Prospectus dated 18 September 2018

ELIA SYSTEM OPERATOR SA/NV

Keizerslaan 20, 1000 Brussels, Belgium

Incorporated with limited liability (naamloze vennootschap/société anonyme) in the Kingdom of Belgium

Enterprise number 0476.388.378 — RPR Brussels

€5,000,000,000
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 prospectus (the "**Prospectus**"), Elia System Operator 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 applicable Final Terms. The minimum Specified Denomination of the Notes shall be at least €100,000 (or its equivalent in any other currency). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 5,000,000,000 (or the equivalent in other currencies). The Notes have no maximum Specified Denomination amount.

Application has been made to the Belgian Financial Services and Markets Authority (the "**FSMA**") in its capacity as competent authority under the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market (as amended from time to time, the "**Prospectus Law**"), for the approval of the English version of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended by Directive 2010/73/EU and as further amended from time to time, the "**Prospectus Directive**") and Article 23 of the Prospectus Law and in accordance with the Annexes IX, XIII and XXI of the Commission regulation (EC) No 809/2004 (as amended from time to time, the "**Prospectus Regulation**"). The approval by the FSMA does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

Application has also been made to Euronext Brussels for the Notes issued under the Programme to be listed on Euronext Brussels and to be admitted to trading on Euronext Brussels' regulated market. References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been listed and admitted to trading on Euronext Brussels' regulated market. Euronext Brussels' regulated market is a regulated market 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**"). However, unlisted Notes may be issued pursuant to the Programme. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed and admitted to trading on Euronext Brussels' regulated market (or any other stock exchange).

The Notes will be issued in dematerialised form under the Belgian Company Code (*Wetboek van Vennootschappen/Code des Sociétés*) (the "**Belgian Company Code**") and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing 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 include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), SIX SIS AG ("**SIX SIS**") and Monte Titoli S.p.A. ("**Monte Titoli**"). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and investors may hold their Notes within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli. 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 final terms document (the "**Final Terms**"). Copies of Final Terms in relation to Notes to be listed on Euronext Brussels will be published on the website of Euronext Brussels (www.euronext.com).

The Issuer has been rated BBB+ with stable outlook by S&P Global Ratings, acting through Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). The Programme has been rated BBB+ by S&P. S&P is established in the European Union (the "**EU**") and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). Tranches of Notes to be issued under the Programme may be rated or unrated. 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 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 Section "Risk Factors" on page 13 to 36 in this Prospectus.

Notes issued under the Programme will not be offered or sold to "consumers" within the meaning of the Belgian Code of Economic Law.

Arranger for the Programme
BNP PARIBAS

Dealers

Belfius Bank SA/NV
ING
NatWest Markets

BNP PARIBAS
KBC Bank NV
Rabobank

CHRIS PEETERS
AUTHORISED SIGNATORY

CATHERINE VANDENBOORN
AUTHORISED SIGNATORY

Conformed copy

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer, 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.

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see Section "*Documents Incorporated by Reference*").

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus 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 or any of the Dealers or the Arranger (as defined in Section "*Overview of the Programme*"). Neither the delivery of this Prospectus 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 Prospectus 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 Prospectus 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.

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

Notes issued under the Programme will not be offered or sold to "consumers" within the meaning of the Belgian Code of Economic Law.

Amounts payable on Floating Rate Notes will be calculated by reference to one of LIBOR or EURIBOR, as specified in the applicable Final Terms. As at the date of this Prospectus, the administrator of LIBOR (ICE Benchmark Administration Limited) is included in the European Securities and Markets Authority's ("ESMA") register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "Benchmarks Regulation"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute (as administrator of EURIBOR) is not currently required to obtain authorisation/registration.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms 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 RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA 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"). 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 2002/92/EC (as amended, the "Insurance Mediation 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 Directive. 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Prospectus is a base prospectus, and therefore, does not, without Final Terms which have been duly completed and signed by the Issuer, constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers and the Arranger accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or 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 above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus 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 Prospectus 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 Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers and the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in "Overview of the Programme"), the Dealer or Dealers (if any) named as the stabilisation manager(s) in the applicable Final Terms (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.

In this Prospectus, 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.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(i) the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017, respectively, together in each case with the audit report thereon;

(ii) the press release of the Issuer dated 23 March 2018 relating to its decision to acquire an additional 20 per cent. stake in the German transmission system operator 50Hertz, which can be accessed on the Issuer's website at the following link:

http://www.elia.be/~/media/files/Elia/PressReleases/2018/20180323_press%20release_Elia-to-acquire-an-additional-20-pc-in-50HERTZ_ENG_Final.pdf;

(iii) the press release of the Issuer dated 27 July 2018 titled "Highlights for first half of 2018", which can be accessed on the Issuer's website at the following link:

http://www.elia.be/~/media/files/Elia/PressReleases/2018/20180727_Press-release-results-Q2-2018_ENG_Final.pdf.; and

(iv) the Annex to this Prospectus, which includes the following press releases of the Issuer: (a) the press release dated 26 April 2018 titled "Elia completes the acquisition of an additional 20% in 50Hertz"; (b) the press release dated 28 May 2018 titled "Elia receives notification from IFM that it intends to sell remaining 20% in Eurogrid, the holding company above German transmission system operator 50Hertz"; and (c) the press release dated 27 July 2018 title "Elia to partner with Bank KfW as shareholder in German transmission system operator50Hertz".

Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a 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 Prospectus. Any non-incorporated parts of a document referred to in this Prospectus are either deemed not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the registered office of the Issuer at Keizerslaan 20, 1000 Brussels, Belgium. This Prospectus and each document incorporated by reference will also be published on the website of Euronext Brussels (www.euronext.com) and the website of the Issuer (www.eliagroup.eu).

The table below sets out the relevant page references for the audited consolidated financial statements for the financial years ended 31 December 2017 and 31 December 2016, respectively, as set out in the Issuer's Annual Report.

	Issuer's Annual Report for the year ended 31 December 2017 (Consolidated Financial Statements)	**Issuer's Annual Report for the year ended 31 December 2016 (Consolidated Financial Statements)**
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	Issuer's Annual Report for the year ended 31 December 2017 (Consolidated Financial Statements)	Issuer's Annual Report for the year ended 31 December 2016 (Consolidated Financial Statements)
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Consolidated Statement of Changes in Equity	Page 5	Page 5
Consolidated Statement of Cash Flows	Page 6	Page 6
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Auditors' Report	Pages 59-63	Pages 56-57

PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 34 of the Prospectus Law, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed and admitted to trading on Euronext Brussels' regulated market, shall constitute a prospectus supplement as required by Article 34 of the Prospectus Law.

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 inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus 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 Prospectus or publish a replacement Prospectus 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 Prospectus. The overview must only be read as an introduction to the Prospectus in conjunction with the other parts of the Prospectus and the documents incorporated by reference. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole by the investor.

Issuer	Elia System Operator SA/NV (the "**Issuer**").
Description of the Issuer	Elia System Operator SA/NV is a limited liability company (*naamloze vennootschap/société anonyme*) and was established under Belgian law by a deed dated 20 December 2001. Its registered office is located at 1000 Brussels, Keizerslaan 20 and it is registered in the Brussels Register of Legal Entities under the number 0476.388.378. The Issuer's legal entity identifier (LEI) is 549300S1MP1NFDIKT460.
Principal activities of the issuer	The Issuer is a transmission system operator for the Belgian very-high-voltage (380 kV – 150 kV) and high-voltage (70 kV – 30 kV) 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 €5,000,000,000 (or its equivalent in any other currencies) aggregate nominal amount of Notes outstanding at any one time.
Arranger and Dealers	BNP Paribas as Arranger. Belfius Bank SA/NV, BNP Paribas, Coöperatieve Rabobank U.A., ING Bank N.V., Belgian Branch, KBC Bank NV and NatWest Markets Plc as the Dealers. 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 Prospectus 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	BNP Paribas Securities Services SCA, Brussels Branch.
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 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 the final terms (the "**Final Terms**").
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 applicable Final Terms.
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 Article 468 et seq. of the Belgian Company 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, Luxembourg, SIX SIS and Monte Titoli and through other financial intermediaries which in turn hold the Notes through Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli, 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 rules of 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 applicable Final Terms save that the specified denomination shall be at least €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 applicable Final Terms.

Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (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 (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the applicable Final Terms.
Zero Coupon Notes	Zero Coupon Notes (as defined in Section "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
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 applicable Final Terms.
Redemption	The applicable Final Terms will specify the basis for calculating the redemption amounts payable.
Optional Redemption	The Final Terms 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.
Status of the Notes	The Notes constitute (subject to the negative pledge provisions) direct, unconditional, unsubordinated and unsecured obligations of the Issuer. 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 Issuer has been rated BBB+ (stable) by S&P. The Programme has been rated BBB+ by S&P. Series of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the applicable Final Terms. 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.
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*".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Kingdom 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 (other than any matters relating to title to and the dematerialised form of, the Notes) will be governed by, and construed in accordance with, English law. Any matters relating to title to and the dematerialised form of, the Notes, and Condition 10 and Condition 12, with respect to the rules laid down in the Belgian Company Code, and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, Belgian law.
Listing and Admission to Trading	Application has been made to Euronext Brussels for the Notes issued under the Programme to be listed and admitted to trading on the regulated market of Euronext Brussels. As specified in the applicable Final Terms, 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, Belgium, 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 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 Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

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 the regulatory framework at the European, federal and regional levels

The business, results of operations, revenue, profits, financial position, prospects and cash flows of the Issuer could be affected by the Belgian and German regulatory frameworks, which, in each case, include both economic and environmental rules and regulations.

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

(A) The Issuer's income also depends on dividends received from its subsidiaries. In particular, a significant portion of the Issuer's net income derives from the revenues of the regulated activities of its subsidiaries. The regulated activities of the Issuer's subsidiaries depend on government regulations and European legislation and therefore, ultimately, the Issuer's net income is sensitive to regulatory amendments and decisions. The principal related risks include the following:

Regulatory framework

The activities of the Issuer are subject to extensive European, federal and regional legislation and regulation.

European

The current regulatory framework for the activities of the Issuer is based on the so-called 'Third Energy Package', 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 (notably as part of the 'Clean Energy Package' published by the European Commission on 30 November 2016 - see Section 3.3.2 "*Electricity Directive" in "Description of the Issuer*") or existing Directives awaiting transposition

into national law may modify the existing regulatory framework and could have a negative impact on the Issuer. The Issuer strives to proactively anticipate European legislation, including new Directives and Regulations that are being prepared at EU level or awaiting transposition into national law, in order to minimise 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 comply with 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.

The vast majority of revenues (approximately 90 per cent.) and profits (approximately 95 per cent.) 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 modular offshore grid. In December 2015, the CREG published the tariff methodology for the current regulatory period, running from 2016 to 2019. On the basis of this methodology, the Issuer drafted a tariff proposal which was subsequently approved by the CREG. The level of each tariff for each of the four years is fixed for the entire regulatory period. If applicable tariffs were, however, no longer proportionate due to changed circumstances, the CREG

may require the Issuer to, or the Issuer may at its own initiative, submit an updated tariff proposal for approval to the CREG.

According to current rules, the Issuer's remuneration is largely determined by a 'fair remuneration' mechanism combined with some "incentive components" (see the Risk Factor titled "*Belgian tariff-setting regulation*" and Section 3.4.3 "*Tariffs applicable for the tariff period 2016-2019*" in "*Description of the Issuer*"). As the CREG considers strategic investments (i.e. investments mainly aimed at enhancing the integration of EU energy markets and systems) to be of primary importance for the community, the CREG agreed with the Issuer to introduce (for a selected list of projects) a mark-up on investments as one of the key incentives in the current tariff methodology. As such key incentive is based on the realisation of large investment projects, which are not fully under the Issuer's control, some parameters for the determination of the fair remuneration of the Issuer under the applicable tariff guidelines and methodology are subject to specific uncertainties that could either have a positive or an adverse impact on the Issuer's net profit. Other incentives, less significant in amount, are also subject to factors beyond the Issuer's control and may affect the level of remuneration payable to the Issuer that, again, could either have a positive or an adverse impact on the Issuer's net profit.

As TSO, the Issuer performs various public service obligations imposed by the different Governments in Belgium, particularly with a view to guaranteeing security of supply (including the procurement and contracting of a strategic reserve) and financially supporting the development of renewable energy (see the Risk Factor titled "*Public service obligations*" and Section 3.4.2 "*Public service obligations*" in "*Description of the Issuer*").

The tariff methodology applicable for a four-year period from 2020 (2020-2023) (see Section 3.4.4 "*New tariff methodology applicable for the period 2020-2023*" in "*Description of the Issuer*") has been published by the CREG on 28 June 2018. This new methodology is mainly based on similar drivers to those stipulated in the tariff methodology for the period 2016-2019 (see Section 3.4.3 "*Tariffs applicable for the tariff period 2016-2019*" in "*Description of the Issuer*"). Although the drivers are similar, the definition, the calculation and the remuneration of the underlying elements has been modified. The most important changes are: (i) changes in the formula for fair remuneration, (ii) the replacement of some incentives with new incentives, (iii) changes in the setting, the calculation and the remuneration of incentives that are currently applicable for the tariff period 2016-2019 and (iv) the modification of the cost allocation mechanism for non-regulated activities. The important incentive related to the realisation of strategic projects, which is currently applicable for the tariff period 2016-2019, has been replaced by new incentives and changes in the underlying elements of the tariff methodology (as described above). The realisation of these incentives is sometimes subject to factors beyond the Issuer's control and may affect the level of remuneration payable to the Issuer which could have a positive or negative impact on the Issuer's net profit. Some of the parameters defined in the 2020-2023 tariff guidelines and methodology are subject to specific uncertainties and misinterpretations that could have a positive or negative impact on the Issuer's financial position.

Future changes to the Belgian federal regulatory framework may have a negative impact on the Issuer's business and activities.

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). 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 certificates. The Issuer is involved in this activity through public service obligations imposed on it (see the Risk Factor titled "Public service obligations").

Germany

The German regulatory framework governing the activities of 50Hertz Transmission GmbH ("**50Hertz**") is subject to extensive European legislation and regulation. The current national regulatory framework is based, *inter alia*, on the Third Electricity Package. Even though 50Hertz proactively tries to anticipate European legislation, new directives and regulations to be enacted at the European level (or existing regulations and directives awaiting transposition into national law) may cause uncertainty. Changes to the regulatory framework on a national and European level (including, where relevant, transposition into German law) may have a negative impact on the German activities of the Issuer and, therefore, the Issuer's own revenues.

Tariff-setting regulation

Belgium

Determination of the profit level

The Issuer's net profit depends in part (approximately 53 per cent. as at 31 December 2017) on the profit made from regulated activities. This profit is mainly determined by a fair remuneration mechanism linked to Belgian linear government bonds (10-year OLOs (i.e. obligations linéaires/lineaire obligaties issued by the Belgian treasury)) combined with financial incentives, one of which involves a mark-up on infrastructure investment for a limited list of projects (see Section 3.4.3 "*Tariffs applicable for the tariff period 2016-2019" in "Description of the Issuer*").

OLO rates are dependent on market conditions and can change annually. The mark-up on investments, on the other hand, includes a corrective term which reflects the gap between the real value of the OLO during the year and a benchmark value. In spite of this correction, the 10-year OLO can directly impact the permitted level of fair remuneration for the Issuer's shareholders.

For the current tariff period (2016-2019), incentive components have been introduced by the CREG to encourage the efficiency and the performance of the Issuer's operations. The Issuer's net profit can be influenced by its ability to reach predefined targets.

The new tariff methodology will be applicable from 2020 (see Section 3.4.4 "*New tariff methodology applicable for the period 2020-2023*" in "*Description of the Issuer*").

The Issuer's net profit remains contingent mainly on the fair remuneration and the realisation of incentives. The change in the formula for fair remuneration eliminates the dependency on the OLO

rate, which will be fixed at 2.4 per cent. for the new tariff period. 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's shareholders.

