EUR 100,000.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis specified in the relevant Pricing Supplement.

In these Conditions, "**Noteholder**" and "**holder**" mean, in respect of any Note, the holder from time to time of the Notes as determined by reference to the records of the relevant securities settlement systems or financial intermediaries and the affidavits referred to in this Condition 1 and capitalised terms have the meanings given to them in the relevant Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes. If the relevant Pricing Supplement specifies "Eligible Investors only" as "Applicable", the Notes may be held only by, and transferred only to, Eligible Investors (as defined in Condition 7 (*Taxation*)).

## 2 Status

The Notes constitute (subject to Condition 3 (*Negative Pledge*)) direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3 (*Negative Pledge*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

## 3 Negative Pledge

(a) **Restriction:** So long as any Note remains outstanding:

(i) the Issuer will not, and it shall procure that none of its Material Subsidiaries will, create, grant or permit to subsist any Security Interest (other than a Permitted Security Interest) upon, or with respect to, the whole or any part of its business, undertaking, assets or revenues present or future to secure any Relevant Debt (as defined below) of any person, including the Issuer or any of its Material Subsidiaries, or any guarantee of or indemnity in respect of any Relevant Debt of any person, including the Issuer or any of its Material Subsidiaries; and

(ii) the Issuer will, and shall procure that its Material Subsidiaries will, procure that no other person creates, grants or permits to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of the business, undertaking, assets or revenues present or future of that other person to secure any of the Issuer's or any of its Material Subsidiaries' Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's or any of its Material Subsidiaries' Relevant Debt,

unless, at the same time or prior thereto, the Issuer's obligations under the Notes (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in Schedule 1 (*Provisions on meetings of Noteholders*) to these Conditions) of the Noteholders.

(b) **Definitions:** For the purposes of these Conditions:

(i) "**IFRS 10 – Consolidated Financial Statements**" means International Financial Reporting Standard 10 for consolidated financial statements as issued by the IASB (International Accounting Standards Board) in May 2011 as amended from time to time.

(ii) "**Material Subsidiary**" means a Subsidiary whose (i) turnover or (ii) total assets (in each case determined on a non-consolidated basis and determined on a basis consistent with the preparation of the consolidated accounts of the Issuer) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, are equal to) no less than 20 per cent. of the consolidated turnover or total assets (as the case may be) of the Issuer, all as calculated respectively by reference to the then latest audited accounts of such Subsidiary and the then latest audited consolidated accounts of the Issuer, provided that:

(A) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until consolidated accounts of the Issuer for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest audited accounts, adjusted as deemed appropriate by the auditors of the relevant Subsidiary from time to time (the "**Auditors**"); and

(B) in the case of a Subsidiary in respect of which no audited accounts are prepared, its turnover and total assets shall be determined on the basis of pro forma accounts of the relevant Subsidiary prepared for this purpose by the Auditors on the basis of accounting principles consistent with those adopted by the Issuer.

(iii) "**outstanding**" means all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid to the Agent as provided in this Agreement and remain available for payment to the Noteholders, (c) those which have become void or in respect of which claims have become prescribed, and (d) those which have been purchased and cancelled as provided in the Conditions; provided that, for the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) the determination of how many Notes are outstanding for the purposes of Condition 3 (*Negative Pledge*) and Condition 10 (*Meeting of Noteholders and Modifications*) and Schedule 1 (*Provisions on meetings of Noteholders*), those Notes that are held by, or are held on behalf of, Elia Group

(previously Elia System Operator), the Issuer or any of their respective Subsidiaries and not cancelled shall (unless and until ceasing to be so held) be deemed not to be outstanding.

(iv) "**Permitted Security Interest**" means any Security Interest securing any Relevant Debt issued for the purpose of financing of all or part of the costs of the acquisition, construction or development of any project if the person or persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for such Relevant Debt.

(v) "**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes or other transferable securities (*effecten/valeurs mobilières*) which are for the time being quoted or listed or capable of being quoted or listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue and any guarantee or indemnity of any such indebtedness.

(vi) "**Security Interest**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

(vii) "**Subsidiary**" means an entity from time to time which the Issuer controls; control for this purpose has the meaning as set out in IFRS 10 − "*Consolidated Financial Statements*".

## 4 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f) (*Calculations*).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f) (*Calculations*). Such Interest Payment Date(s) is/are either specified in the relevant Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the relevant Pricing Supplement, "**Interest Payment Date**" shall mean each date which falls the number of months or other period specified in the relevant Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

(A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless, except in relation to the Maturity Date or any applicable date for early redemption, it would thereby fall into the next calendar month, in which event (x) such date shall be

brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;

(B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day;

(C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless, except in relation to the Maturity Date or any applicable date for early redemption, it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Pricing Supplement.

(A) ISDA Determination

Where ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the relevant Pricing Supplement;

(y) the Designated Maturity is a period specified in the relevant Pricing Supplement; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Pricing Supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

(x) Where Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided in this Condition 4(b), be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either

11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations;

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate *per annum*) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates *per annum* (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be

determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified in the Pricing Supplement as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Pricing Supplement), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and (b) in relation to ISDA Determination, the Designated Maturity.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i) (*Zero Coupon Notes*)).

(d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption thereof (or in the case of Instalment Notes (as defined below) in respect of each instalment of principal, on the applicable Amortisation Date for the relevant Amortisation Amount) unless the Issuer defaults in making due provision for their redemption on said date (subject to the applicable grace period), in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 5 (*Redemption, Purchase and Options*)).

(e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**

(i) If any Margin is specified in the relevant Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the relevant Pricing Supplement, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be. Unless otherwise stated in the relevant Pricing Supplement, the Minimum Rate of Interest will be deemed to be zero.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

(f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Pricing Supplement (less, in the case of an Instalment Note, any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)) and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount (less, in the case of an Instalment Note, any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)) in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Agent, the Issuer, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii) (*Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements

made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 4(g) but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Benchmark discontinuation:**

(i) Independent Adviser

If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Accrual Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(h)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 4(h)(iii)) and any Benchmark Amendments (in accordance with Condition 4(h)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 4(h) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agent or the Noteholders for any determination made by it pursuant to this Condition 4(h).

If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4(h) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediately following Interest Accrual Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this Condition 4(h)(i) shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(h).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser determines in its discretion that:

(a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4(h)); or

(b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4(h)).

(iii) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as the case may be) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

If any relevant Successor Rate, Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4(h) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and, in either case, the Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 4(h)(v), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4(h).

(v) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4(h) will be notified promptly by the Issuer to the Agent, the Calculation Agent and, in accordance with Condition 12 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Agent of the same, the Issuer shall deliver to the Agent a certificate signed by two authorised signatories of the Issuer:

(a) confirming (i) that a Benchmark Event has occurred, (ii) the relevant Successor Rate or, as the case may be, the relevant Alternative Rate, (iii) and, in either case, the Adjustment Spread and (iv) the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4(h); and

(b) certifying that the relevant Benchmark Amendments (if any) are necessary to ensure the proper operation of such relevant Successor Rate or relevant Alternative Rate and (in either case) the applicable Adjustment Spread.

The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and the Adjustment Spread and such Benchmark Amendments (if any)) be binding on the Issuer, the Agent, the Calculation Agent, and the Noteholders.

(vi) Survival of Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4(h)(i), (ii), (iii) and (iv), the Reference Rate and the fall-back provisions provided for in Condition 4(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

(vii) Definitions

As used in this Condition 4(h):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

(ii) the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)

(iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4(h)(ii) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"**Benchmark Amendments**" has the meaning given to it in Condition 4(h)(iv).

"**Benchmark Event**" means:

(i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(ii) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or

(iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(v) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is or will, by

a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market; or

(vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent, the Issuer or any other party appointed by the Issuer to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) or (v) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 4(h)(i).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate** means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(i) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] \pm [30 \text{ x } (M_2 - M_1)] \pm (D_2 - D_1)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] \pm [30 \text{ x } (M_2 - M_1)] \pm (D_2 - D_1)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ will be 30

(vii) if "**30E/360 (ISDA)**" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] \pm [30 \text{ x } (M_2 - M_1)] \pm (D_2 - D_1)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case $D_2$ will be 30

(viii) if "**Actual/Actual-ICMA**" is specified in the relevant Pricing Supplement,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such in the relevant Pricing Supplement or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount (less, in the case of an Instalment Note, any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)) for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the relevant Pricing Supplement or following payment of any Amortisation Amount (if any), shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount (less, in the case of an Instalment Note, any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)) for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Pricing Supplement;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Pricing Supplement;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Pricing Supplement;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions of the relevant Pricing Supplement;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Pricing Supplement;

"**Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Pricing Supplement;

"**Specified Currency**" means the currency specified as such in the relevant Pricing Supplement or, if none is specified, the currency in which the Notes are denominated;

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Pricing Supplement and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 5 Redemption, Purchase and Options

(a) **Final Redemption and/or Amortisation:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the relevant Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the relevant Pricing Supplement, is its nominal amount).

If Amortisation is specified in the relevant Pricing Supplement, (such Notes being referred to in these Conditions as "**Instalment Notes**"), each Note shall be redeemed in instalments on the Amortisation Dates and at the Amortisation Amounts per Calculation Amount, in each case as specified in the relevant Pricing Supplement. In the case of early redemption, Instalment Notes will be redeemed at their outstanding nominal amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 5(c) (*Redemption for Taxation Reasons*), Condition 5(d) (*Redemption at the Option of the Issuer*), Condition 5(e) (*Make Whole Redemption at the Option of the Issuer*), Condition 5(f) (*Residual Maturity Call*) or Condition 5(g) (*Redemption at the Option of Noteholders*) or upon it becoming due and payable as provided in Condition 9 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date, including any Amortisation Amounts (if any) which have not yet been repaid but excluding any Amortisation Amounts (if any) which have already been repaid, discounted at a rate *per annum* (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) *If the Early Redemption Amount payable in respect of any such Note upon its redemption* pursuant to Condition 5(c) (*Redemption for Taxation Reasons*), Condition 5(d) (*Redemption at the Option of the Issuer*), Condition 5(e) (*Make Whole Redemption at the Option of the Issuer*), Condition 5(f) (*Residual Maturity Call*) or Condition 5(g) (*Redemption at the Option of Noteholders*) or upon it becoming due and payable as provided in Condition 9 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date, including any Amortisation Amounts (if any) which have not yet been repaid but excluding any Amortisation Amounts (if any) which have already been repaid, together with any interest that may accrue in accordance with Condition 4(c) (*Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the relevant Pricing Supplement.

(ii) *Other Notes*:

(A) The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 5(b)(i) (*Zero Coupon Notes*) above), upon redemption of such Note pursuant to Condition 5(c) (*Redemption for Taxation Reasons*), Condition 5(d) (*Redemption at the Option of the Issuer*), Condition 5(f) (*Residual Maturity Call*) or Condition 5(g) (*Redemption at the Option of Noteholders*) or upon it becoming due and payable as provided in Condition 9 (*Events of Default*), shall be the Final Redemption Amount, including any Amortisation Amounts (if any) which have not yet been repaid but excluding any Amortisation Amounts (if any) which have already been repaid, together with accrued interest, if applicable, unless otherwise specified in the relevant Pricing Supplement.

(B) The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 5(b)(i) (*Zero Coupon Notes*) above) upon redemption of such Note pursuant to Condition 5(e) (*Make Whole Redemption at the Option of the Issuer*) shall be the amount calculated in accordance with Condition 5(e), as the case may be, together with accrued interest, if applicable, unless otherwise specified in the relevant Pricing Supplement.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 5(b) (*Early Redemption*) above) (together with interest accrued to the date fixed for redemption, if applicable), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Belgium or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement

is reached to issue the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Pricing Supplement) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. In the case of a partial redemption of the Notes, the Notes to be redeemed will be selected in accordance with the rules of the NBB System not more than 30 days prior to the Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the relevant Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 5(b) (*Early Redemption*) above)), together with interest accrued to the date fixed for redemption, if applicable. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Pricing Supplement. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5(d).

(e) **Make Whole Redemption at the Option of the Issuer:** If Make Whole Call Option is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' notice (or such other notice period as may be specified in the relevant Pricing Supplement) to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Make Whole Optional Redemption Date**"), redeem all, but not some only, of the Notes at a redemption price per Note equal to such amount per Note as is equal to the higher of the amounts in (A) and (B) below, as calculated by the Calculation Agent, in each case together with interest accrued to but excluding the Make Whole Optional Redemption Date, if applicable:

(A) the nominal amount outstanding of the Note; and

(B) the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Make Whole Optional Redemption Date) discounted to the Make Whole Optional Redemption Date on an annual basis (based on the Day Count Fraction specified in the relevant Pricing Supplement) at the Reference Dealer Rate (as defined below) plus any Margin specified in the relevant Pricing Supplement, in each case as determined by the Reference Dealers,

provided, however, that if the Make Whole Optional Redemption Date occurs on or after the earliest date on which the Notes may be redeemed in accordance with Condition 5(f) (*Residual Maturity Call*), the redemption price will be such amount per Note as is equal to the nominal amount outstanding of the relevant Note together with interest accrued to but excluding the Make Whole Optional Redemption Date, if applicable.

Any notice of redemption given under this Condition 5(e) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 5(g) (*Redemption at the Option of Noteholders*).

In this Condition:

"**Reference Dealers**" means those Reference Dealers specified in the relevant Pricing Supplement;

"**Reference Dealer Rate**" means with respect to the Reference Dealers and the Make Whole Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Stock or, if the Reference Stock is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers, at the Determination Time and on the Determination Date in each case specified in the relevant Pricing Supplement, quoted in writing to the Issuer by the Reference Dealers; and

"**Reference Stock**" means the Reference Stock specified in the relevant Pricing Supplement.

(f) **Residual Maturity Call:** If Residual Maturity Call Option is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' notice (or such other notice period as may be specified in the relevant Pricing Supplement) to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption (which shall be within the Residual Maturity Call Period specified in the relevant Pricing Supplement) (the "**Residual Maturity Call Optional Redemption Date**"), redeem all, but not some only, of the Notes at a redemption price per Note equal to the nominal amount outstanding of the relevant Note together with interest accrued to but excluding the Residual Maturity Call Optional Redemption Date, if applicable.

Any notice of redemption given under this Condition 5(f) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 5(g) (*Redemption at the Option of Noteholders*).

(g) **Redemption at the Option of Noteholders:** If Put Option is specified in the relevant Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the relevant Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 5(b) (*Early Redemption*) above)), together with interest accrued to the date fixed for redemption, if applicable.

To exercise such option, the holder of the relevant Note must deliver a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the Agent within the notice period, to the specified office of the Agent. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(h) **Purchases:** The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price, in accordance with any applicable legislation.

(i) **Cancellation:** All Notes so redeemed or purchased under this Condition 5 will be cancelled and may not be reissued or resold.

(j) **Definitions:** In these Conditions:

"**Relevant Date**" in respect of any Note means whichever is the later of: (a) the date on which payment in respect of it first becomes due and (b) if the Issuer defaults in making due provision for the amounts due on said date (subject to any applicable grace period), the date on which payment in full of the amount outstanding is made.

References to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to this Condition 5 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts

and all other amounts payable pursuant to Condition 4 (*Interest and other Calculations*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under Condition 7 (*Taxation*).

## 6 Payments

(a) **Payment in euro:** Without prejudice to Article 7:41 of the Belgian Companies and Associations Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the NBB System in accordance with the NBB System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB in respect of each amount so paid.

(b) **Payment in other currencies:** Without prejudice to Article 7:41 of the Belgian Companies and Associations Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Agent.

(c) **Method of Payment:** Each payment referred to in Condition 6(a) (*Payment in euro*) will be made in euro by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payments, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction imposed pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(e) **Appointment of Agents:** The Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed in the Information Memorandum. The Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Agent or the Calculation Agent provided that the Issuer shall at all times maintain (i) an Agent, (ii) a Calculation Agent where the Conditions so require and (iii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Payments on Business Days:** Subject to Condition 4(b)(ii) (*Business Day Convention*), if any date for payment in respect of the Notes is not a Business Day on which the NBB System is operating, the holder shall not be entitled to payment until the next following Business Day on which the NBB System is operating, nor to any interest or other sum in respect of such postponed payment. For the purpose of calculating the interest amount payable under the Notes, the Interest Payment Date shall not be adjusted.

## 7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or

within Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

(a) **Other connection:** to, or to a third party on behalf of, a Noteholder who is liable to such Taxes, in respect of such Note by reason of such Noteholder having some connection with Belgium other than the mere holding of the Note; or

(b) **Non-Eligible Investor:** to a Noteholder, who at the time of issue of the Notes, was not an eligible investor within the meaning of Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (an "**Eligible Investor**") or to a Noteholder who was such an eligible investor at the time of issue of the Notes but, for reasons within the Noteholder's control, either ceased to be an eligible investor or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the law of 6 August 1993 relating to certain securities; or

(c) **Conversion into registered securities:** to a Noteholder who is liable to such Taxes because such Note held by it was upon its request converted into a registered Note and could no longer be cleared through the NBB System;

(d) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a Noteholder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Notes are presented for payment.

## 8 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 9 Events of Default

If any of the following events occurs and is continuing:

(a) **Non-Payment:** the Issuer fails to pay any principal or interest due in respect of the Notes when due and such failure continues for a period of seven days in the case of principal and fifteen days in the case of interest; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under these Conditions and the Notes which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given by any Noteholder to the Agent at its specified office; or

(c) **Cross-Acceleration and Cross-Default:** (i) any other present or future indebtedness for borrowed money ("**Indebtedness**") of the Issuer or any of its Material Subsidiaries becomes due and payable, or becomes capable of being declared due and payable prior to its stated maturity by reason of any event of default (howsoever described) or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness, provided that the aggregate amount of the Indebtedness, guarantees and indemnities in respect of which the relevant event mentioned in this paragraph (c) has occurred

equals or exceeds €50 million or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day on which this paragraph operates) and provided further that, for the purposes of this paragraph (c), the Issuer or any of its Material Subsidiaries shall not be deemed to be in default with respect to such Indebtedness, guarantee or indemnity if it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or

(d) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries in an aggregate amount exceeding EUR 25 million or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day on which this paragraph operates), becomes enforceable and any step is taken to enforce any such mortgage, charge, pledge, lien or other encumbrance (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

(e) **Insolvency:** the Issuer or any of its Material Subsidiaries becomes insolvent or bankrupt or unable to pay its debts as they fall due, stops or threatens to stop or suspends payment of all or substantially all of its debts, is under judicial reorganisation, as applicable, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of or affecting all or substantially all of the debts or assets of the Issuer or any of its Material Subsidiaries; or

(f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries or the Issuer or any of its Material Subsidiaries ceases to carry on all or substantially all of its business or operations, except in either case for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) in respect of any of its Material Subsidiaries, which is not insolvent (*failliet verklaard/déclaré en faillite*), or (ii) on terms approved by an Extraordinary Resolution of the Noteholders; or

(g) **TSO:** the Issuer ceases to be the Belgian Transmission System Operator,

then any Note may, by notice in writing given to the Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Agent.

## 10 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** All meetings of Noteholders will be held in accordance with the provisions on meetings of Noteholders set out in Schedule 1 (*Provisions on meetings of Noteholders*) to these Conditions (the "**Noteholders' Provisions**"). Meetings of Noteholders may be convened to consider matters in relation to the Notes, including the modification or waiver of the Notes or any of the Conditions applicable to the Series. For the avoidance of doubt, any modification or waiver of the Notes or the Conditions shall always be subject to the consent of the Issuer.

A meeting of Noteholders may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding at least 20 per cent. of the aggregate nominal amount of the outstanding Notes. Any modification or waiver of the Notes or the Conditions of the Notes proposed by the Issuer may be made if sanctioned by an Extraordinary Resolution (as defined in the Noteholders' Provisions). However, any such proposal to (i) amend the dates of maturity or redemption of the Notes or any date for payment of interest or any other amounts due or payable under the Notes, (ii) assent to an extension of an interest period, a reduction of the applicable interest

rate or a modification of the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment in circumstances not provided for in the Conditions, (iii) assent to a reduction of the nominal amount of the Notes, a decrease of the principal amount payable by the Issuer under the Notes or a modification of the conditions under which any redemption, substitution or variation may be made, (iv) amend Condition 2 (*Status*) or effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person (it being understood, for the avoidance of any doubt, that no such resolution or consent of Noteholders shall be required for any exchange offer, tender offer or other form of liability management exercise by the Issuer or any other person that allows each Noteholder to individually decide to participate); (v) change the currency of payment of the Notes, (vi) modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or a Special Quorum Resolution, or (vii) amend this provision, may only be sanctioned by a Special Quorum Resolution.

Resolutions duly passed by a meeting of Noteholders of a Series in accordance with the Noteholders' provisions shall be binding on all Noteholders of that Series, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

The Noteholders' Provisions furthermore provide that, for so long as the Notes are in dematerialised form and settled through the NBB System, in respect of any matters proposed by the Issuer, the Issuer shall be entitled, where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant clearing systems as provided in the Noteholders' Provisions, to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant securities settlement system(s) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding. To the extent such electronic consent is not being sought, the Noteholders' Provisions provide that, if authorised by the Issuer and to the extent permitted by Belgian law, a resolution in writing signed by or on behalf of holders of Notes of a Series of not less than 75 per cent. of the aggregate nominal amount of the outstanding Notes of that Series shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of Notes of that Series duly convened and held, provided that the terms of the proposed resolution shall have been notified in advance to those Noteholders of that Series through the relevant settlement system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more holders of Notes of that Series.

(b) **Modification and Waiver:** Without prejudice to Condition 4(h) (*Benchmark discontinuation*), the Agency Agreement, any agreement supplemental to the Agency Agreement and these Conditions may be amended without the consent of the Noteholders for the purpose of (i) curing any manifest error, (ii) complying with mandatory provisions of law or (iii) in the case of the Agency Agreement or any agreement supplemental to the Agency Agreement, in any manner which the Issuer and the Agent may deem necessary or desirable, provided that no such change shall be inconsistent with the Conditions nor, in the reasonable opinion of the Issuer, adversely affect the interests of the Noteholders. In addition, the Issuer shall only permit any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## 11 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Notes) and so that the same shall be

consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

## 12 Notices

All notices regarding the Notes will be valid if published through the electronic communication system of Bloomberg. For so long as the Notes are held by or on behalf of the NBB System, notices to Noteholders may also be delivered to the NBB System for onward communication to the Participants in substitution for such publication. Any such notice shall be deemed to have been given to Noteholders on the calendar day after the date on which the said notice was given to the NBB System.

The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed.

## 13 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 13, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

## 14 Governing Law and Jurisdiction

(a) **Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Belgian law.

(b) **Jurisdiction:** The Issuer agrees for the benefit of the Noteholders that any dispute in connection with the Notes or any non-contractual obligations in connection with the Notes shall be subject to the exclusive jurisdiction of the courts of Brussels, Belgium.

## SCHEDULE 1
## PROVISIONS ON MEETINGS OF NOTEHOLDERS

### Interpretation

1. In this Schedule:

1.1 references to a "**meeting**" are to a meeting of Noteholders of a single Series of Notes and include, unless the context otherwise requires, any adjournment;

1.2 references to "**Notes**" and "**Noteholders**" are only to the Notes of the Series and in respect of which a meeting has been, or is to be, called and to the holders of those Notes, respectively;

1.3 "**agent**" means a holder of a Voting Certificate or a proxy for, or representative of, a Noteholder;

1.4 "**Block Voting Instruction**" means a document issued by a Recognised Accountholder or the NBB System in accordance with paragraph 9;

1.5 "**Electronic Consent**" has the meaning set out in paragraph 31.1;

1.6 "**Extraordinary Resolution**" means a resolution passed (a) at a meeting of Noteholders duly convened and held in accordance with this Schedule 1 (*Provisions on meetings of Noteholders*) by a majority of at least 75 per cent. of the votes cast or (b) by a Written Resolution or (c) by an Electronic Consent;

1.7 "**NBB System**" means the securities settlement system operated by the NBB or any successor thereto;

1.8 "**Ordinary Resolution**" means a resolution with regard to any of the matters listed in paragraph 4 and passed or proposed to be passed by a majority of at least 50 per cent. of the votes cast;

1.9 "**Recognised Accountholder**" means an entity recognised as account holder in accordance with the Belgian Companies and Associations Code with whom a Noteholder holds Notes;

1.10 "**Voting Certificate**" means a certificate issued by a Recognised Accountholder or the NBB System in accordance with paragraph 8;

1.11 "**Written Resolution**" means a resolution in writing signed by the holders of not less than 75 per cent. in principal amount of the Notes outstanding; and

1.12 references to persons representing a proportion of the Notes are to Noteholders, proxies or representatives of such Noteholders holding or representing in the aggregate at least that proportion in nominal amount of the Notes for the time being outstanding.