The incentive components that were meant to encourage the efficiency and the performance of the Issuer's operations have also amended in the tariff methodology applicable for the period 2020-2023. This could influence the Issuer's ability to meet predetermined targets and, thus, its net profit.

Volume effect neutralisation

In Belgium, transmission tariffs are set pursuant to forecasts of volumes of electricity transmitted, costs and other 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 receivable to be recovered in the future. The financial settlement of any such deviation is taken into account when setting tariffs for the next period. However, in the short term, this process may have important temporary effects on the cash position of the Issuer.

Regardless of deviations between forecasted costs and actually incurred costs, the CREG takes the final decision as to whether the incurred costs are deemed reasonable and determines whether costs incurred qualify as 'non-controllable elements' (costs not subject to an incentive component) or 'controllable elements' (costs subject to one or more incentive components). This decision can result in the rejection of costs incurred and, in the event that such costs incurred are rejected, such costs will not be taken into account for the setting of tariffs for the next period. Any such rejection of costs will have an overall negative impact on the Issuer's profitability.

Germany

The regulatory framework in Germany governing the tariffs of 50Hertz includes certain factors which may negatively impact the Issuer's ability to meet its debt service obligations. The primary source of revenues for 50Hertz are: (i) grid tariffs for access to and usage of the 50Hertz transmission system (network user charges); and (ii) several surcharges (*Umlagen*). As the impact of the aforementioned surcharges under (ii) on 50Hertz's profit is designed to be neutral, 50Hertz primarily derives its profit from the grid tariffs, which are subject to regulation by the Federal Network Agency for the energy sector in Germany (the *Bundesnetzagentur or* the "**BNetzA**"). The decisions made and the actions taken by the BNetzA under the current regulatory framework may have a negative impact on 50Hertz and thus on the Issuer (see Section 6.2.5 "*Tariff setting in Germany*" in "*Description of the Issuer*" below for more information on the tariff's setting mechanism in Germany). These tariffs are subject to several regulations and can have a direct impact on the profitability of the German activities of the Issuer and hence on the Issuer's own revenue.

TSO Appointment

Belgium

The Issuer was appointed as the Belgian TSO for a renewable period of 20 years from 17 September 2002. The renewal process is described (rather briefly) in Article 10 of the Electricity Act and can be launched at Elia's request as from five years prior to the expiry of the mandate, in accordance with Article 10, §2 of the Electricity Act. Following such request, the procedure laid down in Article 10, §1 of the Electricity Act applies. Pursuant to Articles 10, §1 and §2 of the Electricity Act, if the Issuer has requested the renewal of its mandate, the federal regulator shall issue advice on this and this request shall be discussed by the Council of Ministers, following which

the competent Minister shall decide on the renewal. The European Commission is then informed of this decision.

The Electricity Act provides that one single TSO can be appointed to manage and operate the electrical transmission system, provided that it 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 three quarters of the national territory and at least two thirds of the territory of each Region. To date, only the Issuer meets this condition and therefore has been appointed as TSO. In practice however, the transmission system is owned by Elia Asset NV/SA, a subsidiary wholly owned by the Issuer, with the exception of one share.

The Electricity Act further provides that the Issuer needs to act as a fully unbundled transmission system operator, implying a full separation of the network operation and the ownership from the generation and the supply activities/undertakings.

As a precondition to the appointment as a TSO, compliance with these requirements is assessed pursuant to a certification procedure run by the CREG. The Issuer has been certified as a fully ownership unbundled TSO by a decision of the CREG dated 6 December 2012. The Issuer, being a certified, fully ownership unbundled transmission system operator, is required to stay in line and comply with the criteria and obligations required to obtain such certification on an ongoing basis. 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.

Five years prior to the expiry of the appointment, the Issuer can request a renewal, provided it still complies with the criteria (see above).

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).

Germany

50Hertz is permitted to operate as a TSO in Germany and, while this authorisation is not limited in time, it can be revoked by the Energy Authority of the State of Berlin (*Senatsverwaltung für Wirtschaft, Technologie und Forschung (Energiewirtschaft/Energieaufsicht)*) if 50Hertz, *inter alia*, does not have the personnel, technical and financial means to guarantee the continuous and reliable operation of the network in accordance with the applicable legislation. Such revocation of the

permit will have a material adverse impact on the profitability of the German activities of the Issuer and hence on the Issuer's own revenues.

The unbundling regime in the German Energy Industry Act (the *Energiewirtschaftsgesetz* or the "**EnWG**") provides for different models (Ownership Unbundling, Independent Transmission Operator, Independent System Operator). In a certification process, the BNetzA assesses if the unbundling provisions are met by the respective TSO. The certification as ownership unbundled TSO has been granted to 50Hertz by the BNetzA by a decision of 9 November 2012 after having notified its draft decision to the European Commission. The certification can be revoked if 50Hertz does not meet the unbundling provisions any more. The BNetzA could also fix a fine. However, after the revocation of the certification 50Hertz would still be able to operate the network. Nevertheless, the revocation would have a negative impact on the reputation of the Issuer.

Public service obligations

Belgium

In connection with its role as TSO, the different Governments in Belgium have imposed a number of public service obligations on the Issuer. These obligations are mainly related to security of supply (including the procurement and contracting of a strategic reserve) and the financial support for the development 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 energy in Belgium. The costs incurred for the performance of public service obligations by the Issuer are fully passed on to the Issuer's customers (and eventually to the end customers) through the dedicated tariffs for public service obligations (subject to the approval of the CREG). The Issuer is able to ask the CREG every year to adapt the tariffs to cover any gaps between expenses and tariff revenues caused by the execution 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 Walloon Government introduced two schemes which are, in each case, designed to alleviate the likelihood of the Issuer increasing the tariffs to be paid by customers in the Walloon region (as a result of the Issuer passing on the costs of its obligation to purchase "green certificates"). The schemes introduced by the Walloon Government are: (i) a phased purchase of "green certificates" by the Walloon Government; and (ii) using a special purchase vehicle (Solar Chest) to purchase "green certificates". Each scheme is intended to delay the Issuer's obligation to purchase "green certificates" by several years. Both schemes require the assistance of 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 delay in recovering the costs incurred in purchasing such "green certificates, the costs would have to be pre-financed by the Issuer and, consequently, there may be a negative impact on the Issuer's cash flow.

Germany

50Hertz generates revenues from the surcharges (see the Risk Factor titled "*Tariff-setting regulation – Germany*"). In relation to any such revenues generated by the payment of surcharges, any lapse in time between costs incurred and the recovery of such costs by the payment of the respective surcharge could negatively impact on the liquidity of 50Hertz and hence, the financing ability of the Issuer.

In Germany, the legal framework under the EEG promotes the generation of electricity using renewable energy sources ("**RES**"). The EEG obliges system operators like 50Hertz to prioritise renewable energy sources over conventional ones. Under the former regime effective until 31 December 2016, the remuneration for renewable energy that had to be paid by 50Hertz to the RES plant operators was regulated by means of pre-determined feed-in tariffs and market premiums. With effect from 1 January 2017, the legislator amended the EEG and adopted – with regard to offshore wind – the Offshore Wind Act (*Windenergie-auf-See-Gesetz*). Under the new law the remuneration of certain renewable energy sources (including offshore wind) will be determined by competitive auction procedures.

The purchased renewable energy is sold by 50Hertz at the energy exchange via service providers at market prices that are significantly below the remuneration under the EEG framework. The related price difference is ultimately paid by the electricity consumers in Germany by means of the so-called EEG levy (EEG-Umlage). The EEG levy is added to the regular electricity price of the end customers.

The EEG levy is determined on a yearly basis and includes, among others things, estimates on weather conditions (i.e. wind and solar feed-in), production capacity and market prices. Differences between the actual net costs incurred (including, among other things, financing costs) and the aggregate EEG levy received are settled in the EEG levy of the subsequent year. For 50Hertz, the EEG balancing regime reflects a pass-through item comprising fluctuations in receivables and payables without any effect on actual results and statement of income. Due to the high volumes and amounts, 50Hertz's working capital and cash flows are significantly affected by the EEG. The liabilities arising from the offshore regime may have a negative impact on the liquidity of the German activities of the Issuer and therefore the Issuer's own performance.

Risks related to the operations of the Issuer

Energy balance

Every year, the Issuer and its relevant affiliates seek to contract the reserves (ancillary services) needed to ensure continued balance between supply and demand in the relevant control areas, taking into account exports to and imports from neighbouring countries. The Issuer and its relevant affiliates then analyse, both at national and European level, how the growing proportion of intermittent renewable energy generation units can be safely integrated into the grid without compromising the energy balance.

The growth across Europe in the number of cogeneration and renewable energy units connected to distribution systems and the connection of large offshore wind farms also creates new challenges for operational grid management and requires the further development of the infrastructure of the Issuer and its relevant affiliates.

A new and important development has been the negative trend of Belgium's national electricity generation capacity as a consequence of the mothballing of generation units resulting in an overall decrease in the production capacity available to Belgian end customers and a growing dependence on 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. This reserve consists of earmarked and reserved electricity generation capacity (the latter sitting outside the electricity market), to be called upon by the Issuer in the event of electricity shortages as well as 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 country's security of supply. The costs associated with contracting the strategic reserve (including the remuneration to the producers for keeping 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 titled "*Public service obligations*").

Finally, the increased volumes of decentralised intermittent electricity generation, the decreasing centralised generation capacity, the increasing importance of the distribution system operators ("**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.

Power outages

The transmission systems operated by the Issuer and its relevant affiliates 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 or one of its affiliates, as the case may be, means that electricity can reach end customers via a number of different connections. However, in extreme cases, an incident in the electricity system may lead to a local or widespread electricity outage (known as a black-out). Such outages may be caused by natural phenomena, unforeseen incidents, cyber-attacks, or operational problems, either in Belgium, Germany or abroad. The Issuer and its relevant affiliates regularly hold crisis management drills so that the Issuer or the relevant affiliate, as the case may be, 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 general terms and conditions of its contracts limit the respective liability of the Issuer or 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 were to occur.

Transmission disruption or a system breakdown

Transmission disruptions or system breakdowns that affect the Issuer's network (or the network of the Issuer's relevant affiliates) may result in a failure to deliver electricity to customers or to inject energy from power plants, and may expose the Issuer or the relevant affiliate of the Issuer, as the case may be, to liability claims and litigation which could negatively impact the results of operations.

Transmission disruptions on the network of the Issuer and/or transmission disruptions on the network of one of the relevant affiliates 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**") systems and process failures, intrusions in the ICT network (including computer viruses), performance below expected levels of capacity and efficiency and natural events (such as heavy storms, thunderstorms, earthquakes or landslides.) The presence of unscheduled electricity flows on the network of the Issuer and/or unscheduled electricity flows on the network of one of the relevant affiliates 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 a reduction in the electricity consumption in the relevant

area. The probability of the occurrence of one or more of the above mentioned 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.

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 at one or more power plants or the lack of sufficient on-line generation capacity at a given time in a given geographical area.

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

Belgium

In accordance with the current laws and regulations, the Issuer is obliged, without undue delay, to connect offshore some renewable generation facilities to its Modular Offshore Grid (see further Section 3.2.1(d) "*Infrastructure management and grid developments – Key projects of Elia*" in "*Description of the Issuer*")). Any delay in, or interruption of, such connection that is attributable to the Issuer's gross negligence or wilful misconduct (*faute lourde ou faute intentionnelle – grove fout of opzettelijke fout*) may subject the Issuer to damages claims (capped to the profit Elia could generate specifically on the Modular Offshore Grid assets). Any such claim for damages could negatively impact the Issuer's activities, profits and financial situation. In addition, while the general regulatory framework of such regime has been embedded in the Electricity Act, the relevant decrees (mainly the so-called "Liability Decrees") are yet to be issued by the relevant authorities.

Germany

In accordance with the current laws and regulations, 50Hertz is obliged to connect, without undue delay, all renewable energy facilities in its control area. Any delay in such connections may subject 50Hertz to damages claims. In particular, 50Hertz's obligation to connect offshore wind farms in the Baltic Sea results from specific provisions in the EnWG, while obligations to connect all other types of renewable energy facilities result from the EEG. Planning, construction and operation of grid connections of offshore wind farms is a business involving uncertainties (for example, weather and soil conditions) and technical challenges. Moreover, there is only a small number of potential suppliers for the main components of such grid connections. Despite careful preparation and analyses, technical problems are often only discovered in the implementation and operational stage and have then to be solved immediately. Delays and changes in the planning and construction stages (as well as later, unplanned changes in the operational stage) are therefore possible. Liabilities arising from this may not be covered by the Offshore Liability Surcharge. According to Section 17e of the EnWG, in the event that 50Hertz is found to have caused any disruption or delay intentionally, 50Hertz is likely to be liable for damages. Any such liability for damages relating to the offshore regime might negatively impact the profitability of 50Hertz and, consequently, impact the profitability of the Issuer.

ICT and Data Protection risk

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 on-going 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 operations and assets of the Issuer (and the operations and assets of the relevant affiliates 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 issues that the Issuer and the relevant affiliates of the Issuer face relate to soil pollution, polychlorinated biphenyls, contamination of equipment, 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 or on the relevant affiliates of the Issuer and delay the projects which they pursue. 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, in particular in respect of soil contamination. While the Issuer (and the relevant affiliates of the Issuer) have set aside provisions and accruals in connection with such obligations in their financial statements, the provisions and accruals made by the Issuer (or, as the case may be, the provisions and accruals made by the relevant affiliate of 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 (or, as the case may be, the relevant affiliate of the Issuer) is held responsible for additional, currently undiscovered, contamination. Additional costs may also be incurred by the Issuer (or, as the case may be, the relevant affiliate of the Issuer) in respect of actual or potential liability claims, the defence of the Issuer (or, as the case may be, the relevant affiliate of the Issuer) in legal or administrative procedures or the settlement of third party claims.

Resistance to actions or programmes 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 enquiries, publicity measures or legal defence, which may adversely affect its financial results.

Although there are currently no legal requirements with respect to EMFs emanating from underground and overhead electrical cables, it cannot be excluded that the legal environment in this respect becomes more restrictive in the future. This may result in the Issuer (or, as the case may be, the relevant affiliate of 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 EMFs 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.

Risks of legal disputes and lawsuits

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, 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.

Risk associated with suppliers for 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.

Safety and welfare

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 mechanisms

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, using performance indicators and/or audits, to ensure 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 Department.

Acts of terrorism or sabotage

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 (for example, through the reduction of revenues due to the unavailability of some parts of the network).

Financial risks

Interest risk

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. These costs 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 difference between forecasted financial costs. This could cause transitory effects on the cash position of the Issuer.

In addition, appropriate financial instruments are used to further offset potential risks. Furthermore, the Issuer's financing policy seeks to bring the term of loans more into line with the lifetime of assets.

However, the Issuer cannot guarantee total protection in the event of significant movements in interest rates.

Funding risk

The Issuer may be unable to access the funds that it needs when it needs to refinance its debt or through the failure to meet the terms of its credit facilities. As part of the Issuer's efforts to mitigate the funding risk, the Issuer aims to diversify its financing sources in debt instruments. As a stock quoted company, the Issuer also has access to the equity market.

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 programme (see Section 8 "*Financing of the Issuer*" in "*Description of the Issuer*").

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.

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 2016, the aggregate financial indebtedness of the Issuer amounted to €2,684,354,731.78. On 31 December 2017, the aggregate financial indebtedness of the Issuer amounted to €2,834,719,411.41. This increase results from, amongst other factors, the issue of the EUR 250,000,000 1.375 per cent. fixed rate bonds due 2027.

On 22 March 2018, the Issuer entered into a bridge credit facility agreement according to which it received the financing needed to pay the purchase price for acquiring a stake of 20 per cent. of Eurogrid Int. (as defined below).

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.