### General

2. All meetings of Noteholders will be held in accordance with the provisions set out in this Schedule.

### Powers of meetings

3. A meeting shall, subject to the Conditions and (except in the case of sub-paragraph 3.5) only with the consent of the Issuer and without prejudice to any powers conferred on other persons by this Schedule, have power by Extraordinary Resolution:

3.1 to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer (other than in accordance with the Conditions or pursuant to applicable law);

3.2 to assent to any modification of this Schedule or the Notes proposed by the Issuer or the Agent;

3.3 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;

3.4 to give any authority, direction or sanction required to be given by Extraordinary Resolution;

3.5 to appoint any person or persons (whether Noteholders or not) as an individual or committee or committees to represent the Noteholders' interests and to confer on them any powers (or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;

3.6 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes in circumstances not provided for in the Conditions or under applicable law; and

3.7 to accept any security interests established in favour of the Noteholders or a modification to the nature or scope of any existing security interest or a modification to the release mechanics of any existing security interests.

provided that the special quorum provisions in paragraph 19 shall apply to any Extraordinary Resolution (a "**Special Quorum Resolution**") for the purpose of making a modification to this Schedule or the Notes which would have the effect of (other than in accordance with the Conditions or pursuant to applicable law):

(i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or any other amounts due or payable under the Notes;

(ii) to assent to an extension of an interest period, a reduction of the applicable interest rate or a modification of the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment in circumstances not provided for in the Conditions;

(iii) to assent to a reduction of the nominal amount of the Notes, a decrease of the principal amount payable by the Issuer under the Notes or a modification of the conditions under which any redemption, substitution or variation may be made;

(iv) to amend Condition 2 (*Status*) or to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person (it being understood, for the avoidance of any doubt, that no such resolution or consent of Noteholders shall be required for any exchange offer, tender offer or other form of liability management exercise by the Issuer or any other person that allows each Noteholder to individually decide to participate);

(v) to change the currency of payment of the Notes;

(vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or a Special Quorum Resolution; or

(vii) to amend this provision.

## Ordinary Resolution

4. Notwithstanding any of the foregoing and without prejudice to any powers otherwise conferred on other persons by this Schedule, a meeting of Noteholders shall have power by Ordinary Resolution:

   4.1 to assent to any decision to take any conservatory measures in the general interest of the Noteholders;

   4.2 to assent to the appointment of any representative to implement any Ordinary Resolution; or

   4.3 to assent to any other decisions which do not require an Extraordinary Resolution or a Special Quorum Resolution to be passed.

   Any modification or waiver of any of the Conditions shall always be subject to the consent of the Issuer.

5. No amendment to this Schedule or the Notes which in the opinion of the Issuer relates to any of the matters listed in paragraph 4 above shall be effective unless approved at a meeting of Noteholders complying in all respect with the requirements of Belgian law, the provisions set out in this Schedule and the articles of association of the Issuer.

## Convening a meeting

6. The Issuer may at any time convene a meeting. A meeting shall be convened by the Issuer upon the request in writing of Noteholders holding at least 20 per cent. in principal amount of the Notes for the time being outstanding. Every meeting shall be held at a time and place approved by the Agent.

7. Convening notices for meetings of Noteholders shall be given to the Noteholders in accordance with Condition 12 (*Notices*) not less than fifteen days prior to the relevant meeting. The notice shall specify the day, time and place of the meeting and the nature of the resolutions to be proposed and shall explain how Noteholders may appoint proxies or representatives obtain Voting Certificates and use Block Voting Instructions and the details of the time limits applicable.

## Arrangements for voting

8. A Voting Certificate shall:

   8.1 be issued by a Recognised Accountholder or the NBB System;

   8.2 state that on the date thereof (i) the Notes (not being Notes in respect of which a Block Voting Instruction has been issued which is outstanding in respect of the meeting specified in such Voting Certificate and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognised Accountholder or the NBB System) held to its order or under its control and blocked by it and (ii) that no such Notes will cease to be so held and blocked until the first to occur of:

      (i) the conclusion of the meeting specified in such certificate or, if applicable, any such adjourned meeting; and

      (ii) the surrender of the Voting Certificate to the Recognised Accountholder or the NBB System who issued the same; and

   8.3 further state that until the release of the Notes represented thereby the bearer of such certificate is entitled to attend and vote at such meeting and any such adjourned meeting in respect of the Notes represented by such certificate.

9. A Block Voting Instruction shall:

9.1 be issued by a Recognised Accountholder or the NBB System;

9.2 certify that the Notes (not being Notes in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction and any such adjourned meeting) of a specified principal amount outstanding were (to the satisfaction of such Recognised Accountholder or the NBB System) held to its order or under its control and blocked by it and that no such Notes will cease to be so held and blocked until the first to occur of:

(iii) the conclusion of the meeting specified in such document or, if applicable, any such adjourned meeting; and

(iv) the giving of notice by the Recognised Accountholder or the NBB System to the Issuer, stating that certain of such Notes cease to be held with it or under its control and blocked and setting out the necessary amendment to the Block Voting Instruction;

9.3 certify that each holder of such Notes has instructed such Recognised Accountholder or the NBB System that the vote(s) attributable to the Note or Notes so held and blocked should be cast in a particular way in relation to the resolution or resolutions which will be put to such meeting or any such adjourned meeting and that all such instructions cannot be revoked or amended during the period commencing three (3) Business Days prior to the time for which such meeting or any such adjourned meeting is convened and ending at the conclusion or adjournment thereof;

9.4 state the principal amount of the Notes so held and blocked, distinguishing with regard to each resolution between (i) those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution, (ii) those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution and (iii) those in respect of which instructions have been so given to abstain from voting; and

9.5 naming one or more persons (each hereinafter called a "**proxy**") as being authorised and instructed to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in 9.4 above as set out in such document.

10. If a holder of Notes wishes the votes attributable to it to be included in a Block Voting Instruction for a meeting, he must block such Notes for that purpose at least three (3) Business Days before the time fixed for the meeting to the order of the Agent with a bank or other depositary nominated by the Agent for the purpose. The Agent or such bank or other depositary shall then issue a Block Voting Instruction in respect of the votes attributable to all Notes so blocked.

11. No votes shall be validly cast at a meeting unless in accordance with a Voting Certificate or Block Voting Instruction.

12. The proxy appointed for purposes of the Block Voting Instruction or Voting Certificate does not need to be a Noteholder.

13. Votes can only be validly cast in accordance with Voting Certificates and Block Voting Instructions in respect of Notes held to the order or under the control and blocked by a Recognised Accountholder or the NBB System and which have been deposited at the registered office at the Issuer not less than three (3) and not more than six (6) Business Days before the time for which the meeting to which the relevant voting instructions and Block Voting Instructions relate, has been convened or called. The Voting Certificate and Block Voting Instructions shall be valid for as long as the relevant Notes continue to be

so held and blocked. During the validity thereof, the holder of any such Voting Certificate or (as the case may be) the proxies named in any such Block Voting Instruction shall, for all purposes in connection with the relevant meeting, be deemed to be the holder of the Notes to which such Voting Certificate or Block Voting Instruction relates.

14. In default of a deposit, the Block Voting Instruction or the Voting Certificate shall not be treated as valid, unless the chairman of the meeting decides otherwise before the meeting or adjourned meeting proceeds to business.

15. A corporation which holds a Note may, by delivering at least three Business Days before the time fixed for a meeting to a bank or other depositary appointed by the Agent for such purposes a certified copy of a resolution of its directors or other governing body or another certificate evidencing due authorisation (with, in each case, if it is not in English, a translation into English), authorise any person to act as its representative in connection with that meeting.

## Chairman

16. The chairman of a meeting shall be such person as the Issuer may nominate, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Noteholders or agents present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman need not be a Noteholder or agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

## Attendance

17. The following may attend and speak at a meeting:

    17.1 Noteholders and their respective agents, financial and legal advisers;

    17.2 the chairman and the secretary of the meeting;

    17.3 the Issuer and the Agent (through their respective representatives) and their respective financial and legal advisers; and

    17.4 any other person approved by the Meeting.

No one else may attend or speak.

## Quorum and Adjournment

18. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Noteholders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place as the chairman may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

19. One or more Noteholders or agents present in person shall be a quorum:

    19.1 in the cases marked "**No minimum proportion**" in the table below, whatever the proportion of the Notes which they represent

19.2 in any other case, only if they represent the proportion of the Notes shown by the table below.

| **Purpose of meeting** | **Any meeting except for a meeting previously adjourned through want of a quorum** | **Meeting previously adjourned through want of a quorum** |
|---|---|---|
| | Required proportion | Required proportion |
| To pass a Special Quorum Resolution | 75 per cent. | 25 per cent. |
| To pass any other Extraordinary Resolution | A clear majority | No minimum proportion |
| To pass an Ordinary Resolution | A clear majority | No minimum proportion |

20. The chairman may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 18.

21. At least ten days' notice of a meeting adjourned due to the quorum not being present shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. Subject as aforesaid, it shall not be necessary to give any other notice of an adjourned general meeting.

## Voting

22. Each question submitted to a meeting shall be decided by a show of hands, unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer or one or more persons representing 2 per cent. of the Notes.

23. Unless a poll is demanded, a declaration by the chairman that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.

24. If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.

25. A poll demanded on the election of a chairman or on a question of adjournment shall be taken at once.

26. On a show of hands or a poll every person has one vote in respect of each Note so produced or represented by the voting certificate so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.

27. In case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.

## Effect and Publication of an Extraordinary Resolution, a Special Quorum Resolution and an Ordinary Resolution

28. An Extraordinary Resolution, a Special Quorum Resolution and an Ordinary Resolution shall be binding on all the Noteholders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution, a Special Quorum Resolution or an Ordinary Resolution to Noteholders within fourteen days but failure to do so shall not invalidate the resolution.

## Minutes

29. Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

30. The minutes must be published on the website of the Issuer within fifteen (15) days after they have been passed.

## Written Resolutions and Electronic Consent

31. For so long as the Notes are in dematerialised form and settled through the NBB System, then in respect of any matters proposed by the Issuer:

31.1 Where the terms of the resolution proposed by the Issuer have been notified to the Noteholders through the relevant securities settlement system(s) as provided in sub-paragraphs (a) and/or (b) below, the Issuer shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant securities settlement system(s) to the Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (the "**Required Proportion**") by close of business on the Relevant Date ("**Electronic Consent**"). Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance.

(a) When a proposal for a resolution to be passed as an Electronic Consent has been made, at least fifteen days' notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Noteholders through the relevant securities settlement system(s). The notice shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant securities settlement system(s)) and the time and date (the "**Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant securities settlement system(s).

(b) If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall be deemed to be defeated. Such determination shall be notified in writing to the Agent. Alternatively, the Issuer may give a further notice to Noteholders that the resolution will be proposed again on

such date and for such period as determined by the Issuer. Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph (a) above. For the purpose of such further notice, references to "**Relevant Date**" shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened in accordance with paragraph 7 above, unless that meeting is or shall be cancelled or dissolved.

31.2 Unless Electronic Consent is being sought in accordance with paragraph 31.1, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution, a Special Quorum Resolution or an Ordinary Resolution passed at a meeting of Noteholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Noteholders through the relevant securities settlement system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. For the purpose of determining whether a resolution in writing has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the securities settlement system(s) with entitlements to the Notes or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the NBB System, Euroclear, Clearstream or any other relevant alternative securities settlement system (the "**relevant securities settlement system**") and, in the case of (b) above, the relevant securities settlement system and the accountholder identified by the relevant securities settlement system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant securities settlement system (including Euroclear's EUCLID or Clearstream's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

32. A Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution, a Special Quorum Resolution or an Ordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent.

## SETTLEMENT

The Notes will be accepted for settlement through the NBB System and will accordingly be subject to the NBB System Regulations (as defined in "*Terms and Conditions of the Notes*").

The number of Notes in circulation at any time will be registered in the register of registered securities of the Issuer in the name of the NBB.

Access to the NBB System is available through those of its NBB System participants whose membership extends to securities such as the Notes.

NBB System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), and Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa and investors can hold their Notes within securities accounts in Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa.

Transfers of interests in the Notes will be effected between NBB System participants in accordance with the rules and operating procedures of the NBB System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the NBB System participants through which they hold their Notes.

The Agent will perform the obligations of paying agent included in the service contract for the issuance of fixed income securities dated on or about 17 April 2020 between the Issuer, the NBB and the Agent (the "**Clearing Agreement**").

The Issuer and the Agent will not have any responsibility for the proper performance by the NBB System or its NBB System participants of their obligations under their respective rules and operating procedures.

## USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes or any particular use of proceeds as identified in the relevant Pricing Supplement.

In most cases, the general corporate purposes include (i) the refinancing of currently outstanding loans and other debt (including shareholder loans), (ii) the financing of the Issuer's investment programmes, (iii) financing that part of the funding needs that exceed the auto-financing capabilities of the Issuer at any given point in time, and (iv) investments in affiliates or associated joint ventures in connection with the Issuer's regulated business in Belgium. Neither the Arranger nor any of the Dealers will verify or monitor the proposed use of proceeds of Notes issued under the Programme.

For each issue, the relevant Pricing Supplement will specify under "*Reasons for the Offer*" whether the proceeds are for general corporate purposes or otherwise specify any particular identified use of proceeds.

In particular, if so specified in the relevant Pricing Supplement, the Issuer will apply the net proceeds from an offer of Notes specifically for Green Projects. Such Notes may also be referred to as "**Green Bonds**". If such Green Bonds will be issued, the relevant Pricing Supplement will specify for which category of Green Projects the proceeds of the Green Bonds will be used.

# DESCRIPTION OF THE ISSUER

## 1 Introduction

Elia Transmission Belgium SA/NV (the "**Issuer**") is a limited liability company (*naamloze vennootschap/société anonyme*) and was established under Belgian law by a deed enacted on 31 July 2019, published in the Appendix to the Belgian State Gazette (*Belgisch Staatsblad/Moniteur belge*) on 7 August 2019, under the reference 20190807-0329538. Its registered office is located at 1000 Brussels, Keizerslaan 20 (telephone number: +32 (0)2 546 70 11) and it is registered in the Brussels Register of Legal Entities under the number 0731.852.231. The Issuer's LEI is 549300A3EZXECDLW2V25. The Issuer's website can be accessed via www.elia.be. Unless specified otherwise, information contained on websites mentioned herein does not form part of this Information Memorandum.

The Issuer is the transmission system operator ("**TSO**") for the Belgian very-high (380kV – 150kV) and high voltage (70kV – 30kV) electricity networks, and for the offshore grid in the Belgian territorial waters in the North Sea. The electricity transmission networks and related physical assets are owned by the Issuer's wholly-owned subsidiary (minus one share), Elia Asset SA/NV ("**Elia Asset**"). The Issuer and Elia Asset operate as a single economic unit (referred to as "**Elia**") under the terms of a silent partnership agreement (*interne maatschap/société simple interne*) signed on 31 December 2019.

The Issuer was appointed as the sole TSO in Belgium by a ministerial decree of 13 January 2020 (published in the Belgian State Gazette of 27 January 2020 and with effect as of 1 January 2020) for a 20-year period starting on 31 December 2019. The Issuer as successor of Elia System Operator has also been appointed as a local transmission system operator (operating the high voltage grid) in the Flemish Region by a decision of the Flemish Regulator for the Electricity and Gas Markets (*Vlaamse Regulator van de Elektriciteits- en Gasmarkt*) ("**VREG**") of 24 December 2019 (published in the Belgian State Gazette of 5 February 2020) for the remainder of a 12-year period ending on 31 December 2023, as the local transmission system operator in the Walloon Region for a 20-year period starting on 31 December 2019 (in its capacity as the national transmission system operator) and as the regional transmission system operator in the Brussels-Capital Region by a decree of the Brussels Government of 19 December 2019 (published in the Belgian State Gazette of 14 February 2020) for a 20-year period starting on 31 December 2019. The Issuer is allowed to ask for the renewal of these appointments for the same duration. As a precondition to the appointment as national TSO, compliance with the unbundling requirements is assessed through a certification procedure run by the Commission for Electricity and Gas Regulation (*Commissie voor de Regulering van de Elektriciteit en het Gas*/*Commission de Régulation de l'Électricité et du Gaz*) (the "**CREG**"). In a decision of 27 September 2019, the CREG confirmed, based on a notification file submitted by Elia, that the new group structure was not of a nature to call into question the core elements of the CREG's previous decision of 6 December 2012 certifying Elia System Operator as a fully ownership unbundled TSO, and that it was hence not necessary to proceed to a new certification of its subsidiary Elia Transmission Belgium NV/SA (being the Issuer). Hence, the Issuer, is a fully ownership unbundled TSO with an obligation to stay in line and comply with the criteria and requirements to obtain and maintain such certification, and is monitored for its compliance on an ongoing basis by the CREG.

On 27 February 2015, a joint venture named "Nemo Link" was set up between Elia System Operator and National Grid Interconnector Holdings Limited ("**National Grid**"), a subsidiary of the UK's National Grid Plc, which is a major UK company owning and managing gas and electricity infrastructure in the UK and in the northeastern US (see Section 6.2.4 of the Issuer Description for more information on Nemo Link). As a result of the Group's strategic reorganisation, the Nemo shares held by Elia System Operator were transferred to the Issuer, so the Issuer became a party to this joint venture as of 31 December 2019.

The Issuer manages the liquidity and financial needs of Elia's activity as Belgian TSO (including Elia Asset's activities) including (if necessary) its investment activities in affiliates and joint ventures.

## 2 Corporate object

Subject to the limits and conditions set out in the Electricity Act as well as its implementing decrees and regulations, the Issuer may, according to Article 3 of its Articles of Association, engage in:

- the management of electricity networks, directly or via shareholdings in entities that own electricity networks and/or are active within the electricity sector, including related services;
- the performance of the following tasks in relation to the electricity networks mentioned above;
- the operation, maintenance and development of secure, reliable and effective networks, including the interconnectors from them to other networks in order to guarantee the continuity of supplies;
- the improvement, study, renewal and extension of networks, particularly in the context of a development plan, in order to ensure the long-term capacity of the networks and to meet reasonable demand for the transmission of electricity;
- the management of electricity flows on networks having regard to exchanges with other mutually connected networks and, in this context, ensuring coordination of the switching-in of production plants and determination of the use of interconnectors on the basis of objective criteria in order to guarantee a durable balance among the electricity flows resulting from the demand for and supply of electricity;
- providing secure, reliable and effective electricity networks and, in this connection, ensuring availability and implementation of the necessary support services and particularly emergency services in the event of defects in production units;
- contributing to security of supply by providing for adequate transmission capacity and network reliability;
- guaranteeing that no discrimination arises among network users or categories of network users, particularly in favour of affiliated or associated undertakings;
- the collection of revenues from congestion management;
- granting and managing third-party access to the networks;
- in the context of the foregoing tasks, endeavouring and taking care that market integration and energy efficiency are promoted according to the law applicable to the Issuer;
- instructing, under the control and supervision of the Issuer and in accordance with applicable law, one or more subsidiaries in carrying out certain of its activities set out above;
- carrying out, in Belgium and abroad, any operation which facilitates the achievement of its corporate purpose, and any public services mission imposed on it by law. However, the Issuer may not perform any activities with regard to the production or sale of electricity, other than production in the Belgian supply area in relation to support services and sales required by its coordination activity as network operator;
- carrying out any actions or transactions, whether of industrial, commercial, financial or any other nature, relating to moveable or immoveable property, which directly or indirectly relate to its corporate purpose. The Issuer may, in particular, be the owner of any property, moveable or immoveable, which it manages or exercise or acquire any rights in respect thereof which are necessary in order to perform its tasks; and
- acquiring interests under any form in any businesses or entities that may contribute to the achievement of the Issuer's corporate purpose, and the Issuer may, in particular, acquire interests (whether or not

in the capacity of shareholder), cooperate or enter into any form of cooperation agreement, commercial, technical or of any other nature, with any Belgian or foreign person, business or company that carries on similar or related activities, provided, however, unless authorised under relevant legislation, that the Issuer may not hold direct or indirect membership rights in any form whatsoever in generators, distribution system operators, suppliers and intermediaries any of which have to do with electricity and/or natural gas, or in affiliated or associated undertakings to the abovementioned undertakings.

The terms "generator", "distribution system operator", "supplier", "intermediary" and "subsidiary" have the meanings provided in Article 2 of the Electricity Act.

## 3 Business overview

Elia develops, operates and maintains the national very-high voltage electricity transmission system (380kV to 70kV) in Belgium, which is regulated at the federal level. In addition, Elia owns and operates a major part of the local and regional high-voltage electricity transmission systems (70kV to 30kV) in each of the Regions, which are regulated at the regional level (all transmission systems together, the "**Grid**"). It provides the physical link between electricity generators, distribution system operators ("**DSOs**"), suppliers and direct supply customers and manages interconnections with the electricity grids of neighbouring countries. It also manages the coordination of the flow of electricity across the Grid in Belgium, to enable secure and reliable delivery from electricity generators to end customers.

All Belgian very-high voltage electricity network assets are fully owned (through Elia Asset) and operated by the Issuer. The Issuer also owns (or has the right to use) and operates approximately 94 per cent. of the Belgian high voltage electricity network.

The extension of the activities of the TSO to include offshore activities was incorporated in the Electricity Act in 2012. Elia owns, operates, maintains and develops in particular an offshore grid in the Belgian North Sea, called the MOG.

Elia assures the management of the system in the Belgian electrical zone and is responsible of the balancing between production injected in the grid and consumption taken off the grid within this zone.

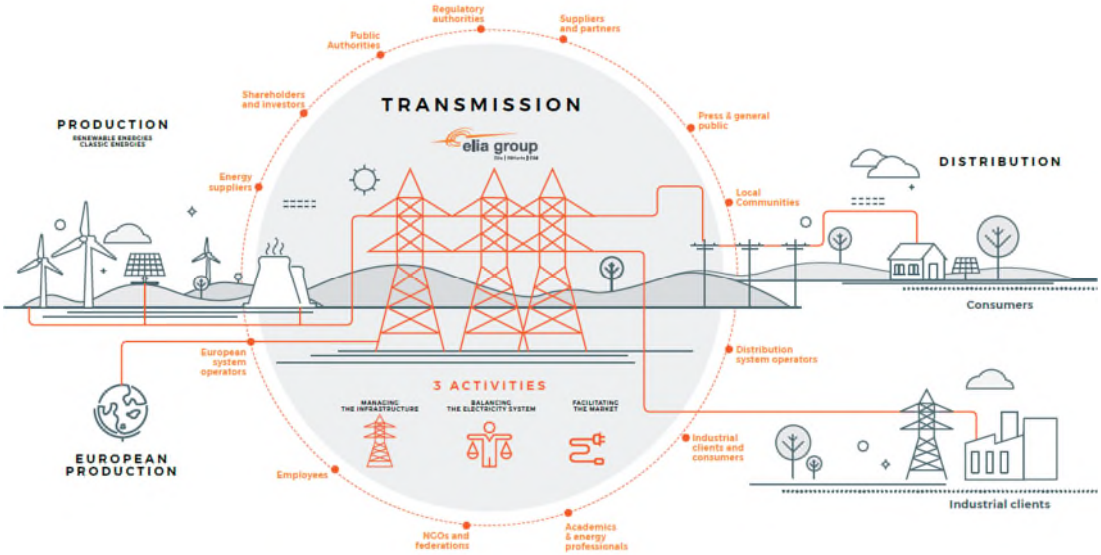
In addition to its activities relating to the operation of the network, Elia also aims to improve the functioning of the open electricity market by acting as a market facilitator, in close cooperation with the power market operator(s).