Please refer to Section 8 "*Financing of the Issuer*" in "*Description of the Issuer*" for an overview of the Issuer's outstanding financial indebtedness and see further "*Unaudited Pro Forma Financial Information*" for a *pro forma* illustration of the effect of the acquisition of the additional 20 per cent. stake in Eurogrid Int.

As at 31 December 2017, the ratio of Belgian regulated equity to long-term and short-term debt amounted to 69 per cent.: 31 per cent. 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 titled "*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 "*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 (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.

Credit rating

S&P has issued, and rating agencies may issue in the future, a credit rating for the Issuer. There is no assurance that the rating will remain the same for any given period or that the rating will not be lowered by the rating agency if, in its judgment, circumstances in the future so warrant. A decision by a rating agency to downgrade or withdraw the Issuer's credit rating could reduce the Issuer funding options and increase its cost of borrowing.

Dividends from subsidiaries

In addition to its principal activity as TSO in Belgium, the Issuer holds a stake in certain other companies, most significantly 80 per cent. of Eurogrid Int (following the acquisition of an additional 20 per cent. stake in Eurogrid Int. on 26 April 2018). Approximately 70 per cent. of the Issuer's cash flow depends on regulated activities in Belgium. However, for part of its activities, namely the German activities (i.e., those located under Eurogrid Int.), the Issuer is a holding company with no material, direct operations. In relation to such German activities (Section 6.2 "*Eurogrid International and Affiliates*" in "*Description of the Issuer*"), the Issuer's principal asset is the interest it holds in 50Hertz. As a result, the Issuer is dependent on dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of interest and principal to its creditors for the acquisition funding and the payment of dividends to its shareholder (see further, Section 3 "*Business overview*" in "*Description of the Issuer*").

The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. As described above, the ability of the Issuer to upstream cash from Eurogrid Int. in order to meet its obligations under the Notes is restricted. Consequently, if amounts that the Issuer receives from its subsidiaries are not sufficient, the Issuer may not be able to fulfil its obligations under the Notes.

The Issuer's German subsidiaries are separate and distinct legal entities and they will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividends, distributions, advances, loans or other payments.

Risks associated with tax assessments

Tax laws and their interpretation by the tax authorities and courts are subject to changes, potentially with retroactive effect. Such changes can have a negative impact on the Issuer. 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.

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

Risks related to new business developments

The Issuer strives to anticipate new business opportunities relating to its core businesses within and beyond the Belgian regulated framework. Such new business activities can also include acquisitions.

The Issuer agreed with the Belgian regulator on a 'transfer pricing' framework for both its regulated and non-regulated activities, which also provides a mechanism to determine whether or not the

results of these activities can be included in the profit available for distribution to the shareholders or should be used for future tariff reductions. To incentivise the Issuer to develop its non-regulated activities, the Issuer agreed with the CREG that at least part of the positive results of these activities can be counted as profit and should not be used for tariff reductions. Losses deriving from these activities, however, are entirely borne by the Issuer. The development of new non-regulated activities by the Issuer may therefore represent an additional financial risk for the Issuer.

Risks related to macroeconomic factors

The European economy performed considerably better than expected in the financial year ended 31 December 2017, despite continued uncertainty and volatility. This performance was mainly due to increased private consumption, increasing investments and decreasing unemployment.

The main macroeconomic risks are related to external factors, such as high geopolitical tensions, the potentially tightening financial conditions worldwide and the increasingly protectionist policies adopted by certain countries. In the European Union specifically, the downside risks relate to the continuing Brexit negotiations, a stronger appreciation of the euro and higher interest rates in the long term.

Further instability due to the uncertain geopolitical environment cannot be ruled out. 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. Financial and economic volatility may also influence the European capital markets and, as a result, it could (temporarily) become more expensive and difficult for the Issuer to attract financing. Potential investors need to make sure they have sufficient information regarding the global economic and geopolitical situation and outlook so that they can make their own assessment of these issues in connection with any investments in the Notes.

HR risk

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.

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

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would 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 or 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 which are deemed to be "benchmarks", are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Future discontinuance of LIBOR or any other benchmark may adversely affect the value of Floating Rate Notes which reference LIBOR or such other benchmark

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR

after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR or any other benchmark (including, for example, EURIBOR) were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR or such other benchmark will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR or such other benchmark rate is to be determined under the Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR or such other benchmark rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR or such other benchmark was available.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR or such other benchmark.

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

The Final Terms 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 applicable Final Terms 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, 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 clearly defined 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 such other equivalent label nor can any assurance be given that such a 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 any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any

Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that 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), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, 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. Nor is any representation or assurance given or made by the Issuer 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.

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 applicable Final Terms, 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 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. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks related to Notes generally

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

Modification and waivers

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters relating to the Notes and affecting their interests generally, including the

modification or waiver of any provision of the terms and 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.

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). See further "*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 the Kingdom of 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(a), (b) and (c) of the terms and conditions of the Notes.

Change of law

The terms and conditions of the Notes are based on English law and, where applicable, 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 English law, Belgian law or administrative practice after the date of issue of the relevant Notes.

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 terms and conditions of the Notes. 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, Luxembourg, SIX SIS and Monte Titoli for transfer, payment and communication with the Issuer

The Notes will be issued in dematerialised form under the Belgian Company 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, Luxembourg, SIX SIS and Monte Titoli.

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, Luxembourg, SIX SIS and Monte Titoli 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

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, 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 may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, 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 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 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 credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU 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 Prospectus.

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 or incorporated by reference in this Prospectus 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 that, subject to completion and as supplemented in accordance with the provisions of Part A of the applicable Final Terms, shall be applicable to the Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Final Terms. 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.

The Notes are issued subject to an amended and restated domiciliary, calculation and paying agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated on or about 18 September 2018 between the Issuer and BNP Paribas Securities Services SCA, Brussels Branch, 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 applicable Final Terms, 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.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement are available for inspection at the specified office of the Agent. If the Notes are admitted to trading on the regulated market of Euronext Brussels, the applicable Final Terms will be published on the website of Euronext Brussels (*www.euronext.com*). If the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC, as amended), the applicable Final Terms 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 Part A of the Final Terms incorporated by reference into the Notes and supplement these Conditions. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) incorporated by reference into the Notes.

1. Form, Denomination and Title

The Notes will be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Company Code (*Wetboek van Vennootschappen/Code des Sociétés*) and cannot be physically delivered. The Notes will be represented exclusively by book entry in the records of the clearing 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, Luxembourg, SIX SIS and Monte Titoli and through other financial intermediaries which in turn hold the Notes through Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or other participants in the NBB System. The Notes are accepted for clearance through the NBB System, and are accordingly subject to the applicable Belgian clearing 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 rules of 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 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 system and successor clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an "**Alternative Clearing System**").

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 Article 474 of the Belgian Company Code) upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or any other participant duly licenced in Belgium to keep dematerialised securities accounts showing such holder's position in the Notes (or the position held by the financial institution through which such holder's Notes are held with the NBB, Euroclear, Clearstream, Luxembourg, SIX SIS, Monte Titoli or such other participant, 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 applicable Final Terms. The minimum Specified Denominations shall be at least €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 €100,000, such Notes will only be tradeable in integral multiples of €100,000.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis specified in the applicable Final Terms.

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 clearing systems or financial intermediaries and the affidavits referred to in this Condition 1 and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Status

The Notes constitute (subject to Condition 3) 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, 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 (as defined in the Agency Agreement):

(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 of 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 Condition 10) 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) "**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.

(iv) "**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.

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

(vi) "**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).

(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). Such Interest Payment Date(s) is/are either specified in the applicable Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, "**Interest Payment Date**" shall mean each date which falls the number of months or other period specified in the applicable Final Terms 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 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 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 applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Final Terms 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 applicable Final Terms;

(y) the Designated Maturity is a period specified in the applicable Final Terms; and

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

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 applicable Final Terms 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 below, be either:

(1) the offered quotation; or

(2) the arithmetic mean 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 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 Final Terms 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 applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified in the applicable Final Terms), 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)(1)).

(d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless payment of principal is improperly withheld or refused, 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).

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

(i) If any Margin is specified in the applicable Final Terms (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 applicable Final Terms, 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 applicable Final Terms, 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 applicable Final Terms, 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 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), 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, 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 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) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

1. 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

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

3. 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**"):

1. if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified in the applicable Final Terms, 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)

2. if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365

3. if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, 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

4. if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360

5. if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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

6. if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"$\mathbf{Y_2}$" 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

7. if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

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

8. if "**Actual/Actual-ICMA**" is specified in the applicable Final Terms,

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

where:

"**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 applicable Final Terms 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:

1. in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

2. in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Final Terms;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms 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 applicable Final Terms;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Final Terms;

"**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 applicable Final Terms;

"**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 applicable Final Terms;

"**Reference Rate**" means the rate specified as such in the applicable Final Terms;

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

"**Specified Currency**" means the currency specified as such in the applicable Final Terms 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.

(i) **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 applicable Final Terms 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**:

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

(b) **Early Redemption**:

1. *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), Condition 5(d), Condition 5(e) or Condition 5(f) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Final Terms.

(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 discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Final Terms, 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), Condition 5(d), Condition 5(e) or Condition 5(f) or upon it becoming due and payable as provided in Condition 9 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 together with any interest that may accrue in accordance with Condition 4(c).

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 applicable Final Terms.

2. *Other Notes*:

(A) The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 5(b)(1) above), upon redemption of such Note pursuant to Condition 5(c), Condition 5(d) or Condition 5(f) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount, together with accrued interest, if applicable, unless otherwise specified in the applicable Final Terms.

(B) The Early Redemption Amount payable in respect of any Note upon redemption of such Note pursuant to Condition 5(e) shall be the amount calculated in accordance with Condition 5(e)(i) or Condition 5(e)(ii), as the case may be, together with accrued interest, if applicable, unless otherwise specified in the applicable Final Terms.

(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) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Kingdom 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 applicable Final Terms, 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 applicable Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption. 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 applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

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

(e) **Make Whole Redemption/Three-Month Par Call at the Option of the Issuer**: If Make Whole/Three-Month Par Call Option is specified in the applicable Final Terms, 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 applicable Final Terms) to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Make Whole/Three-Month Par Call Optional Redemption Date**"), redeem all, but not some only, of the Notes at a redemption price per Note equal to:

(i) if the Make Whole/Three-Month Par Call Optional Redemption Date falls in the period up to and including the date falling three months prior to the Maturity Date, 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/Three-Month Par Call Optional Redemption Date:

(A) the nominal amount 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/Three-Month Par Call Optional Redemption Date) discounted to the Make Whole/Three-Month Par Call Optional Redemption Date on an annual basis (based on the Day Count Fraction specified in the applicable Final Terms) at the Reference Dealer Rate (as defined below) plus any Margin specified in the applicable Final Terms, in each case as determined by the Reference Dealers; and

(ii) if the Make Whole/Three-Month Par Call Optional Redemption Date falls in the period from but excluding the date falling three months prior to the Maturity Date to but excluding the Maturity Date, 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/Three-Month Par Call Optional Redemption Date.

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(f).

In this Condition:

"**Reference Dealers**" means those Reference Dealers specified in the applicable Final Terms;

"**Reference Dealer Rate**" means with respect to the Reference Dealers and the Make Whole/Three-Month Par Call 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 applicable Final Terms, quoted in writing to the Issuer by the Reference Dealers; and

"**Reference Stock**" means the Reference Stock specified in the applicable Final Terms.

(f) **Redemption at the Option of Noteholders**: If Put Option is specified in the applicable Final Terms, 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 applicable Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption.

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.

(g) **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.

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

As used 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 any amount of the money payable is improperly withheld or refused on such date, the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days following the date on which notice is duly given by the Issuer to the Noteholders in accordance with Condition 12 that such payment will be made, provided that such payment is in fact made as provided in these Conditions. References in these Conditions 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 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.

6. Payments

(a) **Payment in euro**: Without prejudice to Article 474 of the Belgian Company 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 474 of the Belgian Company 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) 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 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) 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 applicable Final Terms. 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**: If any date for payment in respect of the Notes is not a Business Day, the holder shall not be entitled to payment until the next following Business Day, 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 the Kingdom of 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 holder who is liable to such Taxes, in respect of such Note by reason of his having some connection with the Kingdom of 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 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.

8. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 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 7 days in the case of principal and 15 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 (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 €25 million or its equivalent (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**: Meetings of Noteholders may be convened to consider matters relating to the Notes, including the modification or waiver of any provision of these Conditions. Any such modification or waiver may be made if sanctioned by an Extraordinary Resolution. For the avoidance of doubt, any such modification or waiver shall always be subject to the consent of the Issuer. An "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with these Conditions and the Belgian Company Code by a majority of at least 75 per cent. of the votes cast.

All meetings of Noteholders will be held in accordance with the Belgian Company Code with respect to Noteholders' meetings. Such a meeting may be convened by the board of directors of the Issuer or its auditors and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one fifth of the aggregate principal amount of the outstanding Notes. A meeting of Noteholders will be entitled (subject to the consent of the Issuer) to exercise the powers set out in Article 568 of the Belgian Company Code and generally to modify or waive any provision of these Conditions in accordance with the quorum and majority requirements set out in Article 574 of the Belgian Company Code, and if required thereunder subject to validation by the court of appeal, provided however that any proposal (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Resolutions duly passed in accordance with these provisions shall be binding on all Noteholders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

Convening notices for meetings of Noteholders shall be made in accordance with Article 570 of the Belgian Company Code, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (*Belgisch Staatsblad/Moniteur Belge*) and in a newspaper of national distribution in Belgium. Convening notices shall also be made in accordance with Condition 12 (Notices).

The Agency Agreement provides that, if authorised by the Issuer, 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 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 clearing 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.

(b) **Modification and Waiver**: 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 Noteholders 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 other stock exchange or other relevant authority on which the Notes are for the time being listed and, in the case of a convening notice for a meeting of Noteholders, in accordance with Article 570 of the Belgian Company Code. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Agent may approve.

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, 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. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

15. Governing Law and Jurisdiction

(a) Governing Law: The Agency Agreement and the Notes (other than any matters relating to title to and the dematerialised form of, 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, English law. Any matters relating to title to and the dematerialised form of the Notes, and Condition 10 and Condition 12 with respect to the rules laid down in the Belgian Company Code, and any non-contractual obligations arising out of or in connection with them, shall be governed by, and construed in accordance with, Belgian law.

(b) Jurisdiction: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Service of Process: The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 12. Nothing shall affect the right to serve process in any manner permitted by law.

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, Luxembourg, SIX SIS and Monte Titoli. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and investors can hold their Notes within securities accounts in Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli.

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 domiciliary agent included in the clearing services agreement dated on or about 9 May 2017 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 Final Terms.

In most cases, the general corporate purposes include (i) the refinancing of currently outstanding loans and other debt, (ii) the financing of the Issuer's investment programmes and (iii) financing that part of the funding needs that exceed the autofinancing capabilities of the Issuer at any given point in time. 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 applicable Final Terms 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 applicable Final Terms, the Issuer will apply the net proceeds from an offer of Notes specifically Green Projects. Such Notes may also be referred to as "**Green Bonds**". If such Green Bonds will be issued, the applicable Final Terms will specify for which category of Green Projects the proceeds of the Green Bonds will be used.

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form certain statements of financial position, statements of profit and loss, statements of profit or loss and comprehensive income and cash flow information relating to the Issuer. The information has been extracted from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 and 2017.

The consolidated financial statements of the Issuer have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (**IFRS**).