Elia owns 100 per cent. of Elia Engineering NV/SA ("**Elia Engineering**") and Elia RE S.A. ("**Elia RE**"). In addition, the Issuer has financial participations in, among others, the joint venture Nemo Link, *Holding des Gestionnaires de Réseaux de Transport* ("**HGRT**"), the Coordination of Electricity System Operators ("**Coreso**") and the Joint Allocation Office ("**JAO**") and Enervalis (see Section 6 "*Organisational Structure*").

## 3.1 Organisation of the Belgian electricity market

The main players in the electricity market are the electricity generators, the TSOs and the DSOs, wholesale and retail suppliers, the power market operator, the traders, end customers and regulators.

The following chart shows the organisation of the Belgian electricity market.




### 3.1.1 Transmission system operation

Transmission system operation refers to the regulated activity of operating the very-high voltage and high voltage electricity networks and the management of electricity flows on these networks. The operator of such a network is called a TSO. The main users of these networks are the electricity generators, the traders, the DSOs, the commercial suppliers and large (industrial) off-takers (end customers). As such, the Issuer plays a crucial role in the community by transmitting electricity from generators to distribution systems which, in turn, deliver it to the consumers. The Issuer also plays an essential part in the economy, as its system supplies power to large industrials directly connected to the transmission grid.

TSOs, such as the Issuer in Belgium, operate their electricity network independently of electricity generators and suppliers. The very-high voltage electricity networks, such as the ones operated by Elia, are also used to import and export electricity internationally and for mutual assistance between TSOs according to international standards set by European legislation and by the European Network of Transmission System Operators for Electricity ("**ENTSO-E**") operating rules (grid codes). Belgium's very-high voltage electricity network is interconnected with the transmission systems of France, Luxembourg, the Netherlands and the UK, and will in the future be interconnected with the transmission system in Germany (see Section 3.2.1(d) "*Key projects of Elia*" below).

## 3.2 Core business of Transmission System Operator in Belgium

The role of the transmission system operator is comprised of four different areas: infrastructure management and grid development, system operation, market facilitation and asset valorisation.

### 3.2.1 Infrastructure management and grid development

This activity consists of: (i) ownership, (ii) maintenance, and (iii) development of the network to enable the transmission of electricity at voltages ranging from 380kV to 30kV. The

ownership and maintenance of the 380kV interconnection infrastructure between Belgium and the United Kingdom is controlled via the joint venture Nemo Link.

(a) **Ownership**

The Issuer is Belgium's high-voltage transmission system operator (30kV to 380kV), operating over 8,500 km of lines and underground cables throughout Belgium.

The Grid, mainly owned (94 per cent.) and operated by Elia, is composed of three categories of voltage levels:

- the 380kV lines that are part of the backbone of the European network. Electricity transported at this voltage flows towards the Belgian regions and may also be exported to, or imported from, foreign countries (such as France, Luxembourg, the UK, the Netherlands and soon Germany);
- the 220kV, 150kV and 110kV lines and underground cables that are strongly interconnected with the 380kV level and carry electricity in and between the Belgian electricity areas; and
- the high-voltage network, consisting of the 70kV to 30kV lines and underground cables, which carries electricity from the higher voltage levels to the off-take points used by the DSOs and large industrial customers that are directly connected to the Issuer's network.

  The use of different voltage levels is the result of technical and economical optimisation. Very-high voltage is required for the optimal transmission of electricity over long distances with minimal energy loss while lower voltages are optimal for shorter distances and lower quantities.

(b) **Maintenance and replacement capital expenditures**

Elia's policy with respect to network maintenance is based on a risk assessment approach that takes into account the meshed structure of its network. The main objectives are to reach maximum availability and reliability of the network with the highest efficiency so as to minimise the total cost of ownership. To implement this policy, Elia extensively monitors the network and performs routine preventative inspections.

Like most European TSOs, Elia is facing the challenges of an ageing network that was developed in the 1970s. To meet these challenges, Elia has developed a number of risk-based models that are aimed at optimising asset replacement strategies. In the upcoming years, an increasing part of the capital expenditure plan will be allocated to replacement investments.

(c) **Grid development**

Elia's network development is based on four investment plans: one federal plan and three regional plans. These investment plans identify the reinforcements to the networks that are required in order to achieve consistent and reliable transmission, to cope with the increase in consumption as well as new power plant requirements (conventional or renewable energy sources), the connection and the integration of renewable energy sources, and the increased import and export capacity with neighbouring countries.

The investment plans also take into account environmental and land-use constraints as well as applicable health and safety objectives.

(d) **Key projects of Elia**

Investments in transmission systems are driven by various factors, such as the requirements of industrial customers and other system operators, the changing demand in terms of both the location and volume of energy taken from the network, the need to replace facilities at the end of their life cycle or to bring facilities in line with environmental requirements, the contribution to the opening up of the electricity market and the connection and integration of renewable energy sources.

The major projects which Elia is developing are:

- *Brabo*: The Brabo project is essential for the further economic growth of the port of Antwerp and is necessary for a secure and sustainable supply of electricity inside and outside of Belgium. At a local level, the project will increase supply capacity to cope with growing electricity consumption in the port of Antwerp. At a national and international level, it will upgrade the north-south axis of the European interconnected grid. This will improve international trade opportunities and reduce reliance on Belgian generation facilities;
- ALEGrO (Aachen, Liège, Electrical Grid Overlay): The purpose of this project is to build a first HVDC interconnection between Germany and Belgium (capacity of 1,000MW). Commissioning of ALEGrO is planned by the end of 2020. This project is part of the trans-European energy network and will enhance the continuity of supply and the integration of renewable energies; and
- *MOG-II*: The MOG-II (*Modular Offshore Grid extension*) project aims to develop and build new offshore grid infrastructure to link new wind farms in the Belgian part of the North Sea to the mainland grid. This is in line with Belgium's energy strategy/pact and the Belgian government's commitment, set out in the Marine Spatial Plan for 2020-2026, to identify new zones for the generation and transmission of electricity.
- *Mercator - Avelin*: This project covers the reinforcement of the existing corridors to absorb the higher infeed of renewable energy combined with upgrading the existing grid.
- *Ventilus*: The Ventilus project will connect wind energy from the North Sea to a new electricity highway in West Flanders. Through its connections to other grid projects, Ventilus will create a robust network for the transmission of renewable energy. This constitutes an important step towards a low-carbon society.
- *Hainaut Loop*: The 'Hainaut Loop' is one of Elia's largest infrastructure projects. With a view to achieving the energy transition and various climate objectives, this project plans the construction of a 380kV connection between Avelgem and Courcelles.

### 3.2.2 System operation

Given the growth in renewable energies and their variable generation, greater flexibility is needed within the electricity system to maintain a constant balance between supply and demand. Digitalisation and the latest technologies offer market players new opportunities to optimise their electricity management by selling their surplus energy or temporarily reducing

consumption (demand flexibility). By opening the system to new players and technologies, Elia aims to create a more competitive energy market while maintaining security of supply at all times. To achieve this, Elia tries to ensure that every market player has transparent, non-discriminatory access to the grid.

Elia monitors the electricity flows on its network and seeks to balance in real time the total electricity injected into and taken off its network, taking into account the power exchanged with the neighbouring countries, through the procurement of the appropriate ancillary services. Elia also purchases electricity on the market to compensate for energy losses in the high voltage networks that are a consequence of the transmission of electricity.

Elia's network is the essential link between the supply of and demand for electricity both within Belgium and in the context of the EU's internal electricity market. To inject electricity into Elia's network, generation plants located in Belgium must be physically connected and receive access to (i.e. the right to use) the network. Elia's network is operated in such a way as to allow this electricity, as well as the electricity coming from neighbouring countries, to flow to the off-take points to which distributors, large corporate customers and foreign networks are connected. Parties accessing Elia's network are charged regulated tariffs based on their peak quarter-hourly demand and energy consumption.

As a system operator, Elia constantly monitors, controls and manages the electricity flows throughout the Belgian very-high-voltage and high-voltage networks to ensure the reliability, continuity and quality of electricity transmission by maintaining the frequency and voltage within internationally determined limits.

Elia's network is monitored 24 hours a day, seven days a week by three control centres (one national and two regional). These control centres continuously monitor electricity flows, frequency, voltage at each off-take point, load on each network component and the status of each circuit breaker. Even if a network component is switched off Elia's personnel takes appropriate measures to assure the operational reliability of the network and to safeguard electricity supply to Elia's customers. Elia has the ability to remotely activate or de-activate certain network components (for maintenance or reinforcement for instance).

Elia has adopted other measures designed to maintain reliability for its customers. These measures consist of both operational measures (such as capacity allocation, load flow forecasts and compliance checks) and emergency procedures. Some of these measures have been adopted in cooperation with neighbouring TSOs (and approved by their respective regulator) and/or with Coreso, the regional coordination service centre, in order to promote coordinated action.

Ancillary services contracts are granted in accordance with public procurement rules. Part of the costs incurred by Elia as a result of the purchase of ancillary services are directly invoiced to the defaulting access responsible parties ("**ARPs**") while the other part of the costs (such as reservation costs or compensation for the electricity losses) are reflected in the network tariffs.

### 3.2.3 Market facilitation

In addition to its two core activities described above, Elia aims to improve the functionality of the open electricity market by acting as a market facilitator, both in the context of a single European electricity market as well as in the framework of the integration of renewable energy, in accordance with national and European policies. It does so in close cooperation with the relevant power market operators (the Issuer is also an indirect shareholder of certain of these market operators). Further to the legislative proposals in the Clean Energy Package, this

cooperation will be further formalised and fine-tuned (see Section 3.3.2 "*Third Energy Package and Clean Energy Package*" below).

Due to the central location of the Belgian network within continental Europe and the intensive cross-border commercial exchanges following the internationalisation of the European electricity market, Elia's network is intensively used by other market participants for cross-border import and export and for the transit of electricity. Elia aims to facilitate further market integration, both at the national and European level, by giving new players and technologies a chance to help them innovate their systems and introduce new market products.

Elia's income from or charges due under the inter-TSO compensation mechanism for EU cross-border trade are passed through to the home market participants by a tariff reduction or increase.

Elia has played an important role for many years in various market integration initiatives, such as: (i) the design and implementation of the Belgian power hub, (ii) the establishment of regional markets, initially Central West Europe ("**CWE**") (i.e. France, Belgium, the Netherlands, Luxembourg, Austria and Germany) and subsequently the Nordic countries and North West Europe (i.e. Central West Europe, the Nordic countries and the UK), (iii) the establishment of the CORE capacity calculation region (CWE region together with Central Eastern Europe), (iv) day-ahead price coupling in the North-Western Europe region ("**NWE**"), stretching from France to Finland, operating under a common day-ahead power price calculation using the Price Coupling of Regions ("**PCR**") solution, the MRC Region (Multi Regional Price Coupling), (v) the creation of the first regional technical co-ordination centre for CWE, Coreso, in cooperation with RTE and National Grid, (the French and UK TSOs), and (vi) the creation of a market coupling between the Benelux countries and France and (vii) the participation in the establishment of the future single day-ahead coupling and single intraday coupling (covering the whole EU). The Issuer is also a stakeholder in a number of European initiatives aiming to optimise market operation, i.e. HGRT and ENTSO-E.

Elia's initiatives which aim to enhance market facilitation and integration include:

- having an equity interest of 17 per cent. in HGRT, which itself has a 49 per cent. equity stake in EPEX SPOT. The European Power Exchange EPEX SPOT and its affiliates APX and EPEX SPOT Belgium operate organised short-term electricity markets in Germany, France, the United Kingdom, the Netherlands, Belgium, Austria, Switzerland and Luxembourg. The Issuer was a founding shareholder of EPEX SPOT Belgium (previously Belpex) (see Section 6.2.5 "*HGRT*" below);
- being a founding shareholder of Coreso. Coreso is the first regional technical coordination centre aiming to improve reliability across the CWE region. Coreso is shared by several transmission system operators and develops forecast management of electricity transits across this region (see Section 6.2.8 "*Coreso*" below); and
- being a shareholder of JAO (Joint Allocation Office), a service company performing the annual, monthly and daily auction of transmission rights across 27 borders in Europe and acting as a fall-back for the European Market Coupling (see Section 6.2.7 "*JAO*" below).

#### 3.2.4 Asset valorisation

Besides TSO activities valorisation via electricity tariffs, supplementary income is generated via certain complementary activities. The most important are currently related to telecom activities:

- making high-voltage towers available to telecom operators. Elia owns voltage towers and makes them available to several telecom operators as supporting structures for their mobile network antennas;
- making fibre optic cables available. Elia owns fibre optic cables in Belgium that are used for its internal communication. If there is demand from the market and if Elia has spare fibre optic capacity, this extra capacity (no bandwidth) is made available to third parties in exchange for a fee; and
- making bandwidth available. As notified to the IBPT (the Belgian Telecom Regulator), Elia makes data transmission bandwidth capacity available to a closed users' group on an exclusive basis.

## 3.3 Regulatory framework in Europe

### 3.3.1 The European legal framework

Over the last two decades, the European Union has been promoting the "unbundling" of vertically integrated electricity companies. European Directives and Regulations over the last decade have continued the liberalisation trend establishing common rules for an internal market in electricity as well as providing conditions for the fair access to networks for the cross-border exchange of electricity.

### 3.3.2 Internal energy market rules

(i) ***Third Energy Package and Clean Energy Package***

The Third Energy Package was approved in 2009 and is composed, amongst other things, of Directive 2009/72/EC (the "**Electricity Directive**"), Regulation (EC) No 714/2009 (the "**Electricity Regulation**") and Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators (ACER) (the "**ACER Regulation**").

The Third Energy Package received a substantial overhaul in 2018 and 2019 with the adoption of the Clean Energy Package. The Clean Energy Package comprises eight different legislative acts. It provides an update to the Third Energy Package, aimed at facilitating the energy transition and optimising the design of the European power markets. The key principles of the Third Energy Package are maintained by the Clean Energy Package Directives and Regulations. Nonetheless, the new Directives and Regulations bring a number of important changes in how these principles are applied in practice, affecting the roles and responsibilities of, amongst others, the TSOs, DSOs, ENTSO-E, the RCCs, national regulators and ACER. The new legislation mainly covers the following aspects: (i) rules on a new electricity market design and security of supply, (ii) rules on the promotion and integration of energy from renewable sources, (iii) rules on energy efficiency and the energy performance of buildings, and (iv) rules on the institutional framework. Elia is mainly concerned by the rules referred to under points (i), (ii) and (iii) above. These include, amongst other things, a recast of the Electricity Directive (Directive (EU) 2019/944), a recast of the Electricity Regulation (Regulation (EU) 2019/943), a recast of the ACER Regulation (Regulation (EU) 2019/942), a Regulation on risk-preparedness (Regulation (EU) 2019/941) and a recast of the renewable energy Directive (Directive (EU) 2018/2001).

The recast ACER Regulation and Regulation on risk-preparedness have entered into force on 1 July 2019. The recast Electricity Regulation has entered into force on 1 January 2020. The terms for transposition of the recast Electricity Directive and recast

renewables Directive into national law are 31 December 2020 and 30 June 2021 respectively.

(ii) ***General market organisation***

Under the Third Energy Package, and reinforced by the Clean Energy Package, Member States have been and continue to be required by EU law to implement provisions regarding: (i) the appointment/licencing of the TSO(s), (ii) the separation of generation and supply activities from the (ownership and) operation of the network (ownership, legal, functional and accounting unbundling) and related certification requirements, (iii) confidentiality of commercially sensitive information, (iv) non-discriminatory third-party network access and (v) the creation of independent regulators.

Under the (recast) Electricity Directive, TSOs must preserve the confidentiality of commercially sensitive information obtained in the course of carrying out their activities, and shall prevent information about their own activities which may be commercially advantageous from being disclosed in a discriminatory way. This obligation goes along with and aims at protecting the right of access of the market players, whose commercial position must not be revealed to competitors. The Clean Energy Package has expanded the different categories of market players that enjoy these protections, with no discrimination allowed between different players and technologies, including production connected at distribution and transmission level, storage, demand response and aggregation. As regulated actors, TSOs must be trustworthy when actors in the competitive non-regulated part of the energy market must exchange commercially sensitive information with the TSOs.

**(a) Appointment of the TSO**

Member States are required to appoint one or more TSOs. Belgium has elected to appoint one single TSO. This is set out in the Electricity Act. The duration of the appointment is not specified by EU law and, consequently, is determined at the national level by each Member State. The Issuer has been appointed for a (renewable) 20-year term as from 31 December 2019 (see Section 1 "*Introduction*").

**(b) Unbundling, storage and ancillary services**

TSOs are required to be "unbundled" from production and supply companies. More precisely, the company that is appointed as TSO must, not only in terms of its accounting, its legal form, its organisation and its decision-making process, but also in terms of its ownership, be independent from companies active in the production or supply of electricity. Cross-participations are in principle excluded. In addition, the Belgian Electricity Act provides that Elia cannot hold direct or indirect participations or have an influence on companies active in the import and/or supply of natural gas, and vice versa. Neither can Elia be active in distribution of electricity below 30kV. A certification procedure applies as a condition to (re)appointment and is run by the competent national regulator (i.e. the CREG in Belgium), with the involvement of the European Commission, to verify compliance with the (ownership) unbundling requirements. The TSO must at all times continue to comply with those requirements.

Following the Clean Energy Package, TSOs are no longer allowed to own, develop, manage or operate storage and ancillary service assets, unless certain conditions are fulfilled (which include, amongst other things, a lack of interest by other market participants, to be reassessed every five years, regulatory approval and compliance with the (other) unbundling requirements).

**(c) Network access**

EU law requires each Member State to implement a regulated third-party access regime based on published tariffs that are applied to all network users in a non-discriminatory manner. The tariffs, or at least the methodologies for their calculation, have to be pre-approved by an independent regulator and must allow for the investments necessary for the long-term viability of the network.

**(d) Independent regulators**

EU law requires that each EU Member State establishes (an) independent regulator(s) specific to the energy industry. The regulator's main task is to ensure non-discrimination amongst grid and end users and efficiency of the market through, amongst other things, the setting or approval of the tariffs (or at least the methodology for their calculation). In addition, the regulator must monitor the management and allocation of the interconnection capacity, the mechanisms for managing congested capacity and the level of transparency and competition in the market. Furthermore, the regulator may also act as the dispute settlement authority for complaints made by network users against the TSOs or DSOs. The Clean Energy Package extends the tasks and competences of the national regulators with respect to regional cooperation of TSOs on cross-border issues, especially with respect to the monitoring of the new regional cooperation centres ("**ROCs**", see Section 3.3.3 "*Specific market rules*").

### 3.3.3 Specific market rules

(i) ***Cross-border exchanges in electricity***

The (recast) Electricity Regulation determines conditions for access to the network for cross-border exchanges in electricity. It provides rules applicable to cross-border capacity allocation methods and to the establishment of a compensation mechanism for cross-border flows of electricity. It also provides the basic principles applicable to setting cross-border transmission charges. These charges must be transparent, take into account the need for network security, reflect actual, not unreasonable costs, be applied in a non-discriminatory manner and must not be distance-related. Furthermore, any revenues resulting from the allocation of capacity must be taken into account by regulatory bodies when setting the transmission tariffs. The principles on cross-border exchanges set out in the (recast) Electricity Regulation have been further developed in the European grid codes (see Section 3.3.4 "*Grid codes*" below). The Clean Energy Package expands the list of topics on which grid codes can be produced.

The Clean Energy Package has further detailed and expanded these rules, covering a broad range of topics, including wholesale trading (obligation of TSOs to issue long-term transmissions rights), access to balancing markets and balancing responsibility, dispatching and redispatching (reduced priority dispatch for renewables and financial compensation for redispatching and curtailment by TSOs), congestion management and use of interconnection capacity (limited scope to use interconnection capacity to manage flows within one bidding zone), bidding zone review and structural congestion,

implicit auctioning and secondary trading of transmission rights, access charges and regional cooperation, including the creation of ROCs to complement the TSOs roles in performing tasks of regional relevance. It can be noted that Elia has anticipated this last requirement with the creation of Coreso, a regional technical cooperation centre founded together with RTE and National Grid (see Section 6.2.8 "*Coreso*").

(ii) ***Resource adequacy, security of supply and risk-preparedness***

Pursuant to the Clean Energy Package, Member States will be allowed to introduce capacity remuneration mechanisms ("CRMs") to address adequacy concerns. These will need to be based on a reliability standard indicated the desired level of security of supply, and justified by a European and, where available, a national adequacy assessment, to be performed by ENTSO-E and the national TSO (the Issuer in Belgium) respectively. The (recast) Electricity Regulation sets out design principles for CRMs, which include, amongst other things, a temporary nature, technology neutrality (in principle) and allowing for cross-border participation. The anticipated Belgian market-wide CRM will need to comply with these requirements (see Section 3.4.1 "*General framework*"). Risk preparedness assessments by the competent authorities will also play a role in the identification of crisis scenarios in the Member States and on a regional level, and the drafting of risk-preparedness plans under the new Regulation on risk-preparedness.

(iii) ***Trans-European energy infrastructure***

Regulation 347/2013 on guidelines for trans-European energy infrastructure ("**TEN-E Regulation**"), as amended by the Commission Delegated Regulation (EU) 2016/89 of 18 November 2015, determines the structure and process to establish lists of PCIs developed by project promoters. The selection is done based on a number of factors, including an energy system wide cost-benefit analysis. The selected projects receive priority treatment in the permit granting process, specific treatment for cost allocation and may receive incentives and European subsidies. Examples of PCIs in which Elia is (or was) involved include the Nemo Link interconnector and "Project BE-DE II", a second interconnection between Belgium and Germany. The European Commission is planning a review of the TEN-E framework in 2020 as part of the European Green Deal strategy.

### 3.3.4 Grid codes

A grid code contains the rules governing the connection and access of generators, distributors, suppliers and end customers directly connected to the network to the electricity network, the provision of balancing and other ancillary services by the grid users and their respective rights and duties, as well as the rights and duties of the TSO. There are seven national grid codes (one federal and six regional), four of which apply to the Issuer as TSO and local TSO. All four codes deal with similar issues, mostly technical, but apply to different networks: they establish, amongst other matters, the procedure for the connection of a grid user to the network, the rights and duties of each network user, the parties' balancing obligations, the procedure for metering the volume of electricity transmitted and emergency procedures in the event of an incident or an anticipated blackout.

At European level, the Electricity Regulation sets out the areas in which European grid codes have been developed. These codes are developed by ENTSO-E in cooperation with ACER and are submitted to the European Commission to go through comitology and receive legislative force as Commission Regulations. The European Commission can also approve network codes in its own right, in certain areas. The European grid codes are sets of rules which apply to one

or more parts of the energy sector. To date, eight European network codes have entered into force: "Capacity Allocation and Congestion Management" (Commission Regulation (EU) 2015/122, "**CACM Regulation**"), "Requirements for Generators" (Commission Regulation (EU) 2016/631), "Demand Connection" (Commission Regulation (EU) 2016/1388), "HVDC" (Commission Regulation (EU) 2016/1447), "Forward Capacity allocation" (Commission Regulation (EU) 2016/1719), "Emergency and Restoration" (Commission Regulation (EU) 2017/2196), "Electricity Balancing" (Commission Regulation (EU) 2017/2195) and "System Operation" (Commission Regulation (EU) 2017/1485).

The website of ENTSO-E gives a status update of the development and implementation of all the European grid codes: https://www.entsoe.eu/major-projects/network-code-development/updates-milestones/Pages/default.aspx. The Clean Energy Package extends the list of areas in which European grid codes can be developed.

Following the entry into force of the European network codes, the Belgian federal and regional grid codes applicable to the Issuer have been and/or need to be updated to ensure the consistency of the various sets of rules. Nonetheless, the development of European network codes remains without prejudice to the rights of EU Member States to establish and maintain national grid codes, to the extent their content does not adversely interfere with the cross-border trade of electricity.

## 3.4 The Belgian legal framework

### 3.4.1 General framework

The Belgian electricity market is regulated both at federal and regional level. At federal level, the first EU Directives on the internal electricity market have been transposed by the Electricity Act. Regional legislation has followed this transposition for the Regions' areas of competence.

The Third Energy Package has been implemented or transposed into law through an amendment of the Electricity Act at the federal, and of the regional legislation in place at the Flemish, Brussels and Walloon levels, each within their respective areas of competence. The implementation into Belgian law of the Clean Energy Package (see Section 3.3.2 "*Internal energy market rules*") as well as the European network codes (see Section 3.3.4 "*Grid codes*") is on-going.

With respect to the transmission grid operated and owned by the Issuer, cost control and tariff matters are the responsibility of the federal authorities for the entire transmission system (as long as it is operated by the same operator), whereas technical matters regarding access and connection to the grid fall under the responsibility of the Regions for voltages equal to or below 70kV (local and regional transmission systems) and of the federal State for voltages above 70kV (the national transmission system). The three Regions are also responsible for low and mid-voltage distribution networks (including distribution tariffs).

At federal level, the Electricity Act forms the overall basis of and contains the main principles of the regulatory framework applicable to the Issuer. In addition, the Belgian federal government has enacted several royal decrees governing aspects of the generation of electricity, the operation of the transmission network (including the Royal Decree of 22 April 2019 establishing the technical regulation for the operation of the national transmission system for electricity and access to the system, the "**Federal Grid Code**"), access to the transmission network, public service obligations and accounting requirements with respect to the transmission network and market regulation by the CREG.

The Electricity Act entrusts the operation of the national very-high and high voltage electricity network to a single TSO, to be appointed by the federal energy minister, following discussion within the Council of Ministers and an opinion of the CREG, for a renewable period of 20 years, upon the proposal of one or several network owners (including, as the case may be, the parting TSO) owning either alone or jointly a portion of the network that covers at 75 per cent. of the national territory and at least two thirds of the territory of each Region. This condition can currently be satisfied only by Elia. The Issuer has been appointed TSO by a Ministerial Decree of 13 January 2020 (see Section 1 "*Introduction*"). The European Commission has been informed of this decision.

The Issuer can ask for a renewal of its TSO appointment as from five years prior to the expiry of the current mandate. Following such request, the federal regulator CREG issues its opinion and the request is discussed within the Council of Ministers, after which the federal energy minister decides on the renewal of the TSO appointment. The European Commission is also informed of this decision.

In the event of bankruptcy, winding-up, merger or demerger of the Issuer, the TSO appointment of the Issuer will be terminated. In addition, the appointment can be revoked by the Belgian federal government following the advice of the CREG and the consultation with the Issuer under certain circumstances, including:

- a significant change in shareholding without prior certification, which could jeopardise the independent network operation;
- a serious breach of the Issuer's obligations under the Electricity Act or its implementing decrees; or
- where the Issuer is no longer certified as a fully ownership unbundled system operator.

In implementing the Third Energy Package, Belgium opted for a fully ownership unbundled TSO regime (see Section 3.3.2 "*Internal energy market rules*"). The certification procedure of the Electricity Directive has thus been transposed into the Electricity Act. The initial certification process of Elia took place between March and December 2012. The CREG's final decision of 6 December 2012 confirmed that Elia System Operator complies with the full ownership unbundling rules. Following this positive decision, the Belgian government notified the European Commission via the Official Journal of the European Union that Elia had been officially certified as a fully ownership unbundled transmission system operator in Belgium. In the framework of the strategic reorganisation of Elia Group, the CREG reconfirmed Elia's certification, as a precondition to the Issuer's appointment as TSO, in a decision of 27 September 2019. This decision confirmed the Issuer as a fully ownership unbundled TSO (without a formal new certification process being required), with an obligation to stay in line and comply with the criteria and requirements to obtain and maintain such certification, as monitored on an ongoing basis by the CREG (see Section 1 "*Introduction*"). Certification can be re-initiated upon the initiative of another candidate TSO, the CREG, the European Commission or the current TSO (being the Issuer) itself, under certain circumstances

The federal law of 8 January 2012 amended the Electricity Act substantially to bring it in line with the Third Energy Package. At the CREG's request, the Belgian Constitutional Court decided on 7 August 2013 that this amendment complies with the Third Electricity Directive, except for a few provisions, which have been amended by two further amendments to the Electricity Act in December 2013. Considering the Reasoned Opinion sent to the Belgian State by the European Commission under Article 258 TFEU (see the Risk Factor titled "*Regulatory framework*"), there is a risk that the content of these laws (and the related regulations) need to

be amended in the event that Belgium is ultimately regarded by the competent European authorities as having improperly transposed some provisions of the Third Energy Package. Consequently, and on the back of this EU lead process, the rights and activities of the Issuer regarding the development and operation of interconnectors may be affected. Furthermore, the CREG may be granted further powers and thus have more extensive rights vis-à-vis the Issuer. To the Issuer's knowledge, the Belgian authorities have provided the European Commission with their views as to how the other European provisions mentioned in the Reasoned Opinion should be transposed into Belgian law. To date, and despite some minor legislative amendments back in December 2016 regarding these powers of the CREG (and as requested by the European Commission in its Reasoned Opinion), the further consequences (such as further amendments to the Electricity Act or other applicable legislation) that may result from the Reasoned Opinion are unknown. In accordance with article 258 of the TFEU, if the Belgian State does not comply with the European Commission's opinion, the latter may ultimately bring the matter before the Court of Justice of the European Union.

The Electricity Act, as well as the regional legislation, are expected to see further amendments in the coming years so as to bring them in line with the Clean Energy Package legislation. The transposition deadlines for the main Directives of the package span until mid-2021. It remains to be seen which policy options and approach the federal and regional legislators will take in implementing the Clean Energy Package into national law.

Aside from these considerations, the Electricity Act has furthermore been amended several times.

Key changes concerning Elia include the following:

(i) ***The creation of a strategic reserve to ensure security of supply***

The strategic reserve is procured and contracted by the Issuer for the volumes established for each winter period by Ministerial Decree. No strategic reserves have been ordered for any winter periods since the winter period 2017-2018. An additional amendment to the Electricity Act has been brought by a law of 30 July 2018, designed to align the rules governing the strategic reserves mechanism to the commitments made by the Belgian government within the framework of a State aid notification procedure. Taking into account these commitments, the European Commission issued a decision on 7 February 2018 not to raise objections against the strategic reserve mechanism for the winter periods until 2021-2022.

(ii) ***The creation of a market-wide capacity remuneration mechanism***

A law of 22 April 2019 has set out a legal framework for the introduction of a market-wide CRM to guarantee Belgium's security of supply by 2025, the year as from which electricity production via nuclear power plants is scheduled to have been fully phased out in Belgium. The CRM will incentivise the development of new capacity through competitive auctions and will be technology neutral, based on a standardised reliability standard to be set by the government. Elia will have a key role to play, amongst other things in (i) drafting reports on the required volumes and capacity hours to achieve the desired reliability standard, the parameters required (based on the necessary volumes to be contracted) for the organisation of the auctions, (ii) the prequalification process and the organisation of the auctions four years and one year prior to each delivery period and (iii) potentially, the entering into capacity contracts as central counter party.

Several royal decrees have yet to be issued for the implementation of the CRM, including on the methodology for the determination of capacity volumes, delivery

hours and other parameters, eligibility requirements for prequalification, investment thresholds and criteria for classification of technologies into capacity categories, control and sanctions, and the financing and appointment of a central counter party. In addition, market rules and standard capacity contracts will need to be approved by the CREG, on Elia's proposal. Like the strategic reserve, the entry into force of the CRM is also conditional upon publication in the Belgian State Gazette of the decision of the European Commission regarding State aid approval (or in the absence of a decision, the expiry of the term set out in Council Regulation (EU) 2015/1589).

(iii) ***The Marine Spatial Plan and offshore concessions***

Belgium has been at the forefront of offshore wind development in Europe. By the end of 2020, 2,300MW of offshore capacity, accounting for 10 per cent. of total Belgian power demand, is expected to be operational. In 2019, a law of 12 May 2019 amending the Electricity Act, and a Royal Decree of 22 May 2019 establishing the Marine Spatial Plan for 2020-2026, have opened up the possibility of new offshore concessions (for an additional capacity of at least 1.75GW) being issued. These concessions will be brought to market in the form of competitive tenders. They will be technology neutral, and awarded to the bidder(s) offering to build the installations at the lowest cost (i.e. bidding the lowest amount of required subsidies), for a maximum term of 30 years. The tender process, conditions and award procedure remain to be established by royal decree, based on the principles set out in the law.

All new offshore installations will have to connect to the MOG. For this purpose, Elia will need to present a design for the MOG's extension to the CREG for its opinion, and to the competent ministers for approval. A Royal Decree, to be ratified within twelve months, will set the latest date by which each part of the MOG extension will need to be completed, and a statutory compensation mechanism to apply in case of delay in completion, or whole or partial unavailability. The cost of those damages is covered by the network tariffs, unless to the extent that they result from the Issuer's gross negligence or wilful misconduct (*faute lourde ou faute intentionnelle/grove fout of opzettelijke fout*). In those cases, the Issuer's financial responsibility is capped to its fair remuneration related to the MOG for the year concerned under the applicable tariff methodology. The new tariff methodology for the regulatory period 2020-2023 sets out specific incentive-based remuneration principles for investments in the MOG (see Section 3.5 "*Regulatory Framework for the Modular Offshore Grid*").

Network development studies (including for the extension of the MOG) will need to be performed by Elia ahead of the launch of the competitive tenders. The results of these studies will be certified and made available to bidders, along with other information, such as the selection and award criteria, the size and location of all lots and transmission elements, as well as permitting criteria.

At the regional level, the Walloon Electricity Decree of 12 April 2001 was amended in 2012 (and has subsequently been amended from time to time) to transpose, amongst other things, the Third Energy Package and Directives 2012/27/EU (the "**Energy Efficiency Directive**") and 2010/31/EU (the "**Energy Performance of Buildings Directive**"), to allow flexible access, to adapt the support level of certain types of renewables, to create a reservation, temporisation and mobilisation mechanism to make the purchase of green certificates by Elia financially sustainable without surcharge increase (see also Section 3.4.3 "*Public Service Obligations*" below).

The Flemish Energy Decree of 8 May 2009 was amended in 2012 (and has subsequently been amended from time to time) to transpose, amongst other things, the Third Energy Package, the Energy Efficiency Directive and the Energy Performance of Buildings Directive, to introduce an objective liability regime in case of power interruption or power quality problems, to introduce a proper right of way regime for installing and operating electric installations, to amend the process for adopting the technical regulations, modify the support level for renewables and to modify the controlling power of the VREG.

The Brussels Electricity Ordinance of 19 July 2001 has been amended, amongst other things, to transpose the Third Energy Package, the Energy Efficiency Directive and the Energy Performance of Buildings Directive, and to extend the tasks of the Brussels Commission for Energy (*Brussel Gas Elektriciteit/Bruxelles Gaz Electricité*) ("**Brugel**") .

As mentioned above, all of these regional acts are expected to see further changes in the coming years for the implementation of those elements from the Clean Energy Package that fall within the regional competences (in particular with respect to DSOs, energy efficiency and performance, and onshore renewables), as set out, amongst other things, in the recast Electricity Directive and Regulation, the recast renewables Directive, as well as the revised Energy Efficiency Directive (Directive (EU) 2018/2002) and the revised Energy Performance of Buildings Directive (Directive (EU) 2018/844.

#### 3.4.2 Regulatory authorities in Belgium

The CREG is a public, independent body established at the federal level in Belgium as the regulator for the supervision of the gas and electricity market. The functions of the CREG include the supervision of the TSO, the supervision of the application of the (national and European) grid codes and public service obligations at the federal level. These missions include the approval of TSO tariffs and the control of the accounts of certain undertakings involved in the electricity sector. More specifically, with regards to the Issuer, the CREG is competent for, amongst other things:

- the approval of the terms of standard contracts used by the Issuer at the federal level: connection, access, BRP, BSP and other ancillary service provider, scheduling agent, outage planning and information exchange contracts and collaboration contracts with DSOs;
- the approval of the capacity calculation and capacity allocation methodologies for interconnection capacity at the borders of Belgium;
- the approval of the appointment of the independent members of the Board of Directors; and
- the approval of the tariffs for connection and access to, and use of, the Issuer's network, as well as imbalance tariffs for the BRPs.

Operation of electricity networks of voltages equal to or below 70kV falls within the jurisdiction of the respective regional regulators: the VREG for the Flemish Region, the Walloon Commission for Energy (*Commission wallonne pour l'Energie*) ("**CWaPE**") for the Walloon Region, and Brugel for the Brussels-Capital Region.

Their role includes the issuance of regional supply licences, grid codes for grids with a voltage level equal to or below 70kV, certification of co-generation facilities and facilities which generate renewable power, issue and management of green power and (in Flanders) combined heat and power certificates and supervision of the respective local or regional TSO (i.e. in each case the Issuer) and the DSOs. Each of them may require any operator (including the Issuer)

to abide by any specific provision of the regional electricity rules under the threat of administrative fines or other sanctions. Currently, the regional regulators have the authority with regard to distribution tariff setting for DSOs.

### 3.4.3 Public service obligations

Public authorities define public service obligations in various fields, including ensuring resource adequacy and security of supply (i.e. the procurement and contracting of a strategic reserve and a future market-wide capacity remuneration mechanism) and the promotion of renewable energy. The latter includes an obligation for the Issuer to purchase "green certificates" at a guaranteed minimum price, as a financial support instrument for the producers of renewable power in Belgium. For certain renewable power produced offshore, the support scheme defines a mechanism of prepayments before the attribution of the green certificates. Costs (including prepayments) incurred in respect of those obligations are fully passed on to the end consumers through the regulated tariffs. Tariff surcharges are applied at the level of the entity that has imposed the public service obligation. A federal obligation leads to a federal surcharge, a regional obligation leads to a regional surcharge.

The Issuer can ask the CREG (usually on an annual basis) to adapt the tariffs to cover any gaps between expenses and tariff revenues caused by the performance of public service obligations. To the extent that there would be a timing difference between the incurrence and the recovery of such costs, the costs would have to be pre-financed by the Issuer.

In the Walloon Region, the government introduced three schemes designed to reduce the likelihood of the Issuer requesting to increase the tariffs to be paid by end consumers in the Walloon Region (as a result of the Issuer passing on the costs of its obligation to purchase green certificates). These schemes introduced by the Walloon government are: (i) the use of a special purchasing vehicle (Solar Chest) to purchase and store green certificates; (ii) a phased purchase of green certificates by the Walloon Governmental Agency for Climate and Air (AWAC) and (iii) a new scheme in force since 24 May 2019, called the "mobilisation mechanism", which allows the Issuer, at the request of the Walloon government, to sell the tariff claims corresponding to the right to cover the purchasing cost of Walloon green certificates and a financial cost to spread their impact over a predefined period through the tariffs, to a debt investment company (SIC). This SIC can issue long-term bonds, the proceeds of which will be paid to the Issuer to cover the actual purchase cost of the certificates. The SIC will be remunerated through a new tariff component to cover the financing of the bonds issued. Each scheme is intended to delay the Issuer's obligation to purchase green certificates by several years. Both schemes require administrative support from the Issuer and, ultimately, the Issuer may be required to purchase a large amount of green certificates in the Walloon region. To the extent that (i) the Issuer is required to purchase a large amount of green certificates and (ii) there is a mismatch in the timing and/or amount of the purchases resulting in a delay for the Issuer in recovering the costs incurred in purchasing the green certificates, those costs would have to be pre-financed by the Issuer.

### 3.4.4 Belgian regulated tariff framework

A substantial part of the Issuer's income and profits are generated from regulated tariffs charged for the use of the electricity transmission system.

#### (a) General principles of tariff setting

Transmission tariffs are set pursuant to specific regulations and approved by the CREG, based on a methodology, which in turn is based on tariff guidelines set out in the Electricity Act. These tariff guidelines have been amended by the Law of 28 June 2015 to incentivise demand-side response and increase the efficiency of the market and the

energy system (including energy efficiency). Two Laws of 13 July 2017 have further amended the tariff guidelines to incentivise storage and to protect the competitive position of electro-intensive industry in relation to the costs for the MOG. Further changes may result from the transposition of the Clean Energy Package legislation into Belgian law.

Following structured, documented and transparent consultation with the TSO (the Issuer), the CREG establishes a tariff methodology to be used be the TSO for drafting its tariff proposal for the next regulatory period. The procedure for such consultation is set out in a separate agreement to be entered into by the CREG and the TSO, or absent such agreement, the Electricity Act provides a default procedure ensuring a minimum level of consultation. On the basis of this methodology, the Issuer drafts a tariff proposal which is to be subsequently approved by the CREG.

Once approved, tariffs are published and are non-negotiable between individual customers and the Issuer. The rate of the tariffs for each regulatory period (in principle four years although the methodology can set a different duration) is fixed for the entire period. Nonetheless, the CREG can ask the Issuer to provide an updated tariff proposal if the tariffs are no longer proportionate due to changed circumstances. The Issuer may also request a revision of the tariffs from the CREG if the tariffs are no longer proportionate due to changed circumstances.

There are different types of tariffs for different types of services:

- connection charges paid by customers to the Issuer under the connection contracts;
- access charges for the use of the network paid by customers to the Issuer under the access contracts;
- imbalance charges paid by BRPs under the BRP contracts to cover their imbalances; and
- charges for public service obligations and other taxes, levies, additional surcharges and contributions.

To determine the Issuer's total income for tariff purposes, Belgian GAAP applies.

The Issuer may submit to the CREG, in the course of any four-year tariff period, a reviewed tariff proposal to reflect the offer of new services, amendments to the current services or exceptional circumstances and events beyond its control.

(b) **Methodology and parameters for the determination of the 2020-2023 tariffs**

On 28 June 2018, the CREG issued a decision fixing the tariff methodology for the electricity transmission grid (including offshore) and the electricity grids which have a transmission function the regulatory period 2020-2023 (Decision (Z)1109/10). This methodology is the general framework on which transmission tariffs are set for these four years.

The Issuer has prepared its tariff proposal for the regulatory period commencing on 1 January 2020 based on the methodology described below. This proposal was approved by the CREG on 7 November 2019 (Decision (B)658E/62).

The tariffs are based on budgeted costs reduced by non-tariff revenues and based on the estimated volumes of electricity transported through the Grid.

The new tariff methodology remains "service driven" and is largely determined by a "fair remuneration" mechanism (which in turn is based on the average Regulated Asset Base ("**RAB**")) combined with certain "incentive components".

The different drivers for tariff setting in 2020-2023 are similar to those stipulated in the tariff methodology for the previous regulatory period 2016-2019 and will be determined based on the following key parameters: (i) a "fair remuneration", (ii) the "non-controllable elements" (costs and revenues not subject to an incentive mechanism), (iii) the predefined "controllable elements" (costs and revenues subject to incentive mechanism), (iv) the "influenceable costs" (costs subject to an incentive mechanism under certain conditions), (v) the (other) "incentive components" and (vi) the settlement of deviations from budgeted values.

Although the drivers are similar, the definition, the calculation and the compensation of the underlying parameters has been modified compared to the previous tariff methodology. The most important changes are: (i) changes in the formula for the calculation of the fair remuneration, (ii) the replacement of certain incentives with new incentives and (iii) the modification of the cost allocation mechanism for activities regulated outside of Belgium and non-regulated activities.

***Fair remuneration***

Fair remuneration is the return on capital invested in the network based on the Capital Asset Pricing Model ("**CAPM**"). It is based on the average annual value of the Regulated Asset Base ("**RAB**"), which is calculated annually, taking into account, amongst other things, new investments, depreciations and changes in working capital requirements.

As of 1 January 2020, the formula has changed compared to the previous tariff methodology as regards the level of leverage and the OLO interest rate for risk free investment: (i) the level of leverage has been increased from 33 per cent. to 40 per cent., and (ii) the OLO has been set at 2.4 per cent. for the period 2020-2023, instead of taking the average of the year, each year. In case of an important change of the Belgian macro-economic situation and/or the market circumstances compared to the expected situation and conditions, the CREG and the Issuer can agree a modification of the fixed OLO rate.

The formula for the calculation of fair remuneration is as follows:

| |
|---|
| A: [S (if less than or equal to 40 per cent.) x average RAB x [(1 + α) x [(OLO (n) + (β x risk premium)]]] |
| plus |
| B: [(S (if above 40 per cent.) – 40 per cent.) x average RAB x (OLO (n) + 70 base points)] |

Whereby:

- OLO (n) has been fixed at 2.4 per cent. and is no longer the average rate of Belgian ten-year linear bonds for the year in question (subject to modification agreed between the CREG and the Issuer as set out above);
- RAB (n) = RAB (n-1) + investments (n) – depreciation (n) – divestments (n) – decommissioning (n) +/- change in working capital need;

- S = the consolidated average capital and reserves/average RAB, in accordance with Belgian GAAP;
- Alpha (α) = the illiquidity premium set at 10 per cent.;
- Beta (β) = calculated over a historical three-year period, taking into account available information on the Issuer's share price in this period, compared with the Bel20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5 per cent.;
- In respect of A: The rate of remuneration (in per cent.) as set by the CREG for year "n" is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO (n)) and a premium for market risk for shares, weighted using the applicable beta factor. Tariff regulation sets the risk premium at 3.5 per cent. The CREG encourages the Issuer to keep its actual capital and reserves as close as possible to 40 per cent., this ratio being used to calculate a reference value of capital and reserves; and
- In respect of B: If the Issuer's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: [(OLO (n) + 70 base points)].
- Assets related to the MOG are linked to the $RAB_{MOG}$, for which a premium remuneration is applicable in addition to the above. This is based on the following formula: [S (less than or equal to 40 per cent.) x average $RAB_{MOG}$ x 1.4 %].

***Non-controllable elements***

The category of costs and revenues that are outside Elia's direct control are not subject to incentive mechanisms by the CREG, and are an integral part of the costs and revenues used to determine the tariffs. The tariffs are set based on forecast values for these costs and revenues.

The most important non-controllable costs consist of the following items: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which qualify as influenceable costs), costs related to line relocation imposed by a public authority, and taxes, partially compensated by revenues from non-tariff activities (for example cross border congestion revenues). In this new tariff period, certain exceptional costs specific to offshore assets (e.g. the MOG) have been added to the list of non-controllable costs. This also includes financial charges/revenues for which the principle of financial embedded debt has been confirmed. As a consequence, all actual and reasonable finance costs related to debt financing are included in the tariffs.

***Controllable elements***

The costs and revenues over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to a sharing rule of productivity and efficiency improvement which may occur during the regulatory period. The sharing factor is 50 per cent. Therefore, Elia is encouraged to control a defined category of its costs and revenue. Any savings with respect to the allowed (adjusted) budget positively

impacts the net profit of the Issuer by 50 per cent. of the amount (before tax) and, accordingly, any overspending negatively affects its profit. There have been no changes compared to the previous tariff methodology, except for certain non-recurrent but controllable costs specific to offshore assets (e.g. the MOG) that can be added to the costs allowance for a given regulatory period.

***Influenceable costs***

The reservation costs for ancillary services, except for black-start, and costs of energy to compensate for grid losses are qualified as influenceable costs, meaning that efficiency gains create a positive incentive, insofar as they are not caused by a certain list of external factors. 20 per cent. of the difference in expenses between Y-1 and Y constitutes a profit (pre-tax) for the Issuer, with a cap of + €6 million. For each of the two categories of influenceable costs (power reserves and grid losses), the incentive cannot be less than €0.