Consolidated statement of profit and loss as at 31 December 2017 and 31 December 2016

	Year ended 31 December	
	2017	**2016**
	(€ million)	
Continuing operations		
Revenue	828.5	800.1
Raw materials, consumables and goods for resale	(9.6)	(18.8)
Other income	59.0	68.0
Services and other goods	(344.4)	(336.6)
Personnel expenses	(147.2)	(143.9)
Depreciations, amortizations and impairments	(131.2)	(124.8)
Changes in provisions	0.4	(5.3)
Other expenses	(19.6)	(22.1)
Results from operating activities	**235.9**	**216.6**
Share of profit of equity accounted investees (net of tax)	108.7	78.4
EBIT[(1)]	344.6	295.0
Net finance costs	(76.5)	(82.8)
Finance income	5.5	7.0
Finance costs	(81.9)	(89.9)
Profit before income tax	268.2	212.2
Income tax expense	(39.1)	(32.0)
Profit from continuing operations	229.1	180.2
Profit for the period	229.1	180.2
Profit attributable to:		
Owners of the Company	229.1	179.9
Non-controlling interest	0.0	0.3
Profit for the period	229.1	180.2
Earnings per share (EUR)		
Basic earnings per share	3.76	2.95

	Year ended 31 December	
	2017	2016
	(€ million)	
Diluted earnings per share	3.76	2.95

Notes:

(1) EBIT (Earnings Before Interest and Taxes) = Results from operating activities and share of profit of equity accounted investees, net of tax

Consolidated statement of profit or loss and other comprehensive income as at 31 December 2017 and 31 December 2016

	Year ended 31 December	
	2017	2016
	(€ million)	
Profit for the period	229.1	180.2
Other comprehensive income (OCI)		
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	9.4	8.7
Equity – accounted investees – share of OCI	0.0	0.0
Related tax	(3.2)	(2.9)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	(13.7)	1.2
Equity-accounted investees – share of OCI	1.1	(0.6)
Related tax	2.3	(0.4)
Other comprehensive income for the period, net of tax	(4.1)	6.0
Total comprehensive income for the period	225.0	186.2
Total comprehensive income attributable to:		
Owners of the Company	225.0	185.9
Non-controlling interest	0.0	0.3
Total comprehensive income for the period	225.0	186.2

Consolidated statement of financial position as at 31 December 2017 and 31 December 2016

	Year ended 31 December	
	2017	**2016**
	(€ million)	
ASSETS		
NON CURRENT ASSETS	6,093.3	5,653.9
Property, plant and equipment	3,202.4	2,956.5
Intangible assets and goodwill	1,738.6	1,735.8
Trade and other receivables	147.8	63.0
Equity-accounted investees	942.7	832.4
Other financial assets (including derivatives)	60.8	65.4
Deferred tax assets	1.0	0.8
CURRENT ASSETS	503.2	587.7
Inventories	13.6	22.6
Trade and other receivables	281.1	379.6
Current tax assets	3.8	2.8
Cash and cash equivalents	195.2	176.6
Deferred charges and accrued revenue	9.5	6.1
Total assets	6,596.5	6,241.6
EQUITY AND LIABILITIES		
EQUITY	2,641.8	2,512.6
Equity attributable to owners of the Company	2,640.7	2,511.4
Share capital	1,517.6	1,517.2
Share premium	11.9	11.8
Reserves	173.0	173.0
Hedging reserve	0.0	(6.2)
Retained earnings	938.2	815.6
Non-controlling interest	1.1	1.2
NON CURRENT LIABILITIES	2,984.5	2,728.0
Loans and borrowings	2,834.7	2,586.4
Employee benefits	84.3	75.1
Derivatives	0.0	9.4
Provisions	20.8	23.3
Deferred tax liabilities	40.9	28.7
Other liabilities	3.8	5.1
CURRENT LIABILITIES	970.2	1,001.0
Loans and borrowings	49.5	147.5

	Year ended 31 December	
	2017	**2016**
	(€ million)	
Provisions	4.5	2.4
Trade and other payables	378.6	390.8
Current tax liabilities	2.9	0.5
Accruals and deferred income	534.7	459.8
Total equity and liabilities	6,596.5	6,241.6

Consolidated statement of cash flows as at 31 December 2017 and 31 December 2016

	Year ended 31 December	
	2017	**2016**
	(€ million)	
Cash flows from operating activities		
Profit for the period	229.1	179.9
Adjustments for:		
Net finance costs	76.5	82.9
Other non-cash items	0.1	1.0
Income tax expense	29.2	12.5
Profit or loss of equity accounted investees, net of tax	(108.7)	(78.5)
Depreciation of property, plant and equipment and amortisation of intangible assets	131.4	124.4
Gain on sale of property, plant and equipment and intangible assets	6.5	8.8
Impairment losses of current assets	0.0	0.6
Change in provisions	(5.3)	(1.2)
Change in fair value of derivatives	1.1	1.0
Change in deferred taxes	9.9	19.4
Cash flow from operating activities	369.8	350.9
Change in inventories	9.3	1.3
Change in trade and other receivables	98.2	(61.4)
Change in other current assets	4.8	3.9
Change in trade and other payables	(12.3)	80.5
Change in other current liabilities	74.9	91.2
Changes in working capital	174.8	115.5
Interest paid	(88.4)	(115.6)
Interest received	1.7	56.5

	Year ended 31 December	
	2017	**2016**
	(€ million)	
Income tax paid	(27.6)	80.3
Net cash from operating activities	430.3	487.6
Cash flows from investing activities		
Acquisition of intangible assets	(10.6)	(9.6)
Acquisition of property, plant and equipment	(369.1)	(388.6)
Acquisition of equity accounted investees	(57.2)	(25.8)
Proceeds from sale of property, plant and equipment	1.5	3.2
Proceeds from sales of investments	0.0	6.3
Proceeds from capital decrease from equity-accounted investees	0.1	7.2
Dividend received from equity-accounted investees	56.8	57.3
Loans to joint ventures	(84.6)	(38.7)
Net cash used in investing activities	(463.1)	(388.7)
Cash flow from financing activities		
Proceeds from issue of share capital	0.4	5.3
Expenses related to issue share capital	0.0	(0.1)
Dividends paid (-)	(96.2)	(94.2)
Repayment of borrowings (-)	(100.0)	(540.0)
Proceeds from withdrawal borrowings (+)	247.2	80.0
Other cash flows from financing activities	0.0	0.3
Net cash flow from (used in) financing activities	51.4	(548.7)
Net increase (decrease) in cash and cash equivalents	18.6	(449.8)
Cash & Cash equivalents at 1 January	176.6	626.4
Cash & Cash equivalents at 31 December	195.2	176.6
Net variations in cash & cash equivalents	18.6	(449.8)

DESCRIPTION OF THE ISSUER

1 Introduction

Elia System Operator SA/NV (the "**Issuer**") is a limited liability company (*naamloze vennootschap/société anonyme*) and was established under Belgian law by a deed enacted on 20 December 2001, published in the Appendix to the Belgian State Gazette (*Belgisch Staatsblad/Moniteur belge*) on 3 January 2002, under the reference 20020103-1764. 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 0476.388.378. The Issuer's LEI is 549300S1MP1NFDIKT460. The Issuer's shares are listed on Euronext Brussels. The Issuer's website can be accessed via www.elia.be.

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 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 entity. The Issuer was appointed as the sole TSO in Belgium by a ministerial decree of 13 September 2002 (published in the Belgian State Gazette of 17 September 2002 and with effect as of that date) for a 20-year period. The Issuer has also been designated as a local transmission system operator (operating the high voltage grid) in the Flemish Region for a 12-year period as from 1 January 2012, the local transmission system operator in the Walloon Region for a 20-year period until 17 September 2022 and the regional transmission system operator in the Brussels-Capital Region for a 20-year period until 26 November 2021. The Issuer is allowed to ask for the renewal of these appointments for the same duration. Furthermore, by a decision of the CREG dated 6 December 2012, the Issuer has been certified as a fully ownership unbundled transmission system operator.

In 2010, the Issuer expanded its activities on a broader European level by acquiring 60 per cent. of Eurogrid International SCRL ("**Eurogrid Int.**"), the holding company above 50Hertz Transmission GmbH (50 Hertz) one of Germany's four grid operators active in the northeast part of the country, in joint control with Industry Funds Management ("**IFM**"). On 26 April 2018, the Issuer acquired an additional 20 per cent. of Eurogrid Int. from IFM. The acquisition increased the Issuer's total share in Eurogrid Int. to 80 per cent. Following the acquisition, the Issuer intends to fully consolidate its stake in Eurogrid Int.

50Hertz is one of the four TSOs in Germany that owns, operates, maintains and develops a 380 kV — 220 kV transmission network with an installed capacity of around 51,500 MW (including approximately 28,000 MW renewables and approximately 17,000 MW wind). The 50Hertz-grid has a length of around 10,215 km in an area covering the five Eastern German states of Thuringia, Saxony, Saxony-Anhalt, Brandenburg and Mecklenburg-Western Pomerania as well as Berlin and Hamburg and also the grid connections of offshore wind farms in the Baltic Sea.

The Issuer manages the liquidity and financial needs of Elia's activity as TSO (including Elia Asset's activities) including (if necessary) its investment activities in affiliates and joint ventures. Each of Eurogrid GmbH and its affiliates, in which the Issuer either direct or indirect holds a stake, manages its own financing needs without any recourse towards the Issuer.

2 Corporate purpose

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 above-mentioned 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

The Issuer and Elia Asset (together "**Elia**") develop, operate and maintain 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 Elia. Elia 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.

In line with its role as TSO in Belgium, the Issuer and Elia Asset own 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, *Holding des Gestionnaires de Réseaux de Transport* ("**HGRT**"), the Coordination of Electricity System Operators ("**Coreso**") and the Joint Allocation Office ("**JAO**"), Enervalis (see Section 6 "*Organisational Structure*") and the joint venture Nemolink Ltd ("**Nemo**").

In addition to its role as TSO in Belgium, the Issuer expanded its activities in Europe by acquiring 60 per cent. of Eurogrid Int. in 2010. The Issuer increased its stake in Eurogrid Int. to 80 per cent. on 26 April 2018 with the purchase of an additional 20 per cent. stake in Eurogrid Int. from IFM. As a result of the purchase of the additional 20 per cent. stake in

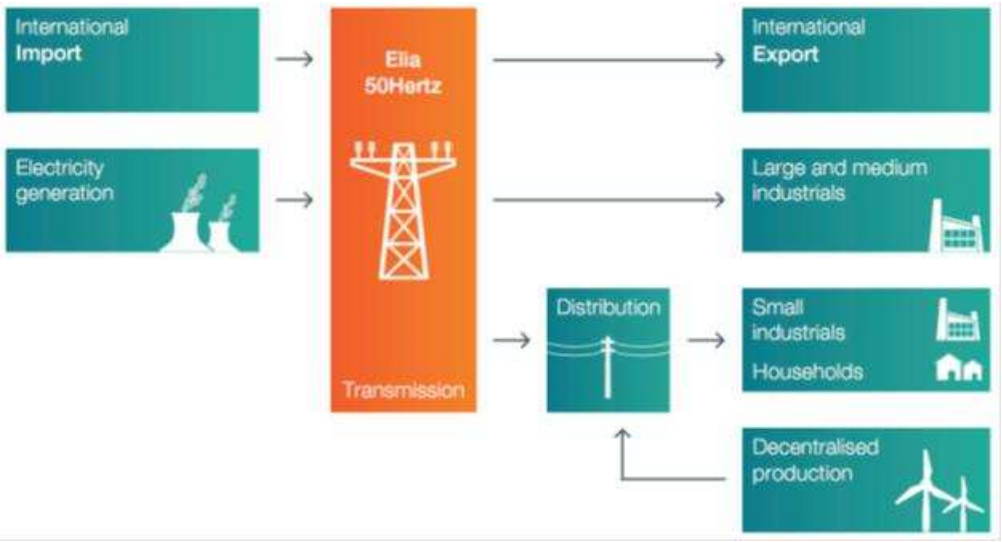
Eurogrid Int., the Issuer is now one of the top five transmission system operators in Europe (see Section 4 "*Key Strengths*" and Section 6.2 "*Eurogrid International and Affiliates*").

As further described herein, the Issuer has two primary business segments, on the one hand TSO in Belgium and the related activities (see Section 3.2 "Core business of Transmission System Operator in Belgium") and, on the other hand, its investment in 50Hertz acting as the TSO in Germany (see further Section 6.2 "*Eurogrid International and Affiliates*").

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).

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 and the Netherlands and will in the future be interconnected with transmission systems in the UK and 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 related activities.

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.

(a) **Ownership**

The Grid is approximately 18,600 km long and consists of overhead lines, underground cables, transformers and substations.

The Grid, owned 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 generated at this voltage flows towards the Belgian regions and is also exported to foreign countries (France and the Netherlands);
- the 220kV and 150kV 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 Elia'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 currently under construction 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 international interconnected grid. This will improve international trade opportunities and reduce reliance on Belgian generation facilities;

- *Alegro*: The purpose of this project is to build an interconnection between Germany and Belgium. Commissioning of Alegro is planned by 2020. This project is part of the trans-European energy network; and

- *MOG*: The board of directors of the Issuer has approved the investment in an offshore "electricity plug" or "modular offshore grid" ("**MOG**") in the North Sea. The

choice for a modular offshore grid is of strategic importance for the future of Belgium in terms of its participation in the further development of renewable energy in the North Sea. The modular offshore grid will allow new wind farms in the North Sea to be optimally connected to the Belgian onshore grid in a cost-effective and reliable way. The grid also creates opportunities for future offshore development and interconnections with neighbouring countries. The modular offshore grid is scheduled to be taken into use in the third quarter of 2019. The estimated total investment for Elia will amount to €400 million.

3.2.2 System operation

Elia provides relevant market participants with access to its electricity network and seeks to ensure the stability of the Belgian power system so that electricity is transmitted in a stable, secure and reliable manner. 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. When a network component is switched off Elia's personnel takes appropriate measures to reinforce 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.

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 ancillary services (such as 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 deregulation 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'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 ("**NEW**"), 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 Central West Europe, 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 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 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. The Issuer was a founding shareholder of Belpex SA/NV (see Section 6.1.6 "*HGRT*" below);

- being a founding shareholder of Coreso. Coreso is the first regional technical coordination centre aiming to improve reliability across the Central Western European region. Coreso is shared by several transmission system operators and develops forecast management of electricity transits across this region (see Section 6.1.9 "*Coreso*" below); and
- being a shareholder of JAO (Joint Allocation Office SA), 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 6.1.8 "*JAO*" below).

3.2.4 Related activities

Elia has developed and is in the process of developing a number of activities which are ancillary to its core business.

(a) **Advisory services**

The Elia Group, through its affiliate EGI (see section 6.1.4 "*Elia Grid International SA/NV*"), has built up expertise over the years within Belgium. Recently it has also started offering this expertise to the outside world, which has already aroused strong interest from government bodies, utilities and other key players around the world seeking support for the design and implementation of future projects in the power sector.

The Elia Group mainly offers advisory services in the following expertise domains, Asset Management, System Operation, Grid Development & Network Studies, Electricity Markets and RES integration.

(b) **Asset valorisation**

Besides asset 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

The framework is applicable to (i) Elia (as the TSO in Belgium) and (ii) 50Hertz (as TSO in Germany).

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. The most recent Directive and Regulations (of the Third Energy Package) 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 Third Energy Package and Clean Energy Package

(i) *Third Energy Package*

The Third Energy Package is composed, amongst others, 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**").

For transmission activities, Member States have been 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.

According to art. 16 of the Electricity Directive, TSOs must preserve the confidentiality of commercially sensitive information obtained in the course of carrying out its activities, and shall prevent information about its 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. 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 17 September 2002 (see Section 1 "Introduction").

50Hertz is permitted to operate as a TSO in Germany and while this authorisation is not limited in time, it can be revoked by the Energy Authority of the State of Berlin (*Senatsverwaltung für Wirtschaft, Technologie und Forschung (Energiewirtschaft/Energieaufsicht)*).