***Other incentive components***

- Market integration: This incentive consists of three elements: (i) increase of import capacity, (ii) increase of market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare disappears, whereas the one on import capacity is replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive is created on the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Issuer's profit (from EUR 0 to EUR 16 million for cross-border capacity, from EUR 0 to EUR 7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which the CREG has accepted as being part of the RAB, is allocated as follows: 40 per cent. is allocated to future tariff reductions and 60 per cent. is allocated to the Issuer's profit (amounts are pre-tax).

- Network availability: This incentive is broadened. The benefits for the Issuer are changed and they will consist of: (i) if the average interruption time ("**AIT**") reaches a target predefined by the CREG, the Issuer's net profit (pre-tax) could be impacted positively with a maximum of EUR 4.8 million, (ii) in case that the availability of the MOG is in line with the level set by the CREG, the incentive can contribute to the Issuer's profit from EUR 0 to EUR 2.53 million and (iii) the Issuer could benefit from EUR 0 to EUR 2 million in case that the predefined portfolio of maintain and redeploy investments is realised in time and on budget (amounts are pre-tax).

- Innovation and grants: The content and the remuneration of this incentive are changed and will cover (i) the realisation of innovative projects which could contribute to the Issuer's remuneration for EUR 0 to EUR 3.7 million (pre-tax) and (ii) the subsidies granted on innovative projects could impact the Issuer's profit with a maximum of EUR 0 to EUR 1 million (pre-tax).

- Quality of customer related services: This incentive is broadened and will be related to three incentives: (i) the level of client satisfaction related to the realisation of new grid connections which can generate a profit for the Issuer of EUR 0 to EUR 1.35 million, (ii) the level of client satisfaction for the full client

base which would contribute with EUR 0 to EUR 2.53 million to the Issuer's profit and (iii) the data quality that the Issuer publishes on a regular basis, which can generate a remuneration for the Issuer of EUR 0 to EUR 5 million (amounts are pre-tax).

- Enhancement of balance system: This incentive is similar to the existing one named "discretionary incentive" through which the Issuer gets a reward if certain projects related to system balancing as defined by the CREG are realised. This incentive can generate a remuneration between EUR 0 and EUR 2.5 million (pre-tax).

***Cost and revenue allocation between Belgian regulated activities and activities regulated outside Belgium and non-regulated activities***

- The general principles remain unchanged and a mechanism is described to allocate costs accurately to different activities and to ensure that Belgian tariffs are not adversely affected by the Issuer carrying out activities other than Belgian regulated activities.
- This mechanism will ensure that the impact of financial participations in other companies not considered as part of the RAB by the CREG are neutral for Belgian tariff purposes, and that all costs and revenues related to those activities will be borne by the Issuer.
- It can be noted that, following Elia Group's strategic reorganisation, the share of costs and revenues of the Issuer related to activities not regulated in Belgium has become very limited.

***Settlement of deviations from budgeted values***

The actual volumes of electricity transmitted may differ from the forecasted volumes. Deviations between real volumes of electricity transmitted and budgeted volumes and between effectively incurred costs/revenues and budgeted costs/revenues can result in a so-called "regulated debt" or a "regulated receivable", which is booked on an accrual account. This mechanism applies to all of the abovementioned key parameters for tariff-setting (i.e. fair remuneration, controllable elements, non-controllable elements, influenceable costs and other incentive components). The financial settlement of any such deviations is taken into account when setting the tariffs for the next period.

Regardless of deviations between forecasted parameters and actually incurred costs and revenues, the CREG takes the final decision as to whether the incurred costs and revenues are deemed reasonable, in order to be included in the tariff calculation. This decision can result in the acceptance or rejection of such costs or revenues. To the extent that certain elements are rejected, the corresponding amounts will not be taken into account for the setting of tariffs for the next period.

## 3.5 Regulatory framework for the Modular Offshore Grid

The CREG amended the 2016-2019 tariff methodology to create specific rules applicable to the investment in the MOG. A formal consultation took place in the first weeks of 2018 between the CREG and the Issuer and the CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters are (i) a specific risk premium to be applied to this investment (resulting in an additional net return of 1.4 per cent.), (ii) a special depreciation rate applicable to the MOG assets, (iii) certain costs specific to the MOG to bear another qualification compared to the costs for onshore activities, (iv) the level of the costs to be

defined based on the characteristics of the MOG assets and (v) dedicated incentives linked to the availability of the offshore assets. For the tariff period 2020-2023, the regulatory framework for the MOG has been included in the tariff methodology, based on the features described here above, except for the risk premium which has applied since 1 January 2020 on a target equity/debt ratio of 40/60.

### 3.6 Regulatory framework for the Nemo Link interconnector

- A specific regulatory framework is applicable to the Nemo Link interconnector from the date of its entry into operation, on 31 January 2019. The framework is set out in the tariff methodology issued on 18 December 2014 by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators of the UK and Belgium (OFGEM and the CREG respectively) have determined the return levels of the cap and floor ex-ante (before construction) and these will remain largely fixed for the duration of the regime. The cap return level can be increased or decreased with maximum 2 per cent. on availability incentives. Consequently, investors will have certainty about the regulatory framework during the lifetime of the interconnector.

- The interconnector is currently operational (as from 31 January 2019) and as a result the cap and floor regime has started. Every five years, the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels, to determine whether the cap or floor is triggered.[1] Any revenue earned above the cap will be returned to each of the national electricity TSOs ("**NETSOs**") in Belgium and the UK on a 50/50 basis. The NETSOs can then reduce the network charges for network users in their respective countries. If revenue falls below the floor then the interconnector owners will be compensated by the respective NETSOs. The NETSOs will then in turn recover the costs through network charges applied in their respective countries. National Grid performs the NETSO role in the UK and the Issuer in Belgium.

- Each five-year period will be considered separately. Cap and floor adjustments in one period will not affect the adjustments for future periods, and total revenue earned in one period will not be taken into account in future periods.

- The high-level tariff design is as follows:

| | |
|---|---|
| Regime length | 25 years |
| Cap and floor levels | Levels have been set at the start of the regime and remain fixed in real terms for 25 years from the start of operation.<br><br>Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark has been applied to costs to deliver the floor, and an equity return benchmark to deliver the cap. |
| Assessment period (assessing whether interconnector revenues are above/below the cap/floor) | Every five years, with within-period adjustments if needed and justified by the developer. Within-period adjustments will let developers recover revenue during the assessment period if revenue is below the floor (or above the cap) but will still be subject to true-up at the end of the five-year assessment period. |

[1] Interconnector owners generate revenue (congestion revenue) by auctioning interconnector capacity. As long as there is a price difference between the two interconnected markets, there will be demand for the capacity and a revenue stream will be generated.

| | |
|---|---|
| Mechanism | If revenue is between the cap and floor, no adjustment is made. Revenue above the cap is returned to end customers and any shortfall of revenue below the floor requires payment from network users (via network charges). |

- The cap and floor levels for Nemo Link have been set using a building blocks approach, based on the project's development costs, capital costs, operating and maintenance costs, replacement costs, decommissioning costs, tax and allowed return. Following the completion of the construction works and the start of commercial operation on 31 January 2019, the annuitized cap and floor levels were – in agreement with OFGEM and the CREG – fixed to a reach a final cap level of GBP 77 million and a final floor level of GBP 43.9 million in real 2013/2014 prices.

## 4 Key strengths

Elia's business relies on a number of strengths, including the following:

- Factual and legal monopoly and unique resources in Belgium: Elia currently has a factual and legal monopoly for operating the national very-high and high voltage network. In addition, Elia has unique resources as it owns 100 per cent. of the national very-high and high voltage network and owns (or has the right to use) 94 per cent. of the local and regional high-voltage network. As such, Elia is the sole company that fulfils the conditions provided by law to be appointed as the federal and regional TSO.

- Highly reliable and resilient network: Elia not only operates and owns the transmission network as asset manager but also acts as system operator, seeking to balance, in real time, generation and demand of electricity on its network. The integration of both activities allows Elia to develop synergies, which in turn increase the efficiency of the network. In addition, Elia's network design is a meshed structure, comparable to a spider web, allowing virtually all off-take points to be supplied by two or more routes and using various voltage levels. This meshed configuration is designed to significantly reduce the risk of power interruptions.

- Increased visibility on results through a stable four-year tariff framework: Elia's risk profile is limited due to the nature of its activity and the regulated environment in which it operates. A new tariff mechanism took effect on 1 January 2020 for a four-year period from 2020 to (and including) 2023 whereby the approved tariffs have been fixed for that four-year period, increasing the predictability of Elia's results. Under this new mechanism, different incentive mechanisms have been introduced (see Section 3.4.4 "*Belgian regulated tariff framework*" in "*Description of the Issuer*" above) and can have a positive impact on the Issuer's net profit in the case of outperformance.

- Recognised expertise and leadership in the construction of the regional market of Central West Europe: Elia is a recognised driving force in the construction of the regional market for electricity in the CWE Region comprising the Benelux countries, France and Germany. The mechanism developed for the trilateral market coupling (Belgium, the Netherlands and France) served as a model for the extension of the market coupling within Central West Europe.

- Part of a Group that created a top five TSO in Europe through the acquisition of 50Hertz: As a result of an initial acquisition of a 60 per cent. stake in 50Hertz and a subsequent acquisition of an additional 20 per cent. stake in 50Hertz, the Issuer's parent company, "Elia Group" has become the fourth largest TSO in Europe (in terms of regulated asset base). This position gives the Group, and hence the Issuer the critical mass to play a leading role in reshaping the electricity market. In addition, 50Hertz offers

complementary knowledge that the Group can transmit to the Issuer and experience in domains with strong development potential in the future, such as connecting onshore and offshore wind energy generation with the mainland as well as with future North Sea and Baltic Sea grids.

- Financial strength: Elia's regulatory framework includes a number of elements that contribute to the creation of a solid long-term financial basis for the Issuer. Firstly, Elia's optimal leverage ratio is set by the regulator and financial expenses are hence included in Elia's tariffs. Secondly, the tariff structure allows all costs (to the extent not deemed unreasonable by the regulator) over which Elia has no direct control ('non-controllable costs') to be recovered through future tariffs. In addition, part of Elia's profit must by law be used to fund future investments (and not be distributed to shareholders). Finally, Elia's future investment plans always have to be approved by the government and the regulators before being launched, which ensures their inclusion in the tariffs.

- A business that has been in existence for more than 75 years, with experienced employees and management: Although the Issuer was only incorporated in 2019 as part of the current Group Structure and Elia Group (previously Elia System Operator) has been created in 2001, Elia's activities started in 1937. The Issuer and 50Hertz together employ about 2,300 people, who have accumulated a wide and strong knowledge and expertise in all aspects of TSO activities.

## 5 Strategy

The Elia group has the ambition to be the leader in the energy sector in its home countries and the leading group of TSOs in Europe. The Group has developed a strategy for its Belgian-based activities carried out by the Issuer as well as for its German-based activities carried out by 50Hertz.

The Elia group has a central position in the power system and a crucial role to fulfil in society. Society acknowledges the value of the power system and has defined Elia as a natural monopoly in Belgium. As such, Elia concentrates on the following key activities: infrastructure management, system operation and market facilitation and this in order to continue meeting society's needs for a sustainable, secure and efficient power system. When doing so, Elia nevertheless focuses on protecting the safety of its personnel, subcontractors and anyone in contact with its infrastructure as well as delivering long-term value for its shareholders.

The context in which Elia operates is rapidly changing and that at various levels. Firstly, Elia is facing a challenging future in the midst of the energy transition, characterised by an increased integration of renewables, decentralised production and an emergence of "prosumers". Secondly, the energy transition will be accelerated by digitalisation, allowing active participation of the consumers in the energy system and helping to manage a more complex renewable-based power system. The energy transition is thus bringing challenges, but it is more than ever also bringing new possibilities in terms of investment opportunities and expertise development.

Given the capital-intensive nature of its business as well as the energy transition, Elia has built its strategy with a clear focus on the areas it intends to develop in order to achieve the overarching goal of being a frontrunner in the transition of the energy sector. Elia's strategy is organised around six building blocks – as presented below – of which the first four are directly related to Elia's core tasks.

- **Ensure a secure, reliable and efficient grid**: the Issuer is committed to ensuring a high security of supply in a fast changing energy mix by fully exploiting the system's capabilities. For this to happen, Elia focuses on the one hand on the realisation of its investment and maintenance plan amongst other things by applying working methods that ensure safety, high quality and efficiency of works, as well as close monitoring and development of critical competences – both technical and soft skills. On the other hand, Elia works towards achieving asset management excellence thanks to a thorough understanding of its asset fleet and by making decisions which involve the right trade-off between

costs, quality of service and outage management. Elia also permanently focusses on safety so that its people and subcontractors always work in a safe, healthy and secure environment.

- **Deliver the transmission infrastructure of the future**: to move towards (and ultimately achieve) a smooth energy transition, Elia ensures that significant infrastructure investments are delivered on time, are of high quality and budget compliant. To achieve this, Elia has developed best in class project management practices with an appropriate governance and decision-making organisation as well as in-depth reporting to ensure quality, budget compliance and planning. Moreover, a new investment flow with stage-gate processes, which impose clear and strict requirements prior to progressing to the next stage, is now applied. Elia aims at fostering successful public acceptance by ensuring early involvement of its stakeholders, and through transparent, open and focussed dialogue regarding its projects and missions, while keeping a clear focus on the societal perspective and impact of its various actions.

- **Evolve in system and markets**: to integrate the Belgian electricity transmission grid with the distribution and European systems, Elia is committed to innovation in systems and developing new market mechanisms. Elia provides non-discriminatory access to the grid by developing markets in such a way so as to establish a level playing field and give access to all parties. This is in line with market and operational practices which take account and, to the greatest extent possible, conform to the overall European context. Developing and putting in place adapted market mechanisms will on the one hand enable pan-European balancing, and on the other hand tap into the flexibility of potential of decentralised energy sources (solar photovoltaic generation, customer demand, and distributed storage). Moreover, Elia is also committed to contributing to security of supply by keeping the system balanced at all times which is made possible by improved supply and demand flexibility, as well as through (strengthened) collaboration with distribution system operators.

- **Cooperate to strengthen the TSO position**: as the move towards and the achievement of the energy transition cannot be achieved alone, Elia is committed to pushing towards the energy transition by collaborating with its stakeholders and other market parties while increasing national and European coordination with grid operators. For this to happen, Elia will increasingly focus on involving its stakeholders early in the process thanks to dialogue and coalition building, with interactions based on mutual respect, empathy and transparency. Elia is also committed to strengthening client-oriented culture by collaborating to develop the best solutions for developing, maintaining and operating the grid to satisfy the needs of its clients and society. Elia is also willing to take on additional tasks or services for the overall welfare of society as a whole – for instance by performing objective assessments on adequacy and flexibility needs – given its unique perspective on the power system as a whole and its neutral and regulated nature.

- **Align the culture with the strategy**: to implement its ambitious strategic priorities and targets, Elia needs an aligned company culture. This means evolving even more towards a high performing organisation by stimulating entrepreneurship and initiative-taking, and promoting a performance culture. It also means an increased focus on talent management thanks to pro-active identification of talent gaps and taking the necessary development actions (training, internal/external hiring, succession planning).

- **Keep eyes wide open on innovation and growth opportunities**: besides further integration of innovation in its core business, Elia keeps up with the latest developments in the energy sector and remains open to non-organic growth. Elia aims at performing early identification of disruptive innovation on technologies and services that can potentially impact and help its core activities. Finally, Elia will keep an eye on the possibilities for organic growth.

# 6 Organisational structure

## 6.1 Reorganisation of Elia Group

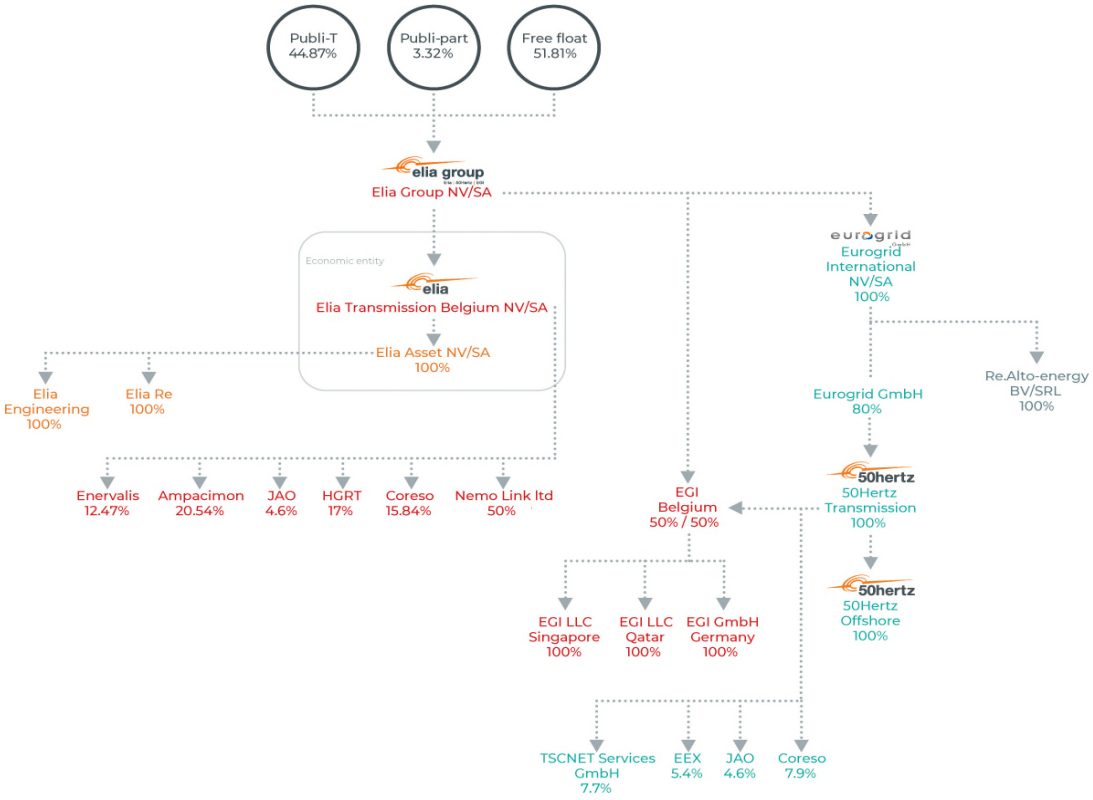
The Issuer was incorporated on 31 July 2019 as a new public limited company by Elia System Operator and Publi-T CVBA ("**Publi-T**") in the context of the planned reorganisation of Elia Group.

Elia System Operator, the holding company of the Issuer, carried out an internal reorganisation at the end of 2019 with a view to separating its regulated activities in Belgium, i.e., the ownership and operation of the high- and very high-voltage transmission network in Belgium (including its stake in Nemo Link), from its non-regulated activities and its regulated activities outside Belgium.

The transfer of the regulated business (including the regulated assets and liabilities and the stake in Nemo Link) from Elia System Operator to Elia Transmission Belgium was completed with effect from just prior to midnight on 31 December 2019.

## 6.2 Group structure related to the role as TSO in Belgium

The Issuer is the Belgian subsidiary of Elia Group. The following diagram depicts, in simplified form, the organisational structure of the Group, including minority participations of the Issuer, as at the date of this Information Memorandum:




### 6.2.1 Principal subsidiary Elia Asset

To perform some of the tasks legally required to be performed by a TSO, DSO, regional or local TSO, the Issuer acts with its wholly owned (99.99 per cent.) subsidiary, Elia Asset, which owns the very-high voltage and owns (or has rights to use assets owned by third parties) the high voltage electricity network. Elia Asset is controlled by the Issuer, which owns all shares, with the exception of one share held by Publi-T. Together, the Issuer and Elia Asset constitute a single economic unit and the role of a TSO in Belgium.

### 6.2.2 Elia Engineering

The Issuer, mainly through Elia Asset, holds all shares in Elia Engineering. Elia Engineering manages all investment projects and major transformation works involving Elia's grid, as well as the connection of the customers' infrastructure and (electrical) asset-related projects ordered by industrial customers.

### 6.2.3 Elia RE

Following the events of 11 September 2001 in the USA, Elia Group's (previously Elia System Operator) insurance policy covering the overhead network was terminated and the insurance premium relating to Elia Group's network related assets coverage was significantly increased. Elia Group also faced market rates for insurance against industrial risks which it deemed unacceptable. As a response to these developments, Elia Group created a captive reinsurance company, Elia RE. Elia RE was incorporated in 2002, as a Luxembourg public limited liability company (*société anonyme*), for the purpose of reinsuring all or part of the risks of Elia. Elia RE is held by Elia Asset.

Since its incorporation, Elia Group has entrusted Elia RE with three of its insurance programmes: the overhead network, electrical installations and buildings and civil liability.

In practice, the Issuer enters into an insurance agreement with an insurer, which reinsures a portion of the risks with Elia RE. Therefore, there is no direct transfer of money from the Issuer or Elia Asset to Elia RE. The Issuer's insurance premiums, as well as reinsurance premiums paid to Elia RE by insurers, correspond to standard market rates.

### 6.2.4 Nemo Link

Elia Group (previously Elia System Operator) and National Grid Interconnector Holdings Limited ("**NGIH**") signed a joint venture agreement on 27 February 2015 to move ahead with the Nemo Link interconnector between the UK and Belgium. The manufacturing and site construction began in 2016 and the link started commercial operations in the first quarter of 2019.

Nemo Link is active in the development, construction and operation of a high-voltage direct current ("**HVDC**") electricity transmission interconnector (1,000MW) linking the electricity networks of Belgium and Great Britain. It consists of subsea and underground cables connected to a converter station and an electricity substation in each country, which allows electricity to flow in either direction between Belgium and the UK. Nemo Link is governed by a regulatory framework determined by OFGEM and the CREG. On 31 January 2019, the Nemo Link interconnector was taken into operation, which has enabled direct power exchanges between the two countries. It is a European Project of Common Interest ("**PCI**") and constitutes a crucial link in the ongoing integration of the European power grids (part of the Trans-European Networks for Energy – TEN-E).

The Issuer and NGIH both hold 50 per cent. of the shares in Nemo Link Limited, a UK company. This shareholding is accounted for as an "equity method" in the financial statements.

### 6.2.5 HGRT

The Issuer owns 17 per cent. of the shares in HGRT (*Holding Gestionnaire de réseaus de transport*, a French company). The other shareholders are RTE, the French TSO, TenneT, the Dutch TSO, Swiss grid, the Swiss TSO, Amprion, the German TSO and APG, the Austrian TSO. HGRT is the holding company of CWE transmission system operators, created in 2001, which currently holds a 49 per cent. equity stake in EPEX SPOT. The European Power Exchange EPEX SPOT SE and its affiliates APX and Belpex operate organised short-term electricity markets in Germany, France, the United Kingdom, the Netherlands, Belgium,

Austria, Switzerland and Luxembourg; markets representing 50 per cent. of European electricity consumption. Striving for a well-functioning European single market for electricity, EPEX SPOT shares its expertise with partners across the continent and beyond. EPEX SPOT is a European company (*Societas Europaea*) in corporate structure and staff, which is based in Paris with offices or affiliates in Amsterdam, Bern, Brussels, Leipzig, London and Vienna. EPEX SPOT is held by EEX Group, part of Deutsche Börse, and HGRT.

#### 6.2.6 Enervalis

In 2017, Elia Group acquired a minority stake of 17.36 per cent. in the start-up Enervalis. This reflects Elia Group's commitment to innovate and enhance its know-how in order to better contribute to the development of a future electricity system, in which digitalisation and decentralisation will play an increasingly important role.

Enervalis develops innovative software-as-a-service solutions that will support market players in optimising their energy bill, while helping to meet growing flexibility needs, with a view to managing the balance between supply and demand on the system. The software solutions enable Enervalis' customers (for example, energy suppliers and equipment manufacturers) to automatically optimise the supply, storage and demand flexibility of devices such as heat pumps, electric vehicles and solar PV systems to better match prosumer energy needs. Elia Group paid a consideration of EUR 0.7 million to acquire this minority stake. The Issuer holds directly 17.36 per cent. in Enervalis.