(b) **Unbundling**

TSOs are required to be "unbundled" from gas and electricity import, production and supply companies. More precisely, the company that is appointed as TSO must, at least in terms of its ownership (subject to historic exemption regimes in certain EU Member States), its accounting, its legal form, its organisation and its decision-making process, be independent from companies active in the production or supply of electricity and gas. Cross-participations are in principle excluded. A certification procedure applies as a condition to (re)appointment, and is run by the competent national regulator to verify compliance with the (ownership) unbundling requirements. The TSO must at all times continue to comply with those 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, inter alia, 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.

(ii) ***Clean Energy Package***

On 30 November 2016, the European Commission presented its 'Clean Energy for all Europeans' package, also called the 'Clean Energy Package'. This extensive legislative package includes, in addition to a vast amount of non-binding documents, a number of legislative proposals, including a recast of the Electricity Directive, the Electricity Regulation and the ACER Regulation, as well as a proposed new Regulation on risk-preparedness.

The key principles of the Third Energy Package (as described in Section 3.3.2(i) above) are maintained by the recasts proposed by the European Commission. Nonetheless, the recasts bring a number of important changes in how these principles are to be further implemented going forward, which would affect the roles and responsibilities of, amongst others, the TSOs, DSO, ENTSO-E, NRAs and ACER.

It should be noted that these proposals are anticipated to undergo substantial changes in the on-going legislative process. More specifically, agreement on the Electricity Directive, the Electricity Regulation, the ACER Regulation, as well as the proposed new Regulation on risk-preparedness, is not expected before the last quarter of 2018. Entry into force of the three regulations is today expected on the twentieth day following publication of the respective approved versions of the texts in the Official Journal of the European Union, with almost all of the articles of the Electricity Regulation being anticipated to apply from 1 January 2020. Finally, the recast Electricity Directive would also have to be transposed into national law within a certain period after its entry into force, such period is yet to be determined.

3.3.3 Regulation on Cross-Border Exchanges and on Trans-European Infrastructure

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

The 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 Electricity Regulation have been further developed in the European grid codes (see Section 3.3.4 "*Grid Codes*" below).

(ii) ***Trans-European Infrastructure***

Regulation 347/2013 on guidelines for trans-European energy infrastructure ("**TEN-E Regulation**") and recently amended by the Commission Delegated Regulation (EU) 2016/89 of 18 November 2015 determines the

structure and process to establish lists of European Projects of Common Interest ("**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 (such as "Project BE-DE II", a second interconnection between Belgium and Germany).

3.3.4 Grid codes

A grid code contains the rules governing the connection and access to the electricity network, the provision of balancing and ancillary services by the network users (generators, distributors, suppliers and end customers directly connected to the network) 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. 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 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 grid 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 grid codes have entered into force: "Capacity Allocation and Congestion Management" (Commission Regulation (EU) 2015/122 on capacity allocation, "**CACM Regulation**"), "Requirements for Generators", "Demand Connection", "HVDC", "Forward Capacity allocation", "Emergency and Restoration" and "System Operations".

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 grid codes, the Belgian federal and regional grid codes applicable to the Issuer need to be updated to ensure the consistency of the various sets of rules. Nonetheless, the development of European grid 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

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

The Third Energy Package has been implemented 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 European grid 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 Grid, whereas technical matters regarding access and connection to the grid fall under the responsibility of the Regions for voltages equal to or below 70 kV (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 19 December 2002 establishing the technical regulation for the operation of the national transmission system 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 designated by the federal government for a renewable period of 20 years, upon the proposal of the historical network owners. The Electricity Act states that only one system operator can be authorised to manage and operate the transmission system, and is appointed upon proposal by one or several network owners owning either alone or jointly a portion of the network that covers at least three fourths of the national territory and at least two thirds of the territory of each Region. This condition is currently only satisfied by Elia.

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.

Aside from these considerations, the Electricity Act has furthermore been amended several times, amongst others, to create a strategic reserve (to be procured and contracted by the Issuer for the volumes established for each winter period by Ministerial Decree), to better incentivise the participation of demand-side response to balancing and ancillary services, to adapt the support mechanism for the development of offshore wind parks and to create domain concessions for offshore transmission installations and storage installations. An additional amendment to the Electricity Act is being prepared, with such additional amendment being 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 procedure. Taking into account these commitments, the European Commission issued a decision on 7 February 2018 not to raise objections to the strategic reserves mechanism for the winter periods until 2021-2022.

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 Directive 2012/27/EU (the "**Energy Efficiency Directive**"), to allow flexible access, to adapt the support level of certain types of renewables, to create a reservation mechanism to make the purchase of green certificates by Elia financially sustainable without surcharge increase (see also Section 3.4.2 "*Public Service Obligations*" above and the Risk Factor titled "*Public service obligations*").

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 and the Energy Efficiency 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 12 July 2001 has been amended, amongst other things, to transpose the Third Energy Package and the Energy Efficiency Directive and to extend the tasks of the regulator.

In addition to the fact that the scope of the Grid was extended to the territorial waters of Belgium, Belgium opted for a fully ownership unbundled TSO. The certification procedure of the Electricity Directive has been transposed. The certification process of Elia took place between March and December 2012. The CREG's final decision of 6 December 2012 confirmed that Elia complies with the full ownership unbundling rules. Following this positive decision, the Belgian government notified the European Commission on 28 December 2013 via the Official Journal of the European Union that Elia had been officially certified as a fully ownership unbundled transmission system operator in Belgium.

3.4.1 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:

- the approval of the terms of standard industry contracts used by the Issuer at the federal level: connection, access and ARP contracts;
- 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.

Operation of electricity networks of voltages equal to or below 70kV falls within the jurisdiction of the respective regional regulators: the Flemish Regulator for the Electricity and Gas Markets (*Vlaamse Regulator van de Elektriciteits- en Gasmarkt*) ("**VREG**") for the Flemish Region, the Walloon Commission for Energy (*Commission wallonne pour l'Energie*) ("**CWaPE**") for the Walloon Region, and the Brussels Commission for Energy (*Brussel Gas Elektriciteit/Bruxelles Gaz Electricité*) ("**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 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.

The website of ENTSO-E gives a status update of the development and implementation of European grid codes. Following the entry into force of these European grid codes, the Belgian federal and regional grid codes applicable to the Issuer need to be updated to ensure the holistic consistency of the various sets of rules.

3.4.2 Public service obligations

Public authorities define public service obligations in various fields (promotion of renewable energy, social support, fees for use of roads etc.). Costs incurred in respect of those obligations are covered by tariff surcharges 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 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.

3.4.3 Tariffs applicable for the tariff period 2016-2019

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).

The CREG has approved a methodology for the current regulatory period, running from 2016 to 2019. On the basis of this methodology, the Issuer has drafted a tariff proposal which has subsequently been approved by the CREG. The rate of the tariff for each of the four years is fixed for the entire four year regulatory period. If the applicable tariffs would, however, no longer be proportionate due to changed circumstances, the CREG may request the Issuer to, or the Issuer may at its own initiative, submit an updated tariff proposal for approval to the CREG.

On 18 December 2014, the CREG issued a decision fixing the tariff methodology applicable for the period 2016 to 2019 for the electricity transmission grid and the electricity grids which have a transmission function. This methodology is the basis on which transmission tariffs have been set for these 4 years. The tariff proposal for the regulatory period commencing on 1 January 2016, based on the methodology described below, was approved by the CREG on 3 December 2015.

The previous 'cost driven' tariff structure has been adapted to result in a more 'service driven' structure, but this change has no major impact on the principle of cost coverage referred to above, nor on the remuneration of equity.

The currently applicable tariff methodology is largely determined by a 'fair remuneration' mechanism combined with certain 'incentive components'. As the CREG considers strategic investments (i.e. investments mainly aimed at enhancing the integration of EU energy markets and systems) to be of primary importance for the community, the CREG agreed with the Issuer to introduce a mark-up on investments into a selected list of projects as one of the key incentives in the current tariff methodology.

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

Once approved, tariffs are published and are non-negotiable between individual customers and the Issuer. 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;
- charges for the use of the network paid by customers to the Issuer under the access contracts;
- balancing fees paid by ARPs under the ARP contracts to cover their imbalances; and
- a tariff for public service obligations or other taxes, levies, additional surcharges and contributions.

For tariff purposes, Belgian GAAP is applicable.

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) **Parameters for the determination of the tariffs**

Tariff levels are determined based on the following key parameters: (i) fair remuneration, (ii) '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 and revenues subject to an incentive mechanism under special conditions), (v) 'incentive components' and (vi) the settlement of deviations from budgeted values.

Fair remuneration

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

As from 1 January 2016, the following formula is the basis for determining fair remuneration, assuming consolidated capital and reserves represent more than 33 per cent. of the RAB, as is the case at present:

A: [33 per cent. x average RAB x [(1 + α) x [(OLO n)+(beta x risk premium)]]] plus

B: [(S – 33 per cent.) x average RAB x (OLO (n) + 70 base points)]

for which:

- RAB(n) = RAB(n-1) + investments(n) – depreciation(n) – divestments(n) – decommissioning (n) +/- change in working capital need

- OLO (n) = the average rate of Belgian ten-year linear bonds for the year in question
- S = the consolidated capital and reserves/average RAB, in accordance with Belgian GAAP
- 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 33 per cent., this ratio being used to calculate a reference value of capital and reserves.

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)].

The Electricity Act also provides that the regulator may set higher remuneration rates for capital that is invested to finance projects of national or European interest ('mark-up on investment'). This is a new provision of the tariff methodology 2016-2019 (See below).

Non-controllable elements

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

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 are referred to 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). 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. 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.

Influenceable costs

The reservation costs for ancillary services, except for black-start, are qualified as 'influenceable costs', meaning that budget overruns or efficiency gains create a negative or positive incentive, insofar as they are not caused by a certain list of external factors. 15 per cent. of the difference in expenses between Y-1 and Y constitutes a profit or a loss (pre-tax) for the Issuer, with a cap and a floor of + €6 million and - €2 million respectively.

Incentive on strategic investment projects ('mark-up on investments')

As the CREG considers that strategic investments (i.e. investments mainly aimed at enhancing EU integration) are of primary importance for the community, it agreed with the Issuer to introduce a mark-up on investments into a selected list of projects. The remuneration is based on the cumulative actual amount dispensed, investment amounts are capped (per year and per project) and the mark-up is calculated on the actual amounts invested. The mark-up is defined taking into account an OLO of 0.5 per cent. If the actual interest rate of OLO is higher than 0.5 per cent., part of the mark-up is reduced accordingly (capped at OLO rate 2.16 per cent.). 10 per cent. of the total mark-up for each investment is subject to the timely commissioning of the relevant investment, meaning that 10 per cent. of the amount earned for a project is to be reimbursed if the project is not completed in due time.

Other Incentive components

- Market integration: This incentive consists of the (i) enhancement of import capacity and (ii) the increase of welfare generated by regional market coupling. Both elements can only positively influence the net profit (pre-tax) of the Issuer as the mechanism predefines a floor and a cap for each incentive as follows: €0 to €6 million for the import capacity and €0 to €11 million for the welfare. 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. (before tax) to the Issuer's profit.

- Investment programme: This incentive has two objectives; (i) an optimal ex ante/ex post justification by the Issuer of project CAPEX (€0 to €2.5 million) and (ii) the timely realisation of four

large infrastructure projects (Stevin, Brabo, Alegro and 4th phase shifter) (€0 to €1 million per project). Both elements can only have a positive influence on the net profit (pre-tax) of the Issuer as the mechanism predefines a floor and a cap for each of the objectives.

- Network availability: If the average interruption time ("**AIT**") reaches a target predefined by the CREG, the Issuer's net profit (pre-tax) could be positively impacted with a maximum of €2 million.

- Innovation: Operational subsidies and tax exemptions for research and development are considered controllable income. As an incentive, an amount corresponding to a maximum of 50 per cent. of the amount of subsidies received is attributable to the net profit of the Issuer with a minimum of €0 and a maximum of €1 million.

- Discretionary: On an annual basis, the CREG stipulates the objectives for this section. The incentive could positively influence the Issuer's net profit (pre-tax) by an amount ranging between €0 and €2 million.

Settlement of deviations from budgeted values

The actual volumes of electricity transmitted may differ from the forecasted volumes. If the transmitted volumes are higher (or lower) than those forecasted, the deviation is booked to an accrual account during the year in which it occurs and such deviation from budgeted values creates a so-called 'regulatory debt' (or a 'regulatory receivable'). The same mechanism applies to non-controllable elements. The regulatory framework provides that, at the end of the regulatory period, the above mentioned deviations are taken into account by the Issuer as part of the budgeted amounts for setting the tariffs for the next regulatory period.

Cost and revenue allocation between regulated and non-regulated activities

- The tariff methodology applicable from 2016 to 2019 describes a mechanism with regard to the development of new activities by the Issuer outside the Belgian regulated perimeter and how the Issuer is remunerated for these activities in the future, if applicable. This agreement sets out: a mechanism 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; and

- a mechanism to ensure that the impact of financial participations in other companies not considered as part of the RAB by the CREG (such as, participations in regulated or non-regulated activities outside of Belgium, including the participation in 50Hertz and EGI) are neutral for the Belgian tariffs. All costs and all revenues related to these activities should be borne by the Issuer.

3.4.4 New tariff methodology applicable for the period 2020-2023

On 28 June 2018, the CREG issued a decision fixing the tariff methodology applicable for the period 2020-2023 for the electricity transmission grid and the electricity grids which have a transmission function. This methodology is the general framework on which transmission tariffs will be set for these four years. The Issuer will prepare the tariff proposal for the regulatory period commencing on 1 January 2020 during the course of 2019 and the CREG will then approve the tariffs applicable for the period 2020-2023.

The future methodology remains ‘service driven' and is largely determined by a 'fair remuneration' mechanism combined with certain 'incentive components'.

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

Once approved, tariffs are published and are non-negotiable between individual customers and the Issuer. If the applicable tariffs are, however, no longer proportionate due to changed circumstances, the CREG may require the Issuer to, or the Issuer may at its own initiative, submit an updated tariff proposal for approval to the CREG.

(a) **Parameters for the determination of the tariffs**

The different drivers for tariff setting are similar to those stipulated in the tariff methodology applicable for the period 2016-2019 and will be determined based on the following key parameters: (i) fair remuneration, (ii) '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 and revenues subject to an incentive mechanism under special conditions), (v) 'incentive components' and (vi) the settlement of deviations from budgeted values.

Although the drivers are similar, the definition, the calculation and the remuneration of the underlying elements has been modified. The most important changes are: (i) changes in the formula for fair remuneration, (ii) the replacement of some incentives with new incentives, (iii) changes in the setting, the calculation and the remuneration of incentives that are currently applicable for the tariff period 2016-2019 and (iv) the modification of the cost allocation mechanism for non-regulated activities. The changes to the tariff methodology applicable for the period 2016-2019 are presented using underlined text.

Fair remuneration

As of 1 January 2020, the formula will remain the same as the one in the current methodology except for the level of leverage and the OLO: (i) the level of leverage is currently set at 33 per cent. and, as of 2020, it will be 40 per cent. and (ii) the OLO will no longer be the average of the year, but will be set at 2.4 per cent. for the period 2020-2023.

The formula for the calculation of fair remuneration has been defined as follows:

A: [40 per cent. x average RAB x [(1 + α) x [(OLO (n)+(beta x risk premium)]]]

plus

B: [(S – 40 per cent.) x average RAB x (OLO (n) + 70 base points)]

for which:

- 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; and
- the other elements have not changed; we refer to the definitions above (see Section 3.4.3 "*Tariffs applicable for the tariff period 2016-2019*" in "*Description of the Issuer*").

Non-controllable elements

There will be no changes compared to the current tariff methodology. It is important to mention that the financial costs related to indebtedness due to regulatory needs in Belgium remains a non-controllable cost and that the embedded debt principle has been confirmed.

Controllable elements

There will be no changes compared to the current tariff methodology.

Influenceable costs

The remuneration for the Issuer will be changed compared to the current tariff methodology and this element will no longer generate a loss for the Issuer.

The reservation costs for ancillary services, except for black-start, will be qualified as 'influenceable costs', meaning that budget overruns or efficiency gains will create a negative or 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.

Incentive on strategic investment projects ('mark-up on investments')

This incentive will be suspended for the new tariff period 2020-2023, as the planned investments for the period 2020-2023 will be related more to maintain and redeploy.

Other Incentive components

- Market integration: This incentive will remain the same except for a new component being added and the remuneration for the Issuer changing. This incentive consists of (i) the enhancement of import capacity, (ii) the timely commissioning of investment projects contributing to market integration and (iii) financial participations. Elements (i) and (ii) can only influence the net profit of the Issuer positively as the mechanism predefines a floor and a cap for each incentive as follows: for (i), €0 to €16 million, and for (ii), 0€ to €7 million. 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).

- Investment programme: This incentive will be cancelled.

- Network availability: This incentive will be broadened. The benefits for the Issuer will be 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 €4.8 million, (ii) in case that the availability of the Modular Offshore grid is in line with the level set by the CREG, the incentive can contribute to the Issuer's profit from €0 to €2.53 million and (iii) the Issuer could benefit from €0 to €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 will be changed and will cover (i) the realisation of innovative projects which could contribute to the Issuer's remuneration for €0 to €3.7 million (pre-tax) and (ii) the subsidies granted on innovative projects could impact the Issuer's profit with a maximum of €0 to €1 million (pre-tax).

- Quality of customer related services: This incentive will be 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 €0 to €1.35 million, (ii) the level of client satisfaction for the full client base which ould contribute with €0 to €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 €0 to € 5 million (amounts are pre-tax).

- Enhancement of balance system: This will be a new incentive which is project driven and, in case the Issuer realises the projects as set by the CREG, the Issuer can be remunerated with €0 to €2.5 million (pre-tax).

- Discretionary: this incentive will be cancelled in the new tariff methodology

Settlement of deviations from budgeted values

There will be no changes compared to the current tariff methodology.

Cost and revenue allocation between regulated and non-regulated activities

- The general principles will remain unchanged and a mechanism will be defined 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, such as financial participations in companies not considered part of the RAB and, thus, not under the regulatory control of the CREG (such as participations in regulated or non-regulated activities outside of Belgium, including the participation in 50Hertz and EGI).

- A mechanism will be set up to guarantee that all costs and revenues related to these activities will be borne by the Issuer. A new compensation mechanism related to the regulated business will be introduced, stipulating that the financing of investments in non-regulated activities will be valorised by taking into account conditions that are equivalent to a financing via 100

per cent. equity from regulated activities (see also Section 9.2 "*Legal proceedings brought by the Issuer*").

3.5 Regulatory framework for the Modular Offshore Grid

The CREG is currently in the process of amending the existing tariff methodology to create specific rules applicable to the investment in the Modular Offshore Grid. A formal consultation took place in the first weeks of 2018 between the CREG and the Issuer and the CREG will make a decision later this year about the new parameters to be introduced in the tariff methodology. The main features are (i) a specific premium risk to be applied to this investment, (ii) depreciation rate applicable to the MOG assets, (iii) certain costs specific to the MOG will bear another qualification compared to the costs for onshore activities, (iv) the setting of the level of the costs will be defined based on the characteristics of the MOG assets and finally (v) dedicated incentives relative to management and operation of the offshore assets.

3.6 Regulatory framework for interconnector Nemo

- A specific regulatory framework will be applicable to the Nemo Link interconnector (see Section 6.1.5) from the date of operation. The framework is part of the new 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) will determine the levels of the cap and floor ex-ante and these will remain largely fixed for the duration of the regime. Consequently, investors will have certainty about the regulatory framework during the lifetime of the interconnector.

- Once the interconnector becomes operational, the cap and floor regime will start. 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 would be returned to the TSO in the UK National Electricity Transmission System Operator ("**NETSO**") and to the TSO in Belgium (the Issuer) on a 50/50 basis. The TSOs would then reduce the network charges for network users in their respective countries. If revenue falls below the floor then the interconnector owners would be compensated by the TSOs. The TSOs will in turn recover the costs through network charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, 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 are set at the start of the regime and remain fixed in real terms for 25 years from

[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.

	the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark will be 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.
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 will be decided when final project costs are known and will then be set for the length of the regime.

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 2016 for a four-year period from 2016 to (and including) 2019 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 3.4.3 "*Tariffs applicable for the tariff period 2016-2019*" 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.

- Creating 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 became the fourth largest TSO in Europe (in terms of regulated asset base). This position gives the Issuer the critical mass to play a leading role in reshaping the electricity market. In addition, 50Hertz offers complementary knowledge 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 2001, its activities started in 1937. Together with 50Hertz, Elia employs around 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 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. 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.

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.

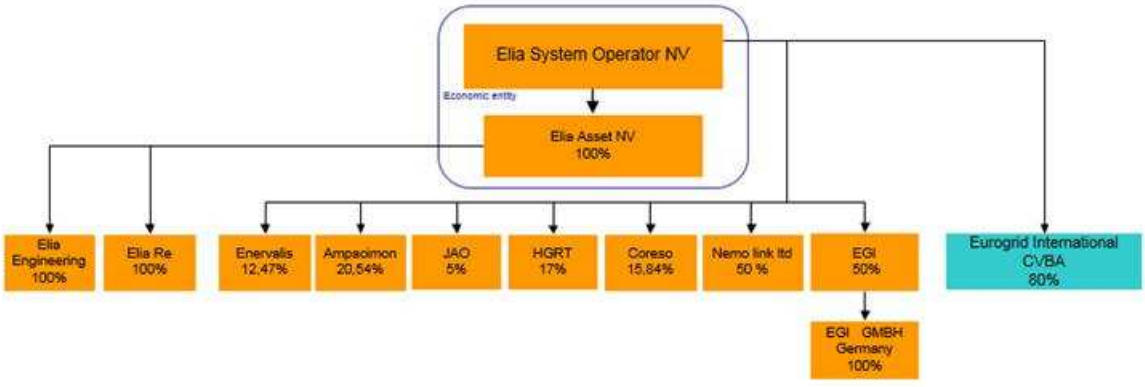
- **Align the culture with the strategy**: to implement its ambitious strategic priorities and targets, Elia needs an aligned company culture. This means evolving even more towards a high performing organisation by stimulating entrepreneurship and initiative-taking, and promoting a performance culture. 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 Group structure related to the role as TSO in Belgium

The Issuer is the parent company of the Group. The following diagram depicts, in simplified form, the organisational structure of the Group, including minority participations, as at the date of this Prospectus:



The subsidiaries which the Issuer controls ("control" as defined in International Financial Reporting Standard 10 for consolidated financial statements as issued by the IASB (International Accounting Standards Board) in May 2011 and as amended from time to time) are Elia Asset, Elia Engineering, Elia Re, EGI and Eurogrid Int. (post-acquisition of the 20 per cent. stake).

6.1.1 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.

6.1.2 Elia Engineering

The Issuer, mainly through Elia Asset, acquired all shares in Elia Engineering on 26 December 2003. 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.

6.1.3 Elia RE

Following the events of 11 September 2001 in the USA, the Issuer's insurance policy covering the overhead network was terminated and the insurance premium relating to Elia's network related assets coverage was significantly increased. The Issuer also faced market rates for insurance against industrial risks which it deemed unacceptable. As a response to these developments, the Issuer 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 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.

6.1.4 Elia Grid International SA/NV

EGI was incorporated on 28 March 2014 by the Issuer and 50Hertz Transmission GmbH. Since 13 May 2014, the Issuer has directly owned 50.0016 per cent. and 50Hertz Transmission GmbH owns the remaining 49.9984 per cent. EGI offers supporting services and advice related to the electricity grid in Belgium and abroad and such supporting services and advice are considered to be non-regulated activities. Since 6 April 2015, EGI has had a branch in Dubai.

6.1.5 Nemo Link

The Issuer 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. When completed, the high-voltage direct current ("**HVDC**") interconnector will provide 1,000 MW of capacity. The

link will run 140 kilometres between Richborough on the Kent coast and Herdersbrug near Zeebrugge, using both subsea and subsoil cables, and a converter station on both sides to turn direct into alternating current for feeding it into the Grid. Electricity will flow in both directions between the two countries. Manufacturing and site construction began in 2016 and the link is planned to be ready for commercial operations in the first quarter of 2019. Nemo also received its UK regulatory licence at the end of 2016.

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. On 31 December 2017, the Issuer paid €92.5 million for its share of the capital. The Board of Directors of the Issuer approved a maximum participation in the project of €365 million. The portion equity and debt contribution for the whole period of the project is still to be defined.

6.1.6 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.

6.1.7 Enervalis

In 2017, Elia acquired a minority stake of 12.46 per cent. in the start-up Enervalis. This reflects Elia'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 paid a consideration of €0.7 million to acquire this minority stake.

6.1.8 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 holding 5 per cent. and other TSOs holding the remainder: 50Hertz , Admie, Amprion, APG, ČEPS, CREOS, ELES, EnerginetDK, HOPS, MAVIR, PSE, RTE, SEPS, Statnett, Swissgrid, TenneT, Terna and TransnetBW. The Issuer holds directly 5 per cent. of the shares in JAO.

6.1.9 Coreso

The establishment of Coreso in 2008 by Elia, 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.

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

6.1.10 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.

6.2 Eurogrid International and Affiliates

Since 2010, the Issuer has owned 60 per cent. of Eurogrid Int. and the stake was consolidated as equity-accounted investee. On 22 March 2018, Elia decided to exercise its pre-emption right after the Australian infrastructure fund IFM Investors ("**IFM**") provided notice on 2 February 2018 of its intention to sell half of its 40 per cent. stake in Eurogrid to a third party investor. Following the Transaction, which was completed on 26 April 2018, Elia owns 80 per cent. of Eurogrid and IFM owns the remaining 20 per cent., resulting in full control for Elia. The financial statements of Elia, as approved by the Board of Directors on 22 March

2018, are drafted using the equity method for its 60 per cent. stake in Eurogrid Int. The pro-forma financial information (see Section "*Unaudited Pro Forma Financial Information*") is drafted as if the Issuer has the 80 per cent. stake in Eurogrid Int. and are fully consolidated (as defined in International Financial Reporting Standard 10 for consolidated financial statements as issued by the IASB (International Accounting Standards Board) in May 2011 and as amended from time to time).

On 25 May 2018, the Issuer received a notification from IFM of its intention to sell its remaining 20 per cent. share in Eurogrid. On 26 July 2018, the Issuer decided to exercise its pre-emption right and the 20 per cent. stake was immediately sold to the state-owned German investment bank Kreditanstalt für Wiederaufbau (*Anstalt des öffentlichen Rechts*) ("**KfW**") under the same financial conditions. As such, no costs and no risks were incurred by the Issuer with respect to this transaction, which also resulted in a situation which was fully neutral in relation to the Issuer's rating. The Issuer will maintain its full control of Eurogrid through its 80 per cent. stake, as KfW's 20 per cent. stake does not amount to a blocking minority.

KfW is one of the world's leading promotional banks. With its decades of experience, KfW is committed to improving economic, social and ecological living conditions across the globe on behalf of the Federal Republic of Germany and the federal states.

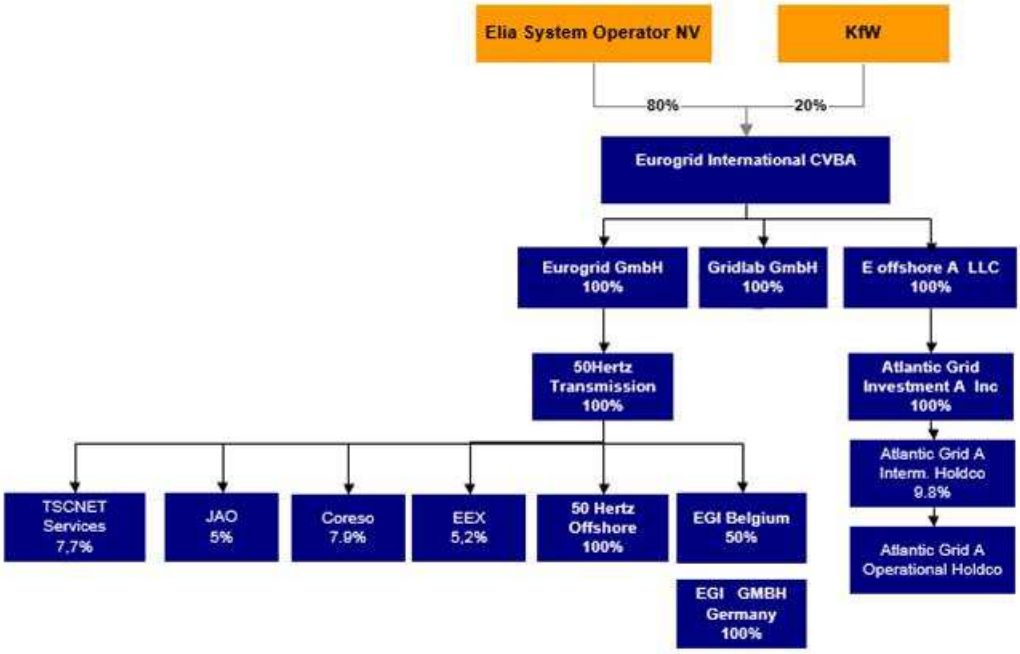
6.2.1 General

Following the Transactions described in Section 6.2 "*Eurogrid International and Affiliates*" above, the Issuer owns 80 per cent. of the shares in Eurogrid Int. and 20 per cent. is owned by KfW. Eurogrid Int. owns a 100 per cent. stake in Eurogrid GmbH (Eurogrid) which holds 100 per cent. of the shares in 50Hertz and its affiliates and subsidiaries.

Eurogrid is also the holding company, owning 100 per cent. of 50Hertz since 2010, and manages and organises the financing structures need by 50Hertz and its affiliates.

Since the acquisition of 50Hertz in 2010, Eurogrid Int. founded GridLab GmbH ("**GridLab**") and acquired a stake in the AWC project.

The following diagram depicts, in simplified form, the shareholder structure (post acquisition) and the organisational structure of Eurogrid Int. and its subsidiaries, including minority participations, as at the date of this Prospectus:



Eurogrid GmbH

Eurogrid GmbH is a holding company and, as such, its principal asset is its investment in 50Hertz and its subsidiaries and is responsible for the structuring of the financing and liquidity needs for its affiliates. The relevant financing and liquidity instruments are provided without any guarantee from either Eurogrid Int. or the Issuer.

(a) **Ratings**

As of the date of this Prospectus, Moody's Investor Services has assigned a long-term credit rating of Baa1 (stable outlook) to Eurogrid GmbH.

A credit rating assesses the creditworthiness of an entity and informs an investor of the probability of such entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

(b) **Description of other indebtedness**

The long term financing of Eurogrid GmbH is structured through a range of financial instruments: mainly institutional bonds issued with different maturities.

The following table includes, at the dates indicated, the loans and debt instruments of Eurogrid GmbH (figures as at 31 December 2017):

(in million EUR)	**Maturity**	**Amount**	**Face value**
Bond as part of Euro Medium Term Note program 2010 / 10 years	2020	498,7	500,0
Bond as part of Debt Issuance Programme 2015 / 10 years	2025	497,2	500,0
Bond as part of Debt Issuance Programme 2015 / 8 years	2023	748,1	750,0
Bond as part of Debt Issuance Programme 2015 / 15 years	2030	139,0	140,0
Bond as part of Debt Issuance Programme 2016 / 12 years	2028	746,4	750,0

Registered bond 2014 / 30 years	2044	50,0	50,0
Total		**2.679,4**	**2.690,0**

Information concerning the contractual maturities of Eurogrid GmbH's interest-bearing loans and borrowings (current and non-current) is set out in the table below (figures as at 31 December 2017).