#### 6.2.7 JAO

On 1 September 2015, JAO (Joint Allocation Office SA) was incorporated. It is a Luxembourg based service company of twenty transmission system operators from seventeen countries. The company was established following a merger of the regional allocation offices for cross border electricity transmission capacities, being CAO Central Allocation Office GmbH (in which the Group had a 6.66 per cent. stake) and Capacity Allocation Service Company.eu SA (in which the Group had a 8.33 per cent. stake). JAO mainly performs the annual, monthly and daily auction of transmission rights across 27 borders in Europe and acts as a fall-back for the European Market Coupling. The shareholders of JAO are the Issuer, 50Hertz and 20 other TSOs holding each 1/22 of the shares. The Issuer holds directly 4.0 per cent. of the shares in JAO.

#### 6.2.8 Coreso

The establishment of Coreso in 2008 by Elia Group, National Grid and RTE aims at increasing the operational coordination between TSOs, in order to enhance the operational security of the networks and the reliability of power supplies in Central West Europe.

Coreso also contributes to a number of EU objectives, namely the operational safety of the electricity system, the integration of large-scale renewable energy generation (wind energy) and the development of the electricity market in Central West Europe comprising France, Belgium, the Netherlands, Germany and Luxembourg. This geographical area is characterised by major energy exchanges and the co-existence of traditional generation facilities with an increasing share of renewable generation, whose output may fluctuate with changing weather conditions. Optimised management of electricity systems and corresponding network infrastructure, specifically interconnections between power networks are very important in this context.

The Issuer owns directly 15.84 per cent. of the shares in Coreso, a Belgian public company limited by shares (SA).

#### 6.2.9 Ampacimon

The Issuer holds 20.54 per cent. of Ampacimon. This company was formed in 2010 and develops and provides dynamic monitoring systems (current capacity) for overhead lines that helps the TSOs to increase the efficiency of the grid and which respects the required security level.

## 7 Administrative, management and supervisory bodies of the Issuer

The respective roles and responsibilities of the management bodies of the Issuer are, to a large part, governed by the provisions of the Electricity Act, the Royal Decree of 3 May 1999[2] (the "**Corporate Governance Decree**") and the Articles of Association. The Issuer is also subject to the Belgium Companies and Associations Code.

The Corporate Governance Decree and the Electricity Act set out certain specific rules regarding the organisation and corporate governance of the TSO, with a view to guaranteeing its independence and impartiality. These rules relate more specifically to the transparency of the shareholder structure, the appointment of independent directors, the establishment of a Corporate Governance Committee, an Audit Committee and a Remuneration Committee, the application of rules related to conflicts of interests and opposition of interests with dominant shareholders and the establishment of an Executive Committee. The independence of the TSO requires in particular that (i) all members of the Board of Directors, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee are non-executive directors and (ii) at least half of the members of the Board of Directors are independent directors and a majority of the members of the Audit Committee, the Remuneration Committee and Corporate Governance Committee are independent directors. Additionally, the members of the Board of Directors may not be members of the supervisory board or the board of directors of, or of the bodies that legally represent, an undertaking that fulfils any of the following functions: the production or supply of electricity.

### 7.1 Board of directors

The Board of Directors of both the Issuer and Elia Asset are composed of the same non-executive directors. Pursuant to the Issuer's articles of association, the Board of Directors must, in principle, be composed of 14 members, but may be temporarily composed of less than 14 members. As at the date of the Information Memorandum, the members of the Board of Directors are:

| Name | Position | Expiry of mandate (after annual general shareholders' meeting) | Board committee membership | Principal outside interests as at 31 December 2019 |
|---|---|---|---|---|
| Bernard Gustin | Independent Director and Chairman | 2023 | Member of the Strategic Committee | Member of Presidents' Committee of Association of European Airlines VZW; Director of European Sports Academy VZW; Director of Groupe Forrest International SA; Director of Africa on the Move ASBL. |
| Claude Grégoire | Non-independent Director | 2023 | Member of the Strategic Committee | Director of Publi-T CVBA; Director of PUBLIGAZ CVBA; Vice-Chairman of the Board of Directors of Fluxys Belgium NV; Director of Fluxys NV; Director of SRIW |

[2] The Royal Decree of 3 May 1999 "*relatif à la gestion du réseau national de transport d'électricité*" / "*betreffende het beheer van het nationaal transmissienet voor elektriciteit*", Official Gazette 2 June 1999.

| Name | Position | Expiry of mandate (after annual general shareholders' meeting) | Board committee membership | Principal outside interests as at 31 December 2019 |
|---|---|---|---|---|
| | | | | Environnement SA; Director (as permanent representative of Socofe NV) of SPGE NV; Director of C.E.+T. SA; Director of CPDH SA; Director of C.E.+T. ENERGRID SA; Director of JEMA SA; Vice-Chairman of the Board of Directors of Circuit de Spa-Francorchamps; Director of Spa Grand Prix SA; Director of Solidaris; Director of L.L.N. Services SA; Director of SEREL Industrie SA; and Director of Alpha Innovations SA. |
| Geert Versnick | Non-independent Director | 2020 | Member of the Strategic Committee | Chairman of the Board of Directors of Publi-T CVBA; Manager of Flemco BVBA; and Director of Fluxys Belgium NV. |
| Michel Allé | Independent Director | 2022 | Chairman of the Audit Committee and permanent invitee of the Strategic Committee | Director (as permanent representative of GEMA SPRL) of D'Ieteren SA; Director of Société de Participation et de Gestion SA; Director (as permanent representative of GEMA SPRL) of Eurvest SA; Director of GEMA SPRL; Director and President of the Board of Directors of DIM3 SA; Director of Solvay Executive Education ASBL; Director of Solvay Executive Education Vietnam ASBL; Managing Director of CEPACASBL; President of the Board of Directors (as permanent representative of GEMA SPRL) of EPICS Therapeutics SA; Director (as permanent representative of SPDG SA) of DreamJet Participations SA; and Director of Sauvegarde de l'Ecole Plein Air ASBL. |
| Luc De Temmerman | Independent Director | 2020 | Member of the Corporate Governance Committee and Chairman of the Remuneration Committee | Manager of InDeBom Strategies Comm.V.; Director of ChemicaInvest Holding BV; Director of Everlam Holding NVz; Director of AnQore Topco BV; President of AOC Aliancys Composite Resins Holding BV; Director of De Krainer Bieënvrienden VZW; and Advisory Board Member of Ship Repair Network Group BVBA. |
| Frank Donck | Independent Director | 2020 | Member of the Corporate Governance Committee and Member | Managing Director of 3D NV; Director of 3D Private Investeringen NV; Director of 3D Real Estate NV; Director of Anchorage NV; Chairman of the Board of Directors of Atenor |

| Name | Position | Expiry of mandate (after annual general shareholders' meeting) | Board committee membership | Principal outside interests as at 31 December 2019 |
|---|---|---|---|---|
| | | | of the Audit Committee | Groep NV; Chairman of the Board of Directors of ForAtenor NV; Director of Barco NV; Managing Director of Huon & Kauri NV; Manager of Iberanfra Bvba; Managing Director of Ibervest NV; Director of KBC Groep NV; Director of KBC Verzekeringen NV; Director of Ter Wyndt CVBA; Chairman of the Board of Directors of Group Ter Wyndt BV; Chairman of the Board of Directors of Golfzicht BV; Managing Director of Tris NV; Chairman of the Board of Directors of Winge Golf NV; Director of Tasco NV; Director of Dossche Immo NV; Vice-Chairman of the Board of Directors of Vlerick Business School; Director of Commissie Corporate Governance Stichting; Director of De vrienden van Le Concert Olympique; Director of Academie Vastgoedontwikkeling NV; Director of Bowinvest NV; Director of DragonFly Belgium NV; Director of 3DLand NV; Member of the Organizing Authority at KU Leuven; and Director at Associatie KU Leuven VZW. |
| Cécile Flandre | Non-independent Director | 2023 | - | Director and Member of the executive committee of Ethias NV; Director of NEB Participations NV; and Director of Ethias Services NV. |
| Philip Heylen | Non-independent Director | 2023 | Member of the Corporate Governance Committee and the Remuneration Committee | Director of Kunsthuis Opera Vlaanderen Ballet Vlaanderen VZW; Member of the Direction Committee at Sofinim NV; Director at Anima Care NV; Director at Hofkouter NV; Director at BPI Real Estate Belgium NV; Director at Rent A Port NV; Director at Extensa Group NV; and Director of Herdenking 1e V-Bom Antwerpen VZW. |
| Luc Hujoel | Non-independent Director | 2020 | Chairman of the Corporate Governance Committee and Member of the Strategic Committee | General Director of Interfin CVBA; Director of Fluxys NV; Director of Fluxys Belgium NV; Director of Publigaz CVBA; Secretary General of Publi-T CVBA; Member of CREG; and Director of CEDEC NV. |

| Name | Position | Expiry of mandate (after annual general shareholders' meeting) | Board committee membership | Principal outside interests as at 31 December 2019 |
|---|---|---|---|---|
| Roberte Kesteman | Independent Director | 2023 | Member of the Audit Committee and Member of the Remuneration Committee | Manager of Symvouli BVBA; Senior Advisor of First State Inevestments International Limited; and Director of Fluxys Belgium NV. |
| Jane Murphy | Independent Director | 2022 | Member of the Corporate Governance Committee | Manager of Jane Murphy Avocat SPRL; Director of Ageas NV; Director of Ageas France; Vice-President of the Board of Directors of the Chamber of Commerce Canada-Belgium-Luxembourg VZW (Vice Chairman); Director of Puilaetco Dewaay Private Bankers NV; Director of European Data Protection Office SA; Director of Oracle Financial Services Software Ltd; Director of Oracle Financial Services Software Pte Ltd; and Director of Oracle Financial Services Software BV. |
| Dominique Offergeld | Non-independent Director | 2023 | Member of the Audit Committee and Member of the Remuneration Committee | Chief Financial Officer of ORES SCRL; Director of Contassur NV; and Director of Club L VZW. |
| Rudy Provoost | Non-independent Director | 2023 | Member of the Audit Committee and Chairman of the Strategic Committee | Member of the Supervisory Board and of the Strategic Committee of Randstad Holding NV; Director of Vlerick Business School; Director of Jensen Group NV; and Manager of Yquity BVBA. |
| Saskia Van Uffelen | Independent Director | 2020 | Member of the Remuneration Committee | Director of Universiteit Antwerpen; Director of AXA Belgium NV; Mandate of the Government at Digital Champion België; Director of BPOST NV; President of the Board of Directors at Media Invest Vlaanderen NV; and Corporate Vice President at GFI Group. |

The Issuer's business address serves as the business address of each of the board members.

### 7.1.1 Conflict of interest

The Issuer is not aware of any potential conflicts of interest between any duties owed to the Issuer by the persons listed in the table above and the other duties or private interests of those persons. As a Belgian public company, the Issuer must comply with the procedures set out in Article 7:96 of the Belgian Companies and Associations Code regarding conflicts of interest within the Board of Directors and Article 7:97 of the Belgian Companies and Associations Code regarding related party transactions.

Each director and member of the Executive Committee has to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the Issuer.

Article 7:96 of the Belgian Companies and Associations Code contains a special procedure, which must be complied with if a director has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the Board of Directors.

No such conflicts of interest have arisen and the procedure has not been applied in the financial year 2019.

Article 39§3 of the Belgian Companies and Associations Code in conjunction with Article 524ter of the Belgian Company Code provides for a similar procedure as Article 7:96 of the Belgian Companies and Associations Code in the event of a conflict of interest of members of the Executive Committee.

No such conflicts of interest have arisen and the procedure has not been applied in the financial year 2019.

***Representatives of the federal government***

In accordance with Article 9, §10bis of the Electricity Act and the Articles of Association, the Belgian Government may, by Royal Decree, appoint to the Board of Directors two representatives of the federal government taken from two different language lists.

These representatives have a consultative vote when attending meetings of the Board of Directors.

Additionally, within a period of four business days, they may lodge an appeal with the federal minister responsible for energy against any decision of the Board of Directors that they consider to be contrary to the guidelines of the government's general policy with regard to the national security of supply in relation to energy or against any decision by the Board of Directors with respect to the budget that the Board of Directors requires to prepare each financial year. This period runs from the day of the meeting at which the decision in question was taken provided that the representatives on the Board of Directors were duly given notice thereof and, otherwise, as from the day on which those representatives or one of them took cognisance of the decision. The appeal is of suspensive effect. If the federal minister responsible for energy has not set aside the decision in question within a period of eight working days from the appeal, the decision becomes final.

Mrs N. Roobrouck, is currently the sole representative of the federal government in the Board of Directors of the Issuer.

## 7.2 Committees of the board of directors

The Board of Directors of both the Issuer and Elia Asset has established: (i) a Corporate Governance Committee; (ii) an Audit Committee and (iii) a Remuneration Committee, as required by the Electricity Act and the Articles of Association.

### 7.2.1 Corporate Governance Committee

The Corporate Governance Committee is required to be composed of at least three and at most five non-executive directors, of which a majority shall be independent directors and at least one third shall be non-independent directors.

The current members of the Corporate Governance Committee are:

- Luc Hujoel, Chairman;
- Luc De Temmerman;
- Frank Donck;
- Philip Heylen; and
- Jane Murphy.

Frank Donck, Luc De Temmerman and Jane Murphy are independent directors in the meaning of the Electricity Act and the Articles of Association.

### 7.2.2 Audit Committee

The Board of Directors has set up an Audit Committee. The Audit Committee is required to be composed of at least three and at most five members, all of whom are required to be non-executive members of the Board of Directors. A majority of its members should be independent directors and at least one third of its members should be non-independent directors. All members should have the sufficient and necessary experience and expertise in the field of accounting, finance and audit to perform the role of the Audit Committee.

Without prejudice to the legal responsibilities of the Board of Directors, the Audit Committee shall have at least the following responsibilities:

- verifying the Issuer's accounts and controlling the budget;
- monitoring the financial reporting process;
- monitoring the effectiveness of the Issuer's internal control and risk management systems;
- monitoring the internal audit and its effectiveness;
- monitoring the statutory audit (*wettelijke controle/contrôle legal*) of the statutory financial statements, including any follow-up on any questions and recommendations made by the statutory auditors and, as the case may be, by the external auditor charged with the audit of the consolidated financial statements;
- reviewing and monitoring the independence of the statutory auditors, and, as the case may be, of the external auditor charged with the audit of the consolidated financial statements, in particular regarding the provision of additional services to the Issuer;
- making proposals to the Board of Directors on the (re)appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the terms of their engagement;
- as the case may be, investigating the issues giving rise to any resignation of the statutory auditors, and making recommendations regarding any required action in that respect;
- monitoring the nature and extent of the non-audit services provided by the statutory auditors; and

- reviewing the effectiveness of the external audit process.

The Audit Committee reports regularly to the Board of Directors on the exercise of its duties, and at least when the Board of Directors prepares the annual accounts, and where applicable the condensed financial statements intended for publication.

The current members of the Audit Committee are:

- Michel Allé, Chairman;
- Frank Donck;
- Roberte Kesteman;
- Dominique Offergeld; and
- Rudy Provoost.

Michel Allé, Frank Donck and Robert Kesteman are independent directors in the meaning of the Electricity Act and the Articles of Association.

#### 7.2.3 Remuneration Committee

The Remuneration Committee of the Issuer is required to be composed of at least three and at most five members, all of whom are required to be non-executive members of the Board of Directors. A majority of its members should be independent Directors and at least one third of its members should be non-independent Directors.

The current members of the Remuneration Committee are:

- Luc De Temmerman, Chairman;
- Philip Heylen;
- Roberte Kesteman;
- Dominique Offergeld; and
- Saskia Van Uffelen.

Luc De Temmerman, Roberte Kesteman and Saskia Van Uffelen are independent directors in the meaning of the Electricity Act and the Articles of Association.

### 7.3 Executive committee

The current members of the Executive Committee are listed in the table below.

| Name | Function |
|---|---|
| Chris Peeters | Chairman of the Executive Committee and Chief Executive Officer |
| Markus Berger | Chief Infrastructure Officer |
| Frédéric Dunon | Chief Assets Officer |
| Pascale Fonck | Chief External Relations Officer |
| Ilse Tant | Chief Community Relations Officer |
| Patrick De Leener | Chief Customers, Market and System Officer |
| Catherine Vandenborre | Chief Financial Officer |
| Peter Michiels | Chief Human Resources & Internal Communication Officer |

The Issuer's business address serves as the business address of each member of the Executive Committee.

### 7.4 Corporate governance

Corporate governance within the Issuer is based on the rules provided for by the Electricity Act, the Corporate Governance Decree and the Belgian Companies and Associations Code.

### 7.5 Major shareholders

The major shareholders of the Issuer are the following:

| | Cat. shares | Shares | % Shares | % Voting rights |
|---|---|---|---|---|
| **Shareholders** | | | | |
| Elia Group SA/NV ..... | B | 205,572,290 | 100.00% | 100.00% |
| Publi –T CVBA/SPRL ..... | C | 1 | 0.00% | 0.00% |
| ..... | | | | |
| **Total Amount of the Shares**..... | | 205,572,291 | 100.00% | 100.00% |

Publi-T is a Belgian cooperative company with limited liability, with its registered office at Galerie Ravenstein 4 (bte 2)/Ravensteingalerij 4 (bus 2), 1000 Brussels, Belgium (enterprise number 0475.048.986 (Brussels)). According to a transparency notification dated 22 December 2016, no person ultimately controls Publi-T.

Publi-T's shareholding currently gives it the right to appoint half of the board members of the Issuer. Under the Issuer's bylaws, Publi-T's shareholding and board representation allows it to block board resolutions and certain shareholders' resolutions.

### 7.6 Share capital

The issued share capital (including share premium) of the Issuer (as of 31 December 2019) amounted to EUR 2,055,722,921 (fully paid up) and is divided into 205,572,291 shares without nominal value. All shares have identical voting, dividend and liquidation rights, but the class B and the class C shares carry certain special rights regarding the nomination of candidates for appointment to the Board of Directors and voting in relation to shareholders' resolutions.

## 8 Financing of the Issuer

The Issuer manages the liquidity and arranges the debt financing of its Belgian activities (including Elia Asset's activities) and (if necessary) its investments in affiliates/joint ventures. The loans, bonds and other debt instruments are issued by the Issuer. The Issuer meets its financing needs through diversified sources of debt funding.

The Issuer's financial indebtedness is unguaranteed and unsecured. No third parties have granted guarantees in respect of the indebtedness of the Issuer.

### 8.1 Outstanding interest-bearing loans and borrowings

The long term financing of the Issuer is structured through a range of financial instruments, including: (i) shareholder loans and (ii) institutional bonds issued with different maturities. The Issuer is currently not in default under any covenants set out in these agreements.

The following table includes, at the dates indicated, the loans and debt instruments of the Issuer (figures as at 31 December 2019).

| | Maturity | Amount | Face value |
|---|---|---|---|
| | *(€ million)* | | |
| Eurobond issues 2013/15 years | 2028 | 546.9 | 550.0 |
| Eurobond issues 2013/20 years | 2033 | 199.1 | 200.0 |
| Eurobond issues 2015/8.5 years | 2024 | 498.2 | 500.0 |
| Eurobond issues 2014/15 years | 2029 | 346.5 | 350.0 |
| Eurobond issues 2017/10 years | 2027 | 247.6 | 250.0 |
| Eurobond issues 2019/7 years | 2026 | 498.0 | 500.0 |
| Other loans | 2020 | 453.6 | 453.6 |
| Loan with Publi-Part | 2022 | 42.1 | 42.1 |
| Amortised term loan | 2033 | 209.7 | 210.0 |
| European Investment Bank | 2025 | 100.0 | 100.0 |
| Credit line facility | 2019 | 75.0 | 75.0 |
| **Total** | | **3,216.7** | **3,230.7** |

Information concerning the contractual maturities of the Group's interest-bearing loans and borrowings (current and non-current) is given below (figures as at 31 December 2019).

| | Face Value | Closing balance | Expected cash out-flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | > 5 years |
|---|---|---|---|---|---|---|---|---|
| | | | | (€ million) | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Unsecured bond issues | 2,350.0 | 2,336.0 | (2,787.0) | (52.6) | 0.0 | (52.6) | (653.6) | (2,028.3) |
| Unsecured financial bank loans and interest accruals | 880.8 | 961.6 | (868.3) | (455.7) | (5.0) | (5.2) | (57.0) | (345.3) |
| **Total** | **3,230.80** | **3,297.60** | **(3,655.30)** | **(508.30)** | **(5.00)** | **(57.80)** | **(710.60)** | **(2,373.60)** |

## 8.2 Credit facilities, including the amounts used and unused

Short term financing needs or potential refinancing issues of the Issuer are covered through the following range of financial instruments: (i) confirmed credit facilities agreed with different banks on a bilateral basis and (ii) a commercial paper programme.

Financial covenants in the bilateral loan agreements are limited to an equity/debt ratio (30/70) of the Issuer, Elia Asset and Elia Engineering on a consolidated basis. The Issuer is currently not in default under any covenants set out in these agreements. This ratio is continuously monitored by the Issuer. Based on simulations carried out by the Issuer and taking into account the actual balance structure and a stable level of equity, the potential increase of the debt level resulting from the use of the EMTN programme, should not endanger the actual ratio equity/debt as predefined in the loan agreements.

The EMTN programme will mainly be used by the Issuer for refinancing the outstanding bonds coming to maturity as from 2020 and new funding to finance the important investment programme of the Issuer.

The following table includes, at the dates indicated, the loans and debt instruments of the Issuer (figures as at 31 December 2019).

| | Maturity | Available amount | Amount used | Amount not used |
|---|---|---|---|---|
| | | *(€ million)* | | |
| Confirmed credit line | 08/07/2021 | 110.0 | 75.0 | 35.0 |
| Confirmed credit line | 08/07/2021 | 110.0 | 0,0 | 110.0 |
| Confirmed credit line | 08/07/2021 | 110.0 | 0,0 | 110.0 |
| Confirmed credit line | 08/07/2021 | 110.0 | 0,0 | 110.0 |
| Confirmed credit line | 08/07/2021 | 110.0 | 0,0 | 110.0 |
| Confirmed credit line | 08/07/2021 | 100.0 | 0,0 | 100.0 |
| **Total** ..... | | **650.0** | **75.0** | **575.0** |

## 9 Legal and arbitration proceedings of the Issuer

On 31 December 2019, the Issuer was, in the ordinary course of its operations, involved in approximately 80 civil and administrative litigation proceedings, either as a plaintiff or as a defendant. Four of these proceedings related to claims exceeding a value of EUR 600,000.

The Issuer has a provision for litigation which, as at 31 December 2019, amounted to EUR 1,764,384.96 (IFRS) and EUR 2,049,083.82 (Belgian GAAP). This provision does not cover claims initiated against the Issuer for which damages have not been quantified or in relation to which the plaintiff's prospects are considered by the Issuer as being remote.

The summary of legal proceedings set out below, although not an exhaustive list of claims or proceedings in which the Issuer is involved, describes what the Issuer believes to be the most significant of those claims and proceedings. Subsequent developments in any pending matter, as well as additional claims (including additional claims similar to those described below), could arise from time to time.

The Issuer cannot predict with certainty the ultimate outcome of the pending or threatened proceedings in which the Issuer is or was, during the previous 12 months, involved and some of which may have significant effects on the Issuer's financial position or profitability as they could result in monetary payments to the plaintiff and other costs and expenses, including costs for modifying parts of the Issuer's network or (temporarily or permanently) taking portions of the network out of service. While payments and other costs and expenses that the Issuer might have to bear as a result of these actions are covered by insurance in some circumstances, other payments may not be covered by the insurance policies in full or at all. Accordingly, each of the legal proceedings described in the summary below could be significant to the Issuer, and the payments, costs and expenses in excess of those already incurred or accrued could have a material adverse effect on the Issuer's results of operations, financial position or cash flows.