(in million EUR)	**Expected cash flow**	**Less than 1 year**	**1 - 2 years**	**3 - 5 years**	**More than 5 years**
Unsecured bonds	3,108.2	57.3	57.4	633.3	2,360.2
Unsecured bank loans and other loans	164.9	2.0	2.0	5.5	155.4
Total	**3,273.1**	**59.3**	**59.4**	**638.8**	**2,515.6**

Credit facilities, including the amounts used and unused

Short term financing needs or potential refinancing issues of Eurogrid GmbH are covered through the following range of confirmed credit facilities agreed with different banks on a bilateral basis.

(in million EUR)	**Maturity**	**Available amount**	**Amount used**	**Amount not used**
Confirmed credit line	24/03/2022	750,0	0,0	750,0
Confirmed credit line	unlimited	150,0	0,0	150,0
Confirmed credit line	14/12/2026	150,0	150,0	0,0
Total		**1.050,0**	**150,0**	**900,0**

6.2.2 Business overview of 50Hertz

(a) **50Hertz – Transmission GmbH – Transmission System Operator in Germany**

50Hertz is one of four TSOs in Germany. 50Hertz has the same core business as Elia as it owns, operates, maintains and develops a 380kV - 220kV transmission network in an area covering the five former Eastern German states of Thuringia, Saxony, Saxony-Anhalt, Brandenburg and Mecklenburg-Western Pomerania as well as Berlin and Hamburg. 50Hertz's control area covers approximately 109,000 km² with more than 18 million inhabitants and companies contributing approximately 20 per cent. of Germany's gross domestic product. 50Hertz is the second largest TSO in Germany after TenneT TSO GmbH ("**TenneT**") in terms of total control area and has the youngest asset base among the German TSOs. In addition, 50Hertz's network is situated uniquely at the crossroads between the West and North Eastern European electricity markets due to the central location of its very-high-voltage network between Scandinavia, Poland, the Czech Republic and Central Western Europe.

50Hertz's most important projects at present are the South-East Link ("*SuedOstLink*", the direct current connection between Saxony-Anhalt and Bavaria), reinforcing the grid for the "Nordring Berlin" ("*380 kV Nordring Berlin*"), the Uckermark Line ("*Uckermarkleitung*"), the 380-kV Berlin diagonal power link ("*380 kV Kabeldiagonale Berlin*"), the Kriegers Flak combined grid solution (in the offshore area) and erecting the phase shifter transformers in Vierraden and Röhrsdorf

50Hertz's location within Europe and Germany is shown below:

Under the German legal and regulatory framework, 50Hertz performs the following services:

- operates a safe, reliable and efficient transmission grid on a non-discriminatory basis: 50Hertz has to operate, maintain and develop its grid meeting the demands of its customers to the extent this is economically reasonable. In particular, the TSOs have to contribute to security of supply by providing appropriate transmission capacity and system reliability;

- provides grid connection and transport electricity through the high voltage grid: 50Hertz is obligated to provide physical connection to its grid to final customers, level or downstream electricity supply grids and lines, as well as generation facilities (whose statutory priority feed-in might have to be considered in case of congestions) subject to technical and economic conditions that are appropriate, non-discriminatory, and transparent. In addition, and in accordance with regulated third party access ("**TPA**") rules, 50Hertz must also grant TPA to their grid on an economically reasonable, non-discriminatory and transparent basis;

- provides preferential grid connection to, and feed-in electricity produced from, renewable energy sources: with regards to electricity generated from renewable energy facilities, TSOs in Germany are under the obligation to optimise, amplify and expand their grid and, as far as economically reasonable, to ensure the purchase, transmission and distribution of such electricity.

Accordingly, 50Hertz is obligated to connect, without undue delay, all renewable energy facilities in its control area to its transmission grid. Any delay in such connections may result in 50Hertz being subjected to damages claims. In particular, 50Hertz is obligated to construct connections to all offshore wind farms in its control area under the further prerequisites of the EnWG and to share the costs incurred with the other German TSOs;

- provides system services: 50Hertz has the responsibility to maintain a secure and reliable energy supply system. The development of the German electricity market in recent years has led to a disproportionate share of energy being consumed in the southern and western parts of Germany, whereas the majority of the renewable energy generation is expected to be located in the northern and eastern parts of Germany. Taking into account these regional differences in the generation of renewable energy and fluctuating feed-in from renewable energy facilities, 50Hertz is focused on maintaining a system balance between generation and consumption at all times. In order to continuously balance demand and supply of electricity, 50Hertz primarily relies on the use of different types of control power (primary, secondary and tertiary control power). In addition, 50Hertz conducts congestion management measures when required and manages grid losses in its transmission system by procuring energy; and

- manages cross-border connections: 50Hertz operates a number of cross-border interconnections to Poland, Denmark and the Czech Republic. Their management involves non-discriminatory and transparent transfer capacity allocation mechanisms under pertinent European legislation and under the EnWG.

(b) **50Hertz Offshore GmbH**

50Hertz Offshore was formed to facilitate the connection of offshore wind farms to the 50Hertz control area and to provide for a transparent accounting of the costs and capital employed. 50Hertz Offshore is expected to incur all the capital expenditure and other related costs related to these offshore connections.

In accordance with the EnWG, 50Hertz is obliged to construct the grid connections to offshore clusters foreseen in the Offshore Grid Development Plan ("**O-NEP**") once the latter has been approved by the BNetzA, connect wind farms to which the BNetzA has assigned capacity on the grid connection and operate the connection assets after commissioning. Furthermore, section 17d of the EnWG requires the German TSOs to share the costs of constructing and operating the grid connections to the offshore wind farms, based on the electricity supply volume in their respective control areas.

By way of a framework agreement signed in November 2008 between 50Hertz and 50Hertz Offshore, 50Hertz has delegated its obligation to construct and operate the grid connections to the offshore clusters and wind farms to 50Hertz Offshore, granting at the same time the right of being reimbursed for all respective costs.

50Hertz Offshore currently has no employees and instead relies on services provided by 50Hertz pursuant to service contracts.

Important investment needs of 50Hertz Offshore are primarily triggered by the procurement and installation of sea and land cables and other electrical equipment to connect offshore wind farms. The first commercial offshore wind farm in the Baltic Sea (Baltic 1) was connected to 50Hertz's transmission grid in 2011. A second grid connection (Baltic 2) was finalised in 2015; a new offshore cluster connection (*Cluster Westlich Adlergrund*) was approved by the BNetzA in the O-NEP in 2013, with a further approval in 2015, and capacity on the three already ordered cables (out of six officially approved cables) has been allocated to two wind farms (*Wikinger and Arkona-Becken Südost*); several additional offshore projects are foreseen by 50Hertz Offshore. The size of the offshore investment portfolio may fluctuate considerably over the coming years depending, in particular, on the outcome of the tenders according to the specifications of the WindSeeG, that include a quota system in favour of projects in the Baltic Sea in the amount of 500 MW for the period up to 2021. Furthermore, it depends on the contents of the future Area Development Plan (FEP) that shall determine a "balanced distribution of projects between North and Baltic Sea" for the period after 2025. P.

Based on German law, 50Hertz and 50Hertz Offshore may be subject to claims for damages in case of a culpable delay of grid connections or for interruption of their respective operation. See the Risk Factor entitled "*Liabilities arising from the offshore regime may have a negative impact on the Issuer – Germany*".

6.2.3 Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are (i) the BNetza in Bonn for network systems to which 100,000 or more network users are directly or indirectly connected and (ii) the specific regulatory authorities in the respective federal states for network systems to which less than 100,000 network users are directly or indirectly connected. The regulatory agencies are, inter alia, in charge of ensuring non-discriminatory third-party access to networks and monitoring the tariffs levied by the TSOs. 50Hertz and 50Hertz Offshore are subject to the authority of the BNetzA.

6.2.4 Tariff setting in Germany

The tariff regulation mechanism in Germany is determined by the EnWG, the Ordinance on Electricity Network User Charges (the *Stromnetzentgeltverordnung* or the "**StromNEV**") and by the Ordinance on Incentive Regulation 2007 (*Verordnung über die Anreizregulierung der Energieversorungsnetze* (the *Anreizregulierungsverordnung* or the "**ARegV**"). The grid tariffs are calculated based on the revenue cap (Section 17 of the ARegV). The revenue cap is determined by the BNetzA for each TSO and for each regulatory period. The revenue cap can be adjusted to account for specific cases provided for in the ARegV. The network operators are not allowed to retain revenue in excess of their individually determined revenue cap. If network operators nevertheless retain revenues in excess of their individually determined revenue cap a compensation mechanism applies that leads to the reduction of future tariffs (Section 5 of the ARegV). Each regulatory period lasts five years, and the second regulatory period started on 1 January 2014 and will end

on 31 December 2018. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under specific circumstances that are accounted for in the relevant laws) are allowed to agree to individual tariffs according to Section 19 of the StromNEV (for example, in the case of sole use of a network asset).

For the purposes of the revenue cap, the costs incurred by a network operator are classified into two categories as follows:

- permanently non-influenceable costs ("**PNICs**"): these costs are generally direct pass through costs to customers and are recovered in full, albeit with a two year time lag, unless stated otherwise. The cost items recognised as PNICs are defined in the ARegV and include a selected number of allowed cost items, such as worker council costs, operational taxes and cross-border transmission capacity auction revenues. In addition, the capital investments that have been allowed in the investment measures ("**IMs**") are also considered as PNICs until certain conditions are fulfilled and the investments become a part of the regulated asset base. These costs are passed through without time lag. The allowance for IMs within PNICs includes remuneration for return on equity (based on a cap of 40 per cent.), cost of debt (also subject to a cap), depreciation, imputed trade tax and operational expenditure (currently at a fixed rate of 0.8 per cent. of the capitalised investment costs of the respective recognised onshore investments or 3.4 per cent. for offshore connection investments, the latter value currently under re-assessment by the BNetzA which could end-up in a lower value). All OPEX and CAPEX related to an approved IM which are reimbursed via the grid tariffs during the last three years of the approval phase for the respective IM will be deducted from the revenue cap distributed over a 20-year period, according to the BNetzA starting after the approval phase and with the roll-over of the investment in the regulated asset base (so called claw back). Furthermore, the costs relating to control power, grid losses and redispatch as well as costs from European initiatives are also considered as PNIC based on a procedural regulation mechanism.

- temporarily non-influenceable costs ("**TNICs**") and influenceable costs ("**ICs**"): TNICs and ICs are all costs that do not classify as PNICs, for example, maintenance costs. TNICs are all respective costs which are deemed fully efficient. They are included in the revenue cap, taking into account an annual adjustment for inflation and a general productivity factor for the industry (currently 1.5 per cent. per annum in the second regulatory period). The ICs are also included in the revenue cap. The ICs are annually adjusted with regard to inflation and a general productivity factor, but in addition, ICs are also subject to an individual efficiency factor (with 50Hertz being deemed 100 per cent. efficient for the second regulatory period there are no ICs, no inefficient costs). The efficiency factor provides an incentive to the TSO to reduce or eliminate the inefficient costs over the course of the regulatory period. If a grid operator is deemed 100 per cent. efficient the full respective cost volume is allocated to TNICs, thus the cost basis (excluding PNICs) is only adjusted with regard to inflation by a general inflation factor computed based on a statutorily fixed formula. In addition, the current incentive mechanism provides for the use of a quality

factor which could also be applied vis-à-vis the TSOs but the criteria and implementation mechanism for such a quality factor for TSOs is yet to be established by the BNetzA. Both TNICs and ICs include the capital costs (i.e. remuneration for return on equity (based on a cap of 40 per cent.), cost of debt (also subject to a cap), depreciation and imputed trade tax for assets which are included in the base year and do not qualify as PNICs).

With regard to return on capital, the BNetzA provides separate revenue allowances for the return on equity and cost of debt. For the allowed return on equity, which is included in the TNICs/ICs for assets belonging to the regulatory asset base and the PNICs for assets approved in IMs, the return on equity for the second regulatory period is set at 7.14 per cent. (for investments made before 2006) and 9.05 per cent. (for investments made since 2006), based on 40 per cent. of the total asset value regarded as "financed by equity" with the remainder of the investment treated as "quasi-debt". The return on equity is calculated before corporate tax and after imputed trade tax. Post tax, this return on equity for second regulatory period would result in a rate of 5.83 per cent. (for investments made before 2006) and 7.39 per cent. (for investments made since 2006). The return on equity rates is re-determined by the BNetzA for every regulatory period. For the third regulatory period from 2019 onwards, the return on equity rates were significantly decreased by the BNetzA in 2016 down to 5.12 per cent. (for investments before 2006) and 6.91 per cent. (for investments made since 2006) (both values before corporate tax and after imputed trade tax). With respect to the cost of debt, the allowed cost of debt related to TNICs/ICs is capped if it cannot be proven as being in line with the market (marktkonform). The allowed cost of debt related to PNICs incurred by approved investment measures is capped at the lower of the actual cost of debt or cost of debt as calculated in accordance with a BNetzA determination - unless exceeding cost of debt is proven as being in line with the market.

In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG, CHP/KWKG, offshore obligations and other obligations like the individual grid tariffs mechanism according to the StromNEV and the Regulation on agreements on interruptible loads (the Verordnung zu abschaltbaren Lasten or the "**AblaV**") subject to surcharges.

6.2.5 Other investments

- 50Hertz owns 49.99 per cent. of the shares of EGI (see Section 6.1.4 "*Elia Grid International SA/NV*").
- 50Hertz has a direct stake of 5 per cent. in JAO (see Section 6.1.8 "*JAO*").
- 50Hertz has a direct stake of 7.9 per cent in Coreso (see Section 6.1.9 "*Coreso*")
- 50Hertz Transmission GmbH acquired a share of 7.7 per cent of the newly incorporated company TSCNET Services GmbH for a total amount of €0.1 million. TSCNET Services GmbH was registered on 10 November 2014, one year after opening the TSC TSOs – Joint Office. Since 2013, experts dispatched from TSC member TSOs work in Munich day and night (24/7), providing tailor-made coordination services for operational planning, forecast data merging, congestion assessment and capacity calculation for

the control centres of TSOs in continental Europe using the common IT platform CTDS. Its member TSOs are 50Hertz (Germany), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), ELES (Slovenia), Energinet.dk (Denmark), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), Swissgrid (Switzerland), TenneT TSO (Germany), TenneT TSO (the Netherlands) and TransnetBW (Germany).

- EEX: in 2017, 50Hertz decreased its stake in the European Energy Exchange ("**EEX**") from 8.6 per cent to 5.2 per cent. EEX develops, operates and connects secure, liquid and transparent energy markets. EEX holds 50 per cent. of the shares in EPEX SPOT SE, which operates the Spot Market for Power for Germany, France, Austria and Switzerland. The German and French Derivatives Market for Power is concentrated within EEX Power Derivatives GmbH, a majority-owned subsidiary of EEX with registered offices in Leipzig. Furthermore, EEX offers spot and derivatives trading in natural gas and CO2 emission allowances, as well as trading in financial coal futures. EEX Group also includes European Commodity Clearing AG ("**ECC**"), the central clearing house for energy and related products in Europe.

6.2.6 GridLab

Since 2008, 50Hertz and the Brandenburg University of Technology in Cottbus worked together on the establishment of a simulator for the energy grid. In December 2010, the training simulator was relocated to GridLab.

GridLab is a wholly owned subsidiary of Eurogrid International. Its objective is to become the European training and research centre for system security of electric grids.

6.2.7 Atlantic Wind Connection project (E-Offshore and its Affiliates)

In mid-July 2011, Eurogrid International acquired, through E-Offshore (which was established in 2011 and is 100 per cent. owned by Eurogrid International), an interest in the Atlantic Wind Connection by purchasing a minority interest from Atlantic Grid Investments.