The nature of the principal civil and administrative proceedings in which the Issuer is involved, either as a defendant or a plaintiff, is as follows (by categories of similar proceedings):

### 9.1 Legal proceedings brought against the Issuer:

These include:

- claims for compensation for the consequences of electrical fall-out or disturbance;
- judicial review of building permits and zoning plans for substations, overhead lines and underground cables or zoning plans;
- judicial review of decisions taken within the framework of public procurement proceedings in application of national legislation implementing Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC;
- claims, lodged by both public authorities and citizens, aimed at the relocation of overhead lines and underground cables and/or at the compensation for relocation costs;
- claims by citizens seeking compensation for the nuisance caused by the presence of the transmission lines (for example, due to the perceived potential health risks caused by EMFs, noise, interruptions of telephone and radio connections, aesthetic or other damages); and
- annulment requests lodged against decisions taken by the federal government with respect to setting the price and volumes under Article 12 quinquies of the Electricity Act or taken by the CREG with respect to balancing mechanisms. Elia has intervened voluntarily in these annulment procedures to defend the attacked decisions.

**9.2 Legal proceedings brought by the Issuer:**

- These include:
  - judicial review of decisions refusing to issue a building permit or against expropriation decisions; and
  - claims seeking compensation of repair costs due to the damage caused to underground cables, towers and overhead lines.

# TAXATION

*The following is a general description of the main Belgian tax consequences of acquiring, holding, redeeming and/or disposing of the Notes. It is restricted to the matters of Belgian taxation stated herein and is intended neither as tax advice nor as a comprehensive description of all Belgian tax consequences associated with or resulting from any of the aforementioned transactions. Prospective investors are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Notes, including under the laws of their countries of citizenship, residence, ordinary residence or domicile.*

*The summary provided below is based on the information provided in this Information Memorandum and on Belgium's tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Information Memorandum and with the exception of subsequent amendments with retroactive effect.*

## Belgian Withholding Tax

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 30 per cent. Both Belgian domestic tax law and applicable tax treaties may provide for lower or zero rates subject to certain conditions and formalities.

In this regard, "**interest**" means (i) the periodic interest income, (ii) any amount paid by, or on behalf of, the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer) and (iii) if the Notes qualify as fixed income securities pursuant to Article 2, § 1, 8° of the Belgian code on income tax of 1992 (*wetboek van de inkomstenbelastingen 1992/code des impôts sur les revenus 1992*, the "**BITC 1992**"), in case of a disposal of the Notes between two interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the detention period.

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the "**Eligible Investors**", see hereinafter) in an exempt securities account (an "**X Account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the NBB System. Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa are directly or indirectly Participants for this purpose.

Holding the Notes through the NBB System enables Eligible Investors to receive gross interest income on their Notes and to transfer Notes on a gross basis.

Participants to the NBB system must enter the Notes which they hold on behalf of Eligible Investors in an X Account and those they hold for the account of non-Eligible Investors in a non-exempt account (an "**N Account**"). Payments of interest made through X Accounts are free of withholding tax; payments of interest made through N Accounts are subject to a withholding tax of 30 per cent., which the NBB deducts from the payment and pays over to the tax authorities.

Eligible Investors are those listed in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*) which include, *inter alia*:

(i) Belgian companies subject to Belgian corporate income tax as referred to in Article 2, §1, 5°, b) of the BITC 1992;

(ii) institutions, associations or companies specified in Article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in (i) and (iii) subject to the application of Article 262, 1° and 5° of the BITC 1992;

(iii) state regulated institutions (*parastatalen/institutions parastatales*) for social security, or institutions which are assimilated therewith, provided for in Article 105, 2º of the royal decree implementing the BITC 1992 (*koninklijk besluit tot uitvoering van het wetboek inkomstenbelastingen 1992/arrêté royal d'exécution du code des impôts sur les revenus 1992*, the "**RD/BITC 1992**");

(iv) non-resident investors provided for in Article 105, 5º of the RD/BITC 1992;

(v) investment funds, recognised in the framework of pension savings, provided for in Article 115 of the RD/BITC 1992;

(vi) taxpayers provided for in Article 227, 2º of the BITC 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to Article 233 of the BITC 1992;

(vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with Article 265 of the BITC 1992;

(viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and

(ix) Belgian resident corporations, not provided for under (i) above, when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

The above categories only summarise the detailed definitions contained in Article 4 of the Royal Decree of 26 May 1994, as amended, to which investors should refer for a precise description of the relevant eligibility rules.

Transfers of Notes between an X Account and an N Account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N Account (to an X Account or N Account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer (from an X Account or an N Account) to an N Account gives rise to the refund by the NBB to the transferee non-Eligible Investor of an amount equal to withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- Transfers of Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

Upon opening of an X Account for the holding of Notes, an Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Belgian Minister of Finance. There are no ongoing declaration requirements for Eligible Investors save that they need to inform the Participants of any changes to the information contained in the statement of their tax eligible status.

Participants are required to annually provide the NBB with listings of investors who have held an X Account during the preceding calendar year.

An X Account may be opened with a Participant by an intermediary (an "**Intermediary**") in respect of Notes that the Intermediary holds for the account of its clients (the "**Beneficial Owners**"), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Belgian Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. The Beneficial Owner is also required to deliver a statement of its eligible status to the Intermediary.

These identification requirements do not apply to Notes held in central securities depositaries as defined in Article 2, first paragraph, (1) of the Regulation (EU) N° 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("**CSD**") acting as Participants to the NBB System (each, a "**NBB-CSD**"), provided that the relevant NBB-CSD only holds X Accounts and that they are able to identify the Noteholders for whom they hold Notes in such account. For the identification requirements not to apply, it is furthermore required that the contracts which were concluded by the relevant NBB-CSDs acting as Participants include the commitment that all their clients, holder of an account, are Eligible Investors.

Hence, these identification requirements do not apply to Notes held in Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa or any other NBB-CSD, provided that (i) they only hold X Accounts, (ii) they are able to identify the Noteholders for whom they hold Notes in such account and (iii) the contractual rules agreed upon by them include the contractual undertaking that their clients and account owners are all Eligible Investors.

In accordance with the NBB-CSD, a Noteholder who is withdrawing Notes from an X Account will, following the payment of interest on those Notes, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding on the interest payable on the Notes from the last preceding Interest Payment Date until the date of withdrawal of the Notes from the NBB-CSD.

## Belgian income tax

(a) **Belgian resident individuals**

For Belgian resident individuals, i.e. natural persons who are subject to Belgian personal income tax (*personenbelasting/impôt des personnes physiques*) and who hold the Notes as a private investment, payment of the 30 per cent. withholding tax fully discharges them from their personal income tax liability with respect to these interest payments. This means that they do not have to declare interest in respect of the Notes in their personal income tax return, provided that withholding tax has effectively been levied on the interest.

Nevertheless, Belgian resident individuals may elect to declare interest in respect of the Notes in their personal income tax return. Interest income which is declared in this way will in principle be taxed at a flat rate of 30 per cent. (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer's other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, except to the extent the tax authorities can prove that the capital gains are realised outside the scope of the normal management of one's private estate or except to the extent they qualify as interest (as described in "*Belgian Withholding Tax*" above). Capital losses realised on the disposal of the Notes held as a non-professional investment are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

(b) **Belgian resident companies**

Interest attributed or paid to corporations which are Belgian residents for tax purposes, i.e. which are subject to Belgian corporate income tax (*vennootschapsbelasting/impôt des sociétés*), as well as capital gains realised upon the disposal of Notes are taxable at the ordinary corporate income tax rate of in principle 25 per cent. (with a reduced rate of 20 per cent. applying to the first tranche of EUR 100,000 of taxable income of qualifying small companies). Capital losses realised upon the disposal of the Notes are in principle tax deductible.

Different tax rules apply to companies subject to a special tax regime, such as investment companies within the meaning of Article 185*bis* BITC 1992.

(c) **Belgian legal entities**

For Belgian legal entities subject to Belgian legal entities tax (*rechtspersonenbelasting/impôts des personnes morales*), the withholding tax on interest will constitute the final tax in respect of such income.

Belgian legal entities holding the Notes in an N Account will generally be subject to the Belgian withholding tax at a rate of 30 per cent. This tax constitutes the final levy for them and, in principle, fully discharges their income tax liability.

Belgian legal entities that qualify as Eligible Investors and that consequently have received gross interest income without deduction for or on account of Belgian withholding tax, due to the fact that they hold the Notes through an X Account with the NBB System, are required to declare and pay the 30 per cent. withholding tax to the Belgian tax authorities themselves.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as described in "*Belgian Withholding Tax*" above). Capital losses are in principle not tax deductible.

(d) **Organisations for Financing Pensions**

Interest and capital gains derived by Organisations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax. Capital losses are in principle not tax deductible. Subject to certain conditions, any Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

(e) **Belgian non-residents**

Non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are in principle subject to the same tax rules as the Belgian resident companies (see above).

Noteholders who are not residents of Belgium for Belgian tax purposes, who are not holding the Notes through a permanent establishment in Belgium and who do not invest in the Notes in the course of their Belgian professional activity will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes, provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

## Tax on stock exchange transactions

No tax on stock exchange transactions (*taks op beursverrichtingen/taxe sur les operations de bourse*) will be due on the issuance of the Notes (primary market transaction).

A tax on stock exchange transactions will be levied on the acquisition and disposal of Notes on the secondary market if (i) carried out in Belgium through a professional intermediary or (ii) deemed to be carried out in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence (*gewone verblijfplaats/residence habituelle*) in Belgium, or legal entities for the account of their seat or establishment in Belgium (both referred to as a "**Belgian Investor**").

The tax is due at a rate of 0.12 per cent on each acquisition and disposal separately, with a maximum amount of EUR 1,300 per transaction and per party, both collected by the professional intermediary.

However, if the intermediary is established outside of Belgium tax on the stock exchange transactions will in principle be due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions has already been paid by the professional intermediary established outside Belgium. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*borderel/bordereau*), at the latest on the business day after the day on which the relevant transaction was realised. The qualifying order statements must be numbered in series and duplicates must be retained by the financial intermediary. A duplicate can be replaced by a qualifying agent day-to-day listing, numbered in series. Alternatively, professional intermediaries established outside Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities ("**Stock Exchange Tax Representative**"). In such case the Stock Exchange Tax Representative would then be jointly liable towards the Belgian Treasury to pay the tax on stock exchange transactions and to comply with the reporting obligations in that respect. If such a Stock Exchange Tax Representative has paid the tax on stock exchange transactions, the Belgian Investor will, as per the above, no longer be required to pay the tax on stock exchange transactions.

A request for annulment has been introduced with the Constitutional Court in order to annul the application of the tax on stock exchange transactions to transactions carried out with professional intermediaries established outside of Belgium (as described above). The Constitutional Court has asked a preliminary ruling in that regard from the Court of Justice of the European Union (the "**CJEU"**). On 30 January 2020, the CJEU has delivered its preliminary ruling pursuant to which said application of the tax on stock exchange transactions would not amount to a violation of Article 56 of the Treaty on the Functioning of the European Union or Article 36 of the Agreement on the European Economic Area provided that the respective legislation provides certain facilities relating both to the declaration and payment of the tax which ensure that the restriction of the freedom to provide services is limited to what is necessary to achieve the legitimate objectives pursued by that legislation. If the Constitutional Court were to annul said application of the tax on stock exchange transactions without upholding its effects, restitution could be claimed of the tax already paid.

A tax on repurchase transactions (*taks op de reporten/taxe sur les reports*) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of EUR 1,300 per transaction and per party).

However, neither of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status, and certain Belgian institutional investors as defined in Article 126.1, 2° of the code of miscellaneous duties and taxes (*Wetboek diverse rechten en taksen/Code des droits et taxes divers*) the tax on stock exchange transactions and Article 139, second paragraph of the same code for the tax on repurchase transactions.

As stated below, the European Commission has published a proposal for a Directive for a common financial transactions tax (the "**FTT**"). The proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common

system of value added tax). For Belgium, the tax on stock exchange transactions and the tax on repurchase transactions should thus be abolished once the FTT enters into force. The proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

## The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "**Participating Member State**"). However, Estonia has ceased to participate.

The Commission's Proposal currently stipulates that once the FTT enters into force the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax).

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## Exchange of Information – Common Reporting Standard (CRS)

Following recent international developments, the exchange of information will be governed by the Common Reporting Standard ("**CRS**").

On 24 December 2019, 108 jurisdictions had signed the multilateral competent authority agreement ("**MCAA**"), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications.

More than 50 jurisdictions, including Belgium, have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017, relating to income year 2016 ("**early adopters**").

Under CRS, financial institutions resident in a CRS country are required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC2"**), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC2 amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

The Belgian government has implemented said Directive 2014/107/EU, respectively the CRS, by way of the Law of 16 December 2015 regarding the exchange of information on financial accounts by Belgian financial institutions and by the Belgian tax administration, in the context of an automatic exchange of information on an international level and for tax purposes (the "**Law of 16 December 2015**").

As a result of the Law of 16 December 2015, the mandatory exchange of information applies in Belgium (i) as of financial year 2016 (first information exchange in 2017) towards the EU Member States, (ii) as of financial year 2014 (first information exchange in 2016) towards the US and (iii) with respect to any other non-EU States that have signed the MCAA, as of the respective date determined by Royal Decree.

In a Royal Decree of 14 June 2017, as amended, it has been provided that the automatic exchange of information has to be provided (i) as from 2017 (for the 2016 financial year) for a first list of 18 foreign jurisdictions, (ii) as from 2018 (for the 2017 financial year) for a second list of 44 foreign jurisdictions and (iii) as from 2019 (for the 2018 financial year) for a third list of 1 foreign jurisdiction.

The Notes are subject to DAC2 and to the Law of 16 December 2015. Under DAC2 and the Law of 16 December 2015, Belgian financial institutions holding the Notes for tax residents in another CRS contracting state shall report financial information regarding the Notes (e.g. in relation to income and gross proceeds) to the Belgian competent authority, who shall communicate the information to the competent authority of the state of the tax residence of the beneficial owner.

Investors who are in any doubt as to their position should consult their professional advisers.

## Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as "**FATCA**", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Belgium) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Prospective investors should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

# SUBSCRIPTION AND SALE

## Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated on or about 17 April 2020, as supplemented from time to time (the "**Dealer Agreement**") between the Issuer, the Arranger and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

As set out in the Dealer Agreement, the Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

## Selling Restrictions

### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Agent by such Dealer (or in the case of a sale of an identifiable tranche of Notes to or through more than one Dealer, by such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Agent shall notify such Dealer when all such Dealers have so certified), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Each Dealer and its affiliates has further agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account

or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, except in either case in accordance with Regulation S under the Securities Act."

Terms used above have the meanings given to them by Regulation S under the Securities Act.

**Prohibition of Sales to EEA and UK Retail Investors**

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"**)**; or

(b) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a qualified investor as defined in the Prospectus Regulation.

The expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area and of the United Kingdom (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant State, except that it may make an offer of such Notes to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes; and
- the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

**Belgium**

The Notes are not intended to be advertised, offered, sold or otherwise made available to and should not be advertised, offered, sold or otherwise made available in Belgium to consumers (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended. The offering may not be advertised and each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not advertised, offered, sold or otherwise made available, and will not advertise, offer, sell, resell or otherwise make available, directly or indirectly, the Notes and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any consumer within the meaning of the Belgian Code of Economic Law, as amended, in Belgium, being any natural person resident or located in Belgium and acting for purposes which are outside his/her trade, business or profession.

**United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA 2000**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA 2000 received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA 2000 does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

**Eligible Investors only**

If the Pricing Supplement in respect of any Notes specifies "Eligible Investors only" as "Applicable", the Notes may only be held by, and can only be transferred to, Eligible Investors (as defined in Condition 7 (*Taxation*)).

## General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Information Memorandum or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Information Memorandum, any other offering material or any Pricing Supplement therefore in all cases at its own expense.

## FORM OF PRICING SUPPLEMENT

**Pricing Supplement dated [●]**

**Elia Transmission Belgium SA/NV**
**Legal Entity Identifier ("LEI"): 549300A3EZXECDLW2V25**
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the €3,000,000,000 Euro Medium Term Note Programme**

**[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]**

**[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("EEA") or in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.]**[3]

### Part A – Contractual Terms

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of [Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")][the Prospectus Regulation] or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the information memorandum dated 17 April 2020 [and the supplement(s) to it dated [●] which [together] constitute[s] the information memorandum] (the "**Information Memorandum**").

[3] Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA and UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Information Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Information Memorandum and this Pricing Supplement.

| | | |
|---|---|---|
| 1 | (a) Series Number: | [●] |
| | (b) Tranche Number: | [●] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [●] on [[●]/the Issue Date]]<br>[Not Applicable] |
| 2 | Specified Currency or Currencies: | [●] |
| 3 | Aggregate Nominal Amount of Notes: | [●] |
| | (a) Series: | [●] |
| | (b) Tranche: | [●] |
| 4 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] |
| 5 | (a) Specified Denominations: | [●] |
| | (b) Calculation Amount: | [●] |
| 6 | (a) Issue Date: | [●] |
| | (b) Interest Commencement Date: | [●] [Issue Date] [Not Applicable] |
| | (c) Amortisation: | [Applicable][Not Applicable] |
| 7 | Maturity Date: | [●]<br>[Interest Payment Date falling in or nearest to [●]] |
| 8 | Interest Basis: | [[●] per cent. Fixed Rate]<br>[[●]+/- [●] per cent. Floating Rate]<br>[Zero Coupon]<br>(see paragraph [13/14/15] below) |
| 9 | Redemption[/Payment] Basis: | [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount[, less any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)].] |
| 10 | Change of Interest Basis: | [●] [Not Applicable] |
| 11 | Put/Call Options: | [Investor Put]<br>[Issuer Call]<br>[Make Whole Call Option]<br>[Residual Maturity Call Option]<br>[(further particulars specified below)]<br>[Not Applicable] |
| 12 | (a) Status of the Notes: | Senior |
| | (b) Date of Board/Committee approval for issuance of Notes obtained: | The Issuer has authorised the issue of the Notes at a meeting of the Board of Directors held on [●] [and a meeting of a duly authorised Committee of the Board of Directors held on [●]] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | |
|---|---|---|
| 13 | Fixed Rate Note Provisions | [Applicable/Not Applicable] |
| | (a) Rate(s) of Interest: | [●] per cent. *per annum* [payable in arrear on each Interest Payment Date] |
| | (b) Interest Payment Date(s): | [●] in each year |
| | (c) Fixed Coupon Amount(s): | [●] per Calculation Amount |
| | (d) Broken Amount(s): | [[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]] [Not Applicable] |
| | (e) Day Count Fraction: | [30/360] [Actual/Actual (ICMA)] [●] |
| | (f) [Determination Dates: | [[●] in each year] [Not Applicable]] |
| 14 | Floating Rate Note Provisions | [Applicable/Not Applicable] |
| | (a) Interest Period Date(s): | [●] |
| | (b) Specified Interest Payment Dates: | [●] |
| | (c) First Interest Payment Date: | [●] |
| | (d) Business Day Convention: | [Floating Rate Convention]<br>[Following Business Day Convention]<br>[Modified Following Business Day Convention]<br>[Preceding Business Day Convention] |
| | (e) Business Centre(s): | [●] |
| | (f) Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination]<br>[ISDA Determination] |
| | (g) Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the Agent): | [●] |
| | (h) Screen Rate Determination: | |
| | • Reference Rate and Relevant Financial Centre: | Reference Rate: [●] month [LIBOR/EURIBOR]<br>Relevant Financial Centre: [London/Brussels/[●]] |
| | • Interest Determination Date(s): | [●] |
| | • Relevant Screen Page: | [●] |
| | (i) ISDA Determination: | |
| | • Floating Rate Option: | [●] |
| | • Designated Maturity: | [●] |
| | • Reset Date: | [●] |
| | (j) Linear Interpolation: | [Not Applicable/Applicable]<br>[The Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)] |
| | (k) Margin(s): | [+/-][●] per cent. *per annum* |
| | (l) Minimum Rate of Interest: | [●] per cent. *per annum* |
| | (m) Maximum Rate of Interest: | [●] per cent. *per annum* |

| | | |
|---|---|---|
| | (n) Day Count Fraction: | [Actual/Actual (ISDA)] [Actual/Actual]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360][360/360][Bond Basis]<br>[30E/360][Eurobond Basis]<br>[30E/360 (ISDA)] |
| 15 | Zero Coupon Note Provisions | [Applicable/Not Applicable] |
| | (a) Amortisation Yield: | [●] per cent. *per annum* |
| | (b) Reference Price: | [●] |
| | (c) Day Count Fraction in Amounts: | [[30/360][Actual/360][Actual/365]] [●] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 16 | Notice periods for Condition 5(c) | Minimum period: [30][●] days<br>Maximum period: [60][●] days |
| 17 | Call Option | [Applicable/Not Applicable] |
| | (a) Optional Redemption Date(s): | [●] |
| | (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): | [●] per Calculation Amount [, less any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)] |
| | (c) If redeemable in part: | |
| | (i) Minimum Redemption Amount | [●] |
| | (ii) Maximum Redemption | [●] |
| | (d) Notice Periods: | Minimum period: [15][●] days<br>Maximum period: [30][●] days |
| 18 | Make Whole Call Option | [Applicable/Not Applicable] |
| | (a) Notice periods: | Minimum period: [15] [●] days<br>Maximum period: [30] [●] days |
| | (b) Margin(s): | [+/-] [●] per cent. *per annum* |
| | (c) Reference Stock: | [●] |
| | (d) Reference Dealers: | [●] |
| | (e) Determination Date: | [●] |
| | (f) Determination Time: | [●] [a.m./p.m. [●] time] |
| 19 | Residual Maturity Call Option | [Applicable/Not Applicable] |
| | (a) Notice periods: | Minimum period: [15][●] days<br>Maximum period: [30][●] days |
| | (b) Residual Maturity Call Period: | From [●] prior to the Maturity Date until the Maturity Date. |
| 20 | Investor Put | [Applicable/Not Applicable] |
| | (a) Optional Redemption Date(s): | [●] |
| | (b) Optional Redemption Amount: | [●] per Calculation Amount [less any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)] |

| | | |
|---|---|---|
| | (c) Notice periods: | Minimum period: [15][●] days<br>Maximum period: [30][●] days |
| 21 | Final Redemption Amount: | [●] per Calculation Amount |
| 22 | Amortisation Amounts: | [Specified in the Annex to this Pricing Supplement for each Amortisation Date] [Not Applicable] |
| 23 | Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption: | [●] per Calculation Amount [, less any Amortisation Amount on which interest has ceased to accrue in accordance with Condition 4(d)] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 24 | Form of Notes: | Dematerialised form |
| 25 | Financial Centre(s) | [Not Applicable/[●]] |

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Elia Transmission Belgium SA/NV:

By:.....
Duly authorised

## Part B – Other Information

1 **LISTING AND ADMISSION TO TRADING**

| | |
|---|---|
| (i) Listing and Admission to trading | [Not Applicable][Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Euro MTF market operated by the Luxembourg Stock Exchange] and to be listed on [the Official List of the Luxembourg Stock Exchange] with effect from, or around, [●].] |
| (ii) Estimate of total expenses related to admission to trading: | [●] |

2 **RATINGS**

| | |
|---|---|
| Ratings: | [The Notes to be issued are not rated.]<br>[The Notes to be issued [have been/are expected to be] specifically rated [●] by [●].]<br>[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: [●].]<br>[Name of rating agency]: [●]<br>[[●] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**").]<br>[A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.] |

3 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Managers/Dealers][[●] (the "**Manager[s]**")] as discussed under "*Subscription and Sale*" in the Information Memorandum, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.][So far as the Issuer is aware, the following persons have an interest material to the issue/offer: [●]]

4 **REASONS FOR THE OFFER**

| | |
|---|---|
| Reasons for the offer: | [See "*Use of Proceeds*" wording in Information Memorandum] (*In case Green Bonds are issued, the category of Green Projects must be specified*) [*Other*] |

5 **YIELD** (*Fixed Rate Notes only*) [Not Applicable]

| | |
|---|---|
| [Indication of yield: | The yield in respect of this issue of Fixed Rate Notes is [●].<br>The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.] |

6 **HISTORIC INTEREST RATES**

(*Floating Rate Notes only*) [Not Applicable]

[Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

7 **OPERATIONAL INFORMATION**

| | | |
|---|---|---|
| (i) | ISIN Code: | [●] |
| (ii) | Common Code: | [●] |
| (iii) | FISN Code: | [Not Applicable/[●]] |
| (iv) | CFI Code: | [Not Applicable/[●]] |
| (v) | Any securities settlement system(s) other than the NBB System, Euroclear Bank SA/NV, Clearstream Banking AG, SIX SIS AG, Monte Titoli S.p.A., Euroclear France SA and Interbolsa S.A. and the relevant identification number(s): | [Not Applicable/[●]] |
| (vi) | Delivery: | Delivery [against/free of] payment |
| (vii) | Names and addresses of additional Agent(s) (if any): | [●] |
| (viii) | [Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "*yes*" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]<br>/<br>[No. Whilst the designation is specified as "*no*" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]] |

8 **DISTRIBUTION**

| | | |
|---|---|---|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated: | |
| | (A) Names of [Joint Lead] Managers: | [Not applicable/*give names*] |

| | | |
|---|---|---|
| | (B) Stabilisation Manager(s): | [Not applicable/*give names*] |
| (iii) | If non-syndicated, name of Dealer: | [Not applicable/*give names*] |
| (iv) | U.S. Selling Restrictions: | Reg. S Compliance Category 2; TEFRA not applicable |
| (v) | Additional selling restrictions: | [Not Applicable/give details][4] |
| (vi) | Prohibition of Sales to EEA and UK Retail Investors: | [Applicable/Not Applicable] |
| (vii) | Eligible Investors only: | [Applicable/Not Applicable] |

[4] Certain forms of Notes may only be offered and sold to Eligible Investors, including for example Notes with a maturity of more than one year which are issued in tranches when the actuarial return of one tranche exceeds the actuarial return from the initial issue until maturity by more than 0.75 points.