The goal of the project is the development of a high-voltage direct current ("**HVDC**") offshore backbone, which will interconnect the States of New Jersey, Delaware, Maryland and Virginia and enable the integration of up to 6,000 MW of offshore wind generation. This offshore backbone will enable the integration of around 12 offshore wind parks into the PJM (a regional transmission organisation (RTO)). The first phase of the project which is currently in development is the New Jersey Energy Link which will enable the integration of up to 3,000 GW of offshore wind generation.

Through Eurogrid International (a holding company in which the Issuer holds an 80 per cent. stake), the Elia Group has acquired a strategic minority shareholding of 5.9 per cent. in the first segment. The other investors in the project are Google, Marubeni, Bregal Energy and Atlantic Grid Investment.

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 Corporate Governance Decree and the Articles of Association. The Issuer is also subject to the Belgium Company Code.

The Corporate Governance Decree[2] 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 Prospectus, 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 2017
Bernard Gustin	Independent Director and Chairman	2023	Member of the Strategic Committee	Chief Executive Officer and Chairman of the Management Board of Brussels Airlines NV, Member of the 'Chief Executive Board' of Star Alliance, Member of Presidents' Committee of Association of European Airlines VZW, Director of European Sports Academy VZW, Director of BECI and Member of the Advisory Board of Médecins Sans Frontière VZW.

[2] The Royal Decree of 3 May 1999 "*relatif à la gestion du réseau national de transport d'électricité/betreffende het beheer van het national 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 2017
Claude Grégoire	Non-independent Director and Vice Chairman	2023	Member of the Remuneration Committee and Member of the Strategic Committee	Managing Director of Socofe NV; Director of Publi-T CVBA; Vice-Chairman of the Board of Directors of PUBLIGAZ CVBA, Vice-Chairman of the Board of Directors of Fluxys Belgium NV; Director of Fluxys NV, Director of SRIW Environnement SA, Director of BE.FIN SA, Vice-Chairman of the Board of Directors of - as permanent representative of Socofe NV - of SPGE NV, Director - as permanent representative of Socofe NV - of START-UP Invest SA, Director of FILTERRES 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 and Director of SEREL Industrie SA.
Geert Versnick	Non-independent Director and Vice Chairman	2020	Member of the Audit Committee and Member of the Strategic Committee	Member of the Federal and Flemish Bureau of Intermixt Instelling van Openbaar Nut, Chairman of the Board of Directors of Publi-T CVBA, Chairman of the Board of Directors of Infohos CVBA, Chairman of the Board of Directors of Synductis CVBA, Manager of Flemco BVBA and Director of Farys CVBA.
Michel Allé	Independent	2022	Chairman of the Audit	Director (as permanent representative of GEMA

Name	Position	Expiry of mandate (after annual general shareholders' meeting)	Board committee membership	Principal outside interests as at 31 December 2017
	Director		Committee	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 of DIM3 SA, Director of Solvay Executive Education ASBL, Director of Solvay Executive Education Vietnam ASBL and Managing Director of CEPACASBL.
Luc De Temmerman	Independent Director	2020	Member of the Audit Committee and Chairman of the Remuneration Committee	Manager of InDeBom Strategies Comm.V., Director of ChemicaInvest Holding BV, Director of Everlam Holding NV and Executive Chairman of Aliancys AG.
Frank Donck	Independent Director	2020	Member of the Corporate Governance Committee and Member of the Audit Committee	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 Group NV, Director of Barco NV, Director of Hof Het Lindeken CVBA, Managing Director of Huon & Kauri NV, Managing Director of Iberanfra Bvba, Managing Director of Ibervest NV, Director of KBC Groep NV, Director of KBC Verzekeringen NV, Chairman of the Board of Directors of Tele Columbus AG, Chairman of the Board of Directors of Ter Wyndt CVBA, Chairman of the Board of Directors of Ter Wyndt NV, Managing Director of Tris NV, Chairman of the Board of Directors of Winge Golf NV, Vice-

Name	Position	Expiry of mandate (after annual general shareholders' meeting)	Board committee membership	Principal outside interests as at 31 December 2017
				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 Vastgoed NV, Director of Bowinvest NV, Director of DragonFly Belgium NV and Director of 3DLand NV.
Cécile Flandre	Non-independent Director	2023	-	Member of the executive committee of Ethias NV, Director of Ethias Patrimoine NV, Director of Ethias Sustainable Investment Fund NV and Director of Ethias Services NV.
Philip Heylen	Non-independent Director	2023	Member of the Corporate Governance Committee	Business Development Manager of Ackermans & Van Haaren, Municipal Councillor and Chair for CD&V Group ('Fractievoorzitter') of Stad Antwerpen, Director of FINEA, Director of ISVAG VZW (Chairman), Director of AMUZ VZW, Director of Kunsthuis Opera Vlaanderen Ballet Vlaanderen VZW and Director of Waterlink.
Luc Hujoel	Non-independent Director	2020	Chairman of the Corporate Governance Committee and Member of the Strategic Committee	General Manager of Sibelga CVBA, General Counsel of Interfin CVBA, Managing Director of Brussels Network Operations CVBA, Director of Atrias CVBA, Director of Fluxys NV, Director of Fluxys Belgium NV, Expert of Publigaz CVBA, Secretary General of Publi-T CVBA, Executive ('Directeur') of IBG CVBA, Executive

Name	Position	Expiry of mandate (after annual general shareholders' meeting)	Board committee membership	Principal outside interests as at 31 December 2017
				('Directeur') of IBE CVBA, Member of CREG, Director of Synergrid VZW, Expert of Intermixt, Director of NRB NV, Managing Director of HBH Consultants SA, Director of CEDEC NV and Director of CIRIEC (Belgium).
Roberte Kesteman	Independent Director	2023	Member of the Audit Committee and Member of the Remuneration Committee	Manager of Symvouli BVBA and Director of Henkel Pension Fund Belgium OFP.
Jane Murphy	Independent Director	2023	Member of the Corporate Governance Committee	Manager of Jane Murphy Avocat SPRL,Director of Ageas NV, Director of Ageas France, Director of the Chamber of Commerce Canada-Belgium-Luxembourg VZW (Vice Chairman) and Director of Puilaetco Dewaay Private Bankers NV.
				Director of Ageas NV, Director of Ageas France, Director of the Chamber of Commerce Canada-Belgium-Luxembourg VZW (Vice Chairman) and Director of Puilaetco Dewaay Private Bankers NV.
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 Touring Club Royal (Belgium) VZW and Director of Club L VZW.
Rudy Provoost	Non-independent Director	2023	Member of the Audit Committee and Chairman of the Strategic	Member of the Supervisory Board and of the Strategic Committee of Randstad Holding NV, Director of Vlerick Business School and

Name	Position	Expiry of mandate (after annual general shareholders' meeting)	Board committee membership	Principal outside interests as at 31 December 2017
			Committee	Manager of Yquity BVBA.
Saskia Van Uffelen	Independent Director	2020	Member of the Remuneration Committee	Chairman of the Board of Directors of Ericsson Luxemburg SA, Managing Director of Ericsson NV (Chairman), Director of Berenschot Belgium NV, Director of Universiteit Antwerpen, Director of AXA Belgium NV, Mandate of the Government at Digital Champion België and Director of BPOST NV.

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

7.1.1 Conflict of interest

As a Belgian listed company, 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 523 of the Belgian Company Code regarding conflicts of interest within the Board of Directors and Article 524 of the Belgian Company 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 523 of the Belgian Company 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 2017.

Article 524ter of the Belgian Company Code provides for a similar procedure as Article 523 of the Belgian Company 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 2017.

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. The Board of Directors has also established a Strategic Committee.

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. At least one member should have the required expertise in the field of accounts and audit.

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.

7.2.4 Strategic Committee

The Strategic 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.

The current members of the Strategic Committee are:

- Rudy Provoost, Chairman;
- Claude Grégoire;
- Bernard Gustin;
- Luc Hujoel; and
- Geert Versnick.

Bernard Gustin is an independent director 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 Officer External Relations
Ilse Tant	Chief Public Acceptance Officer
Patrick De Leener	Chief Customers, Market and System Officer
Catherine Vandenborre	Chief Financial Officer
Peter Michiels	Chief Human Resources & Internal Communication

7.4 Corporate governance

Corporate governance within the Issuer is based on two pillars: on the one hand, the corporate governance rules for companies whose shares are admitted to trading on a regulated market (including the Belgian Corporate Governance Code (the "**CGC**"), which the Issuer has adopted as a benchmark), and on the other hand, the rules provided for by the Electricity Act and the Corporate Governance Decree.

The CGC is based on a "comply or explain" system: Belgian listed companies are requested to comply with the CGC, but may deviate from its provisions and guidelines (though not the principles) provided they disclose the justifications for such deviation.

In accordance with the provisions of the CGC, the Electricity Act and the Corporate Governance Decree, the Board of Directors of the Issuer has approved the latest version of its corporate governance charter on 27 November 2014 (the "**Corporate Governance Charter**"). The Issuer's Board of Directors complies with the CGC, but deviates from it in certain instances in view of the Issuer's particular situation. These deviations include the following:

- Clause III.2.3. of the Corporate Governance Charter: the members of the Board of Directors are appointed for a term of six years. This six-year term deviates from the term of four years recommended by the CGC (provision 4.6, second section CGC), a fact justified by the technical, financial and legal specificities and complexities associated with the tasks of the TSO.

- Clause IV.2.1. of the Corporate Governance Charter: in deviation from provisions 4.2, 4.6 (the first section only) and 5.3 of the CGC, the Issuer does not have a nomination committee that makes recommendations to the Board of Directors regarding the appointment of the non-independent directors. This arrangement is justified by the fact that the Board of Directors constantly seeks consensus, wherever possible. The Corporate Governance Committee acts as a nomination committee for the appointment of the independent directors.

- Clause III and V of the Corporate Governance Charter: in deviation from provision 1.4 CGC, the powers and duties entrusted to the Executive Committee are not included in the terms of reference of the Board of Directors. This is explained by the

fact that these powers and duties are already described in the Electricity Act, the Articles of Association and the terms of reference of the Executive Committee.

7.5 Major shareholders

Based on the transparency notifications received, as at 31 December 2017 the major shareholders of the Issuer are the following:

Shareholders	**Cat. shares**	**Shares**	**% Shares**	**%Voting rights**
Publi –T	B and C	27,383,507	44.96	44.96
Publipart	A	1,526,756	2.51	2.51
Federale Participatie- en Investeringsmaatschappij	B	1,134,760	1.86	1.86
Katoen Natie Group	B	4,231,148	6.95	6.95
Interfin	B	2,598,143	4.27	4.27
Other Free float	B	24,026,705	39.45	39.45
Total Amount of the Shares	A, B and C	60,901,019	100	100

Publi-T CVBA ("**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 30 March 2011, 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 and a shareholders' agreement, Publi-T's shareholding and board representation allows it to block board resolutions and certain shareholders' resolutions.

Publipart NV ("**Publipart**") is a Belgian limited liability company, with its registered office at Rue Royale 55/Koningstraat 55, 1000 Brussels, Belgium (enterprise number 0875.090.844 (Brussels)). According to a transparency notification dated 11 May 2010, Publipart is controlled by Publilec CVBA, a Belgian cooperative company with limited liability, with its registered office at Place Communale, 4100 Seraing, Belgium (enterprise number 0219.808.433 (Liège)), which owns 64.93 per cent. of the shares in Publipart.

According to a transparency notification dated 30 March 2011, Publi-T and Publipart are acting in concert within the meaning of the Belgian law of 2 May 2007 on the disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions (the "**Transparency Act**").

On 29 October 2014, the Issuer received a transparency notification from Katoen Natie Group SA in accordance with the Transparency Act. According to this transparency notification, the participation of Katoen Natie Group SA in the Issuer's shares exceeded the threshold of 5 per cent. Katoen Natie Group SA is a Luxembourg limited liability company, having its registered office at Boulevard Joseph II 15, 1840 Luxembourg, Luxembourg (enterprise number B0110988).

On 29 October 2014, the Issuer further received a transparency notification from the *Federale Participatie- en Investeringsmaatschappij NV* (the "**Federal Holding and Investment Company**") in accordance with the Transparency Act. According to this transparency notification, the participation of the Federal Holding and Investment Company in the Issuer's shares fell below the threshold of 5 per cent. The Federal Holding and Investment Company is a public limited liability company which is fully owned by the Federal Government.

On 9 January 2017, the Issuer received a transparency notification from Publi-T in accordance with the Transparency Act. According to this transparency notification, the participation of Publi-T in the Issuer's shares has decreased under the threshold of 45 per cent. of the Issuer's shares and reached 44.97 per cent. on 22 December 2016. Federal Holding and Investment Company, which is acting in concert with Publi-T, informed Elia on 17 January 2017 that its interest in the Issuer had slightly decreased to 2.02 per cent. on 22 December 2016. The change in ownership is a result of the capital increase reserved for the personnel as at the end of 2016.

As a result of the capital increase in favour of the members of the personnel of the Issuer and its Belgian subsidiaries, as recorded in a notarial deed of 23 March 2017, the Issuer issued 9,861 new shares. On 4 April 2017, the Issuer released the following information in accordance with the Transparency Act: 1,526,756 shares of class A, 32,065,756 shares of class B and 27,308,507 shares of class C. The total number of shares of the Issuer has risen to 60,901,019 in 2017.

7.6 Share capital

The issued share capital (including share premium) of the Issuer (as of 31 December 2017) amounted to €1,529,478,463.72 (fully paid up) and is divided into 60,901,019 shares without nominal value. All shares have identical voting, dividend and liquidation rights, but the class A 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.

The Issuer's shares are listed on Euronext Brussels in the continuous segment (Elia – ISIN: BE0003822393).

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.

The companies in which the Issuer holds a stake as a shareholder manage their financing needs on a decentralised level, without any recourse towards the Issuer. Eurogrid International arranges the financing structures and instruments needed by 50Hertz Transmission GmbH and its affiliates.

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 2017).

	Maturity	Amount	Face value
		(€ million)	
Shareholders Loan	2022	495.8	495.8
Eurobond issues 2004 / 15 years	2019	499.8	500.0
Eurobond issues 2013 / 15 years	2028	547.4	550.0
Eurobond issues 2013 / 20 years	2033	199.4	200.0
Eurobond issues 2014 / 15 years	2029	346.5	350.0
Eurobond issues 2015 / 8.5 years	2024	498.4	500.0
Eurobond issues 2017 / 10 years	2027	247.4	250.0
Total		**2,834.7**	**2,845.8**

The financing of the Transaction was initially organized via a bridge loan for an amount of € 990 million dated 23 March 2018, which was entered into for a period of 12 months. The bridge loan was drawn on 26 April 2018 and was repaid by the Issuer on 5 September 2018. Such repayment was carried out through the issuance of a perpetual hybrid bond for an amount of € 700 million and the issuance of a 10 Year € 300 million senior bond.

The following table includes the instruments of the Issuer issued in September 2018

	Maturity	Amount	Face value
		(€ million)	
Eurobond issues 2018 / 10 years	2028		300.0
Hybrid issues 2018 / perpetual	1st call date 12/2023		700.0
Total			**1,000.0**

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 2017).

	Face value	Less than 1 year	1-2 years	3-5 years	More than 5 years
			(€ million)		
Shareholders Loan	495.8			495.8	
Eurobond issues	2,350.0		0	500.0	1,850.0
Total	**2,845.8**	**0.0**	**0.0**	**995.8**	**1,850.0**

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 in 2019 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 2017).

	Maturity	Available amount	Amount used	Amount not used
		(€ million)		
Confirmed credit line	08/07/2021 + 2 years extension option	650.0	0.0	650.0
European Investment Bank credit facility	14/11/2018	100.0	0.0	100.0
Belgian dematerialised treasury notes	unlimited	350.0	0.0	350.0
Straight Loan EGI	unlimited	2.5	0.0	2.5
Total		**1,102.5**	**0.0**	**1,025.5**

As indicated in the previous section, the Issuer realised the long-term funding of the Transaction