Also consider whether any further transfer restrictions result from the Notes being cleared through the NBB System.

[**ANNEX**

**Amortisation Amounts**

| **Amortisation Dates** | **Amortisation Amounts** |
|---|---|
| [●] | [●] per Calculation Amount |
| [●] | [●] per Calculation Amount |

(*include the relevant Amortisation Dates and relevant Amortisation Amounts per Calculation Amount in case Amortisation is specified in the relevant Pricing Supplement*)]

## GENERAL INFORMATION

(1) Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be listed and to be admitted to trading on the Euro MTF market operated by the Luxembourg Stock Exchange.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Belgium in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 26 March 2020.

(3) There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2019 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2019.

(4) Except as disclosed in Section 9 "*Legal and arbitration proceedings*" in Section "*Description of the Issuer*", neither the Issuer nor any of its subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve months preceding the date of this Information Memorandum which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

(5) Notes have been accepted for settlement through the facilities of the NBB System, Euroclear, Clearstream, SIX SIS, Monte Titoli, Euroclear France and Interbolsa. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant securities settlement system for each Series of Notes will be set out in the relevant Pricing Supplement.

(6) There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.

(7) Where information in this Information Memorandum has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. Other than in relation to Green Bonds, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(9) For so long as Notes may be issued pursuant to this Information Memorandum, the following documents will be available free of charge on the website of the Issuer:

(i) the constitutional documents of the Issuer (available on https://www.elia.be/en/company/corporate-governance/document-library);

(ii) the consolidated financial statements of the Issuer as of and for the year ended 31 December 2019, together with the audit report thereon (available on https://www.elia.be/en/investor-relations/reports-and-results); and

(iii) a copy of this Information Memorandum, together with any Supplement to this Information Memorandum or further Information Memorandum (available on https://www.elia.be/en/investor-relations/financial-position).

(10) Copies of the Agency Agreement and of the relevant Pricing Supplement will be available free of charge for inspection at the specified offices of the Agent during normal business hours by the relevant Noteholders so long as any of the relevant Notes are outstanding.

(11) KPMG Bedrijfsrevisoren CVBA of Luchthaven Brussel Nationaal 1K, 1930 Zaventem, Belgium and a member of the "*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*" and EY Bedrijfsrevisoren BV of De Kleetlaan 2, 1831 Diegem, Belgium and a member of the "*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*" have jointly audited, and rendered unqualified audit reports on, the consolidated financial statements of the Issuer as of and for the year ended 31 December 2019.

(12) The Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

# ANNEX:
# PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

The following sets out the unaudited pro forma financial information consisting of the statement of profit and loss of the Issuer and notes (collectively, the "**Pro Forma Financial Information**"), which has been prepared in accordance with IFRS, and accompanying notes for the financial year ended 31 December 2019.

The *pro forma* financial statements have been prepared assuming the internal reorganisation of Elia Group had taken place as at 1 January 2019. Further information in relation to the internal reorganisation of Elia Group is included in the section "*Description of the Issuer*".

## Unaudited Pro Forma Financial Information

Elia Transmission Belgium SA/NV, (the "**Issuer**") was incorporated on 31 July 2019 as a public limited company by Elia System Operator SA/NV ("**Elia System Operator**") and Publi-T SCRL in the context of the planned reorganisation of Elia System Operator.

Elia System Operator, the holding company of the Issuer, carried out an internal reorganisation at the end of 2019 with a view to separating its regulated activities in Belgium, i.e., the ownership and operation of the high- and very high-voltage transmission network in Belgium (including its stake in Nemo Link Ltd. ("**Nemo Link**")), from its non-regulated activities and its regulated activities outside Belgium (the "**Reorganisation**"). The transfer of the regulated business (including the regulated assets and liabilities and the stake in Nemo Link) from Elia System Operator to the Issuer was completed with effect from just prior to midnight on 31 December 2019.

On 13 January 2020, with effect as of 31 December 2019, the Issuer was (retroactively) designated as the Belgian transmission system operator ("**TSO**") at federal and regional level. As from that moment, the Issuer was required to comply with the regulatory framework/legislation applicable to the TSO as defined in the Belgian Law of 29 April 1999 on the organisation of the electricity market (the "**Electricity Law**").

Once these designations were obtained, the articles of association of Elia System Operator were amended to change the name of the entity to "Elia Group SA/NV" ("**Elia Group**"). As a result of the Reorganisation, Elia Group was transformed into a holding company on 31 December 2019, holding a majority stake in the Issuer and being a company that is no longer subject to the Electricity Law.

The Reorganisation was carried out as follows:

(a) The transfer by Elia System Operator of all its shares in Elia Asset to the Issuer through:

  (i) on the one hand, a sale by Elia System Operator of a major part of its shares in Elia Asset to the Issuer in exchange for a EUR 2.056 million vendor loan on the part of Elia System Operator; and

  (ii) on the other hand, a contribution of the remainder of the shares in Elia Asset to the capital of the Issuer in exchange for new shares issued by the Issuer.

(b) The effective payment by the Issuer of the vendor loan resulting from the purchase of the shares in Elia Asset (step (a)(i)) by taking over the debt related to Elia System Operator's Belgian regulated activities for an amount equivalent to the sale price of the Elia Asset shares.

(c) The contribution by Elia System Operator of its business division *(branche d'activité/bedrijfstak)* to the Issuer's capital, which consists of all the assets and liabilities dedicated to its Belgian regulated activities, excluding (i) the Elia Asset shares that were the subject of a separate transfer (step (b)), (ii) the debt related to the Belgian regulated activities of

Elia System Operator and (iii) the transfer of Nemo Link shares (including the related debt) that were the subject of a separate transfer (step (b)). This operation resulted in an increase in the capital of the Issuer and the issue of new shares by the Issuer to Elia System Operator.

Steps (a) to (c) included constitute the Reorganisation with effect as from 31 December 2019 just prior to midnight. The transaction was realised without any cash consideration.

Following the completion of the Reorganisation (and the resulting "change of control" under applicable IFRS) which occurred just prior to midnight on 31 December 2019, the Issuer started its operations as TSO as from 31 December 2019 at midnight.

Consequently, the consolidated financial statements for 2019 contain the following main elements:

- the consolidated statement of financial position reflecting all the assets and liabilities related to the regulated business and the stake in Nemo Link, as they have been transferred to the Issuer on 31 December 2019.;

- the consolidated statement of profit and loss includes only some minor set-up costs as the Issuer had no operations before the transfer of the TSO activities in Belgium just before midnight on 31 December 2019.

The consolidated financial statements of the Issuer for 2019 have been prepared in accordance with IFRS and are available on the website of the Issuer (www.eliagroup.eu).

The unaudited pro forma financial information consisting of the statement of profit and loss (the "**Pro Forma Financial Information**") and accompanying notes have been prepared as if the Issuer had been fully operational as TSO in Belgium as from 1 January 2019 and are derived from the historical consolidated financial statements of Elia Group SA/NV as at and for the year ended 31 December 2019.

The following operating segments are included in the consolidated financial statements of Elia Group SA/NV:

- "Elia Transmission (Belgium)", which comprises the activities relating to the Belgian regulatory framework: the regulated activities of the Issuer, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Re SA, HGRT SAS, Coreso SA/NV, Ampacimon SA and Enervalis NV, the activities of which are directly linked to the role of Belgian TSO and are subject to the regulatory framework applicable in Belgium;

- "50Hertz Transmission (Germany)", which comprises the activities relating to the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of TSO in Germany;

- Non-regulated activities and Nemo Link, comprising:

    - Elia Group, mainly consisting of the holding activities included in the "Elia Transmission (Belgium)" and "50Hertz Transmission (Germany)" segments. The holding activities include certain operating activities, finance activities for the purpose of the acquisition of the extra 20% stake in 50Hertz Transmission and the goodwill resulting from it;

    - Eurogrid International SA/NV;

    - the operating activities of Nemo Link. This company holds the operating activities of the Nemo project concerning the connection between the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up;

- the non-regulated activities of the Elia Transmission (Belgium) segment. “Non-regulated activities” refers to activities which are not directly related to the Issuer’s role of TSO;

- EGI (Elia Grid International SA/NV, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore and Elia Grid International LLC Qatar), 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; and

- Re. Alto-Energy BV/SRL, a start-up company founded in August 2019 that is building a platform to facilitate the exchange by users of energy data and services.

For the preparation of the Pro-Forma Financial Information, the operating segments “Elia Transmission (Belgium)” and “Non-regulated activities and Nemo Link” have been used, as these segments include the activities that have been transferred to the Issuer (including, in particular, the Belgian regulated activities included in the “Elia Transmission (Belgium)” segment and the activities linked to Nemo Link and the “non regulated activities” carried out by the Issuer as TSO included in the segment “Non-regulated activities and Nemo Link”.

The Pro Forma Financial Information only relates to the statement of profit and loss. A statement of financial position as at 31 December 2019 has not been included in the Pro Forma Financial Information, as the consolidated statement of financial position as at 31 December 2019 of the Issuer already reflect all effects of the Reorganisation.

The Pro Forma Financial Information is presented for illustrative purposes only. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not reflect the results of operations or the financial position of the Issuer that would have resulted had the Reorganisation been completed at the date indicated.

The Pro Forma Financial Information should be read in conjunction with the Issuer's and Elia Group’s historical consolidated financial statements as at and for the year ended 31 December 2019, both being prepared in accordance with IFRS.

## Pro Forma Financial Information - Statement of profit and loss

(A) The historical financial statements of the Issuer for the financial year ended 31 December 2019 (as reported)

(B) The historical financial statements of the Elia Group for the financial year ended 31 December 2019 (as reported), including the three reporting segments and the intersegment reconciliation

(A') The historical financial statements of the Issuer for the financial year ended 31 December 2019 (as reported)

(1) Inclusion of the Segment "Elia Transmission (Belgium)" – as reported in the historical financial statements of the Elia Group

(2) Inclusion of elements related to Nemo Link and the non-regulated activities performed by the Issuer as TSO

(C) Pro forma statement of profit and loss

| (in million EUR)<br>Period ended 31 December 2019 | **Historical Financial infor-mation Elia Trans-mission Belgium** | **Historical financial information 2019 Elia Group** | | | | | **Historical Financial infor-mation Elia Trans-mission Belgium** | Segment Elia Transmission (Belgium) | Segment Nemo Link & non-regulated activities | **Elia Trans-mission Belgium** |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Total Elia Group** | *Operating Segments* | | | | | | | |
| | | | *Elia Transmission (Belgium)* | *50Hertz Transmission (Germany)* | *Non regulated activities and Nemo Link* | *Intersegment elimination* | | | | |
| | As reported | As reported | *(1)* | | | | As reported | | Adjustments | **2019 Pro forma** |
| | (A) | (B) | | | | | (A') | (1) | (2) | (C) |
| **Continuing operations** | | | | | | | | | | |
| Revenues | 0.0 | 2,168.7 | *888.1* | *1,276.1* | *4.9* | *(0.4)* | 0.0 | 888.1 | 0.0 | 888.1 |
| Other income | 0.0 | 150.3 | *60.7* | *84.1* | *15.8* | *(10.3)* | 0.0 | 60.7 | 3.3 | 64.0 |
| Raw materials, consumables and goods for resale | 0.0 | (76.9) | *(4.7)* | *(70.5)* | *(3.4)* | *1.7* | 0.0 | (4.7) | 0.0 | (4.7) |
| Services and other goods | (0.1) | (1,007.1) | *(370.1)* | *(636.0)* | *(10.1)* | *9.1* | (0.1) | (370.1) | (2.1) | (372.3) |
| Personnel expenses | 0.0 | (282.9) | *(157.1)* | *(116.9)* | *(8.9)* | *0.0* | 0.0 | (157.1) | (1.9) | (159.0) |
| Depreciations, amortizations and impairments | 0.0 | (374.6) | *(159.3)* | *(215.0)* | *(0.3)* | *0.0* | 0.0 | (159.3) | 0.0 | (159.3) |
| Changes in provisions | 0.0 | 14.1 | *8.4* | *5.8* | *0.0* | *0.0* | 0.0 | 8.4 | 0.0 | 8.4 |
| Other expenses | 0.0 | (30.1) | *(23.9)* | *(6.2)* | *0.0* | *0.0* | 0.0 | (23.9) | 0.0 | (23.9) |
| **Results from operating activities** | **(0.1)** | **561.4** | ***242.1*** | ***321.3*** | ***(2.0)*** | ***0.0*** | **(0.1)** | **242.1** | **(0.7)** | **241.3** |
| Share of profit of equity accounted investees (net of tax) | 0.0 | 8.3 | *1.8* | *0.0* | *6.5* | *0.0* | 0.0 | 1.8 | 6.4 | 8.2 |
| **Earnings before interest and tax (EBIT)** | **(0.1)** | **569.7** | ***243.9*** | ***321.3*** | ***4.5*** | ***0.0*** | **(0.1)** | **243.9** | **5.7** | **249.5** |
| **Net finance costs** | **(0.0)** | **(139.6)** | ***(64.3)*** | ***(65.3)*** | ***(9.9)*** | ***0.0*** | **(0.0)** | **(64.3)** | **(0.5)** | **(64.9)** |
| Finance income | 0.0 | 5.6 | *0.7* | *1.4* | *3.5* | *0.0* | 0.0 | 0.7 | 3.3 | 4.0 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Finance costs | (0.0) | (145.2) | *(65.1)* | *(66.7)* | *(13.4)* | *0.0* | (0.0) | (65.1) | (3.8) | (68.9) |
| **Profit before income tax** | **(0.1)** | **430.1** | ***179.6*** | ***256.0*** | ***(5.4)*** | ***0.0*** | **(0.1)** | **179.6** | **5.2** | **184.7** |
| Income tax expense | 0.0 | (121.0) | *(54.4)* | *(78.6)* | *12.0* | *0.0* | 0.0 | (54.4) | 0.4 | (54.0) |
| **Profit from continuing operations** | **(0.1)** | **309.1** | ***125.0*** | ***177.5*** | ***6.6*** | ***0.0*** | **(0.1)** | **125.0** | **5.6** | **130.6** |
| **Profit for the period** | **(0.1)** | **309.1** | **125.0** | **177.5** | **6.6** | **0.0** | **(0.1)** | **125.0** | **5.6** | **130.6** |
| Profit attributable to: | | | | | | | | | | |
| Equity holders of the parent - Equity holders of ordinary shares | (0.1) | 254.3 | *125.0* | *142.0* | *6.5* | *0.0* | (0.1) | 125.0 | 5.6 | 130.6 |
| Equity holders of the parent - Hybrid securities | | 19.3 | | | | | | | | |
| Non-controlling interest | 0.0 | 35.5 | *0.0* | *35.5* | *0.1* | *0.0* | 0.0 | 0.0 | 0.0 | 0.0 |

## Notes to the Pro Forma Financial Information

### Note 1. Basis of preparation

1. General information

The Pro Forma Financial Information is based on the assumption that the Issuer acted as TSO in Belgium and held 50% of the shares in the joint venture Nemo Link as from 1 January 2019.

The Pro Forma Financial Information is presented for illustrative purposes only. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Issuer's financial performance actual results.

2. Basis of the Pro Forma Financial Information

The Pro Forma Financial Information assumes that the Issuer took over the role of TSO in Belgium as from 1 January 2019, which implies twelve months of activities in connection with (i) its role as TSO in Belgium and (ii) its stake in Nemo Link, including all the costs and benefits related to these activities.

Elia Group's historical consolidated financial statements as of and for the year ended 31 December 2019 (as approved by the Board of Directors of Elia Group SA/NV on 26 March 2020) are the basis for the preparation of the Pro Forma Financial Information. (See column A).

The audited historical consolidated financial statements of Elia Group SA/NV consist of three segments, including the "Elia Transmission (Belgium)" segment, which reflects the financial information of the Issuer in relation to its role as TSO in Belgium, which is the basis for the preparation of the Pro Forma Financial Information.

The Issuer's historical consolidated financial statements as of and for the year ended 31 December 2019 (as approved by the Board of Directors of the Issuer on 26 March 2020) are the basis for the preparation of the Pro Forma Financial Information (See column B).

These audited historical consolidated financial statements include very limited information on the profit and loss, as the consolidated statement of profit and loss does not include the results from operating activities as TSO in 2019.

### Note 2. Pro forma adjustments

1. Segment Elia Transmission (Belgium)

The Segment "Elia Transmission (Belgium)", as reported in the Elia Group NV historical consolidated financial statements for the year ended 31 December 2019, includes all the costs and benefits recorded in 2019 in relation to its role as TSO in Belgium under the regulatory framework applicable in Belgium and covered by the tariffs (see column 1).

2. Detailed Pro forma adjustments

The following pro forma adjustments are included in the Pro Forma Financial Information:

| (in million EUR)<br><br>Period ended 31 December 2019 | **Nemo Link**<br><br>Adjustments<br>(i) | **Non-regulated activities**<br><br>Adjustments<br>(ii) | **Segment Nemo Link & non-regulated activities**<br><br>Adjustments<br>(2) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 0 | 0 | 0 |
| Other income | (0.3) | 3.6 | 3.3 |
| Net income (expense) from settlement mechanism | 0.0 | 0.0 | 0.0 |
| Raw materials, consumables and goods for resale | 0.0 | 0.0 | 0.0 |
| Services and other goods | 0.0 | (2.1) | (2.1) |
| Personnel expenses | 0.0 | (1.9) | (1.9) |
| Depreciations, amortizations and impairments | 0.0 | 0.0 | 0.0 |
| Changes in provisions | 0.0 | 0.0 | 0.0 |
| Other expenses | 0.0 | 0.0 | 0.0 |
| **Results from operating activities** | **(0.3)** | **(0.4)** | **(0.7)** |
| Share of profit of equity accounted investees (net of tax) | 6.4 | 0.0 | 6.4 |
| **Earnings before interest and tax (EBIT)** | **6.1** | **(0.4)** | **5.7** |
| **Net finance costs** | **(0.5)** | **0.0** | **(0.5)** |
| Finance income | 3.3 | 0.0 | 3.3 |
| Finance costs | (3.8) | 0.0 | (3.8) |
| **Profit before income tax** | **5.6** | **(0.4)** | **5.2** |
| Income tax expense | 0.3 | 0.1 | 0.4 |
| **Profit from continuing operations** | **5.9** | **(0.3)** | **5.6** |
| **Profit for the period** | **5.9** | **(0.3)** | **5.6** |
| Profit attributable to: | | | |
| Equity holders of ordinary shares | 5.9 | (0.3) | 5.6 |
| Non-controlling interest | 0.0 | 0.0 | 0.0 |
| **Profit for the period** | **5.9** | **(0.3)** | **5.6** |

a. Nemo Link adjustments

Elia Group and National Grid Interconnector Holdings Limited ("**NGIH**") signed a joint venture agreement on 27 February 2015 to proceed with the Nemo Link interconnector between the UK and Belgium. The manufacturing and site construction began in 2016 and the link started commercial operations in the first quarter of 2019.

Nemo Link is active in the development, construction and operation of a high-voltage direct current (HVDC) electricity transmission interconnector (1,000MW) linking the electricity networks of Belgium and the UK. It consists of subsea and underground cables connected to a converter station and an electricity substation in each country, which allows electricity to flow in either direction between Belgium and the UK. Nemo Link is governed by a joint regulatory framework determined by the Office of Gas and Electricity Markets (OFGEM) and the CREG. On 31 January 2019, the Nemo Link interconnector was taken into operation, which enabled direct power exchanges between the two countries

The Issuer and NGIH both hold 50 per cent. of the shares in Nemo Link, a UK company. This shareholding is accounted for as an "equity accounted investee" in the consolidated financial statements.

The pro forma adjustments for Nemo Link also include certain expenses and income that have been incurred by Elia Group SA/NV as further explained below.

The effects of the pro forma adjustments are considered as if the Issuer owned Nemo Link as from 1 January 2019 and that the benefits and costs related to these activities are similar to those recorded by Elia Group in 2019.

- Other operating income: There was a rental contract between Elia System Operator and Nemo Link in place for the use of land by Nemo Link. In 2019, certain adjustments had to be recorded based on discussions with the regulator. As from 2019, the rent collected for the purpose of Nemo Link was qualified as "regulated revenues". In 2019, this adjustment had a negative impact on the revenue of the Issuer for a negative amount of EUR -0.3 million.

- Finance income: A shareholders' loan was put in place with Nemo Link. This shareholders' loan was terminated in June 2020 after being converted into equity. The interest paid by Nemo Link to the TSO as shareholder amounted to EUR 3.3 million.

- Finance costs (for an amount of EUR 3.8 million) include the interest costs incurred in respect of an amortised bank loan drawn down by the TSO to finance its financial investment in the joint venture, Nemo Link.

- The income taxes were calculated using the effective average tax rate of 31 per cent.

- Share of profit of equity accounted investees (net of tax) comprises Elia's share of the result of the financial investment in Nemo Link for 2019, amounting to EUR 6.4 million.

b. Non-regulated activities adjustments

As TSO in Belgium, acting under the regulatory framework as defined by the CREG and as set out in section 3.4 "*The Belgian legal framework*" in the "*Description of the Issuer*" in the Information Memorandum, certain costs linked to services for entities which fall outside the scope of Belgian regulation (in relation to non-regulated activities in Belgium and activities outside Belgium) cannot be recovered via the regulated tariffs, but are to be borne by the shareholders. These include the costs and income of the intragroup contracts and the

service level agreements between Elia Group SA/NV and other companies related to non-regulated activities or regulated activities outside of Belgium, that cannot be recovered through the regulated tariffs.

This principle is best practice in the Belgian regulatory context and the above-mentioned elements are expected to be incurred by the Issuer as well in the future. For the pro forma adjustments, the effects related to these elements are accounted for in the Pro Forma Financial Information as if the Issuer had similar activities in 2019 as Elia System Operator had in 2019.

The costs mainly include consultancy costs for an amount of EUR 2.1 million and personnel expenses for an amount of EUR 1.9 million, of which an amount of EUR 3.6 million was recovered via the intragroup contracts. These activities recorded a minor loss of EUR 0.3 million.

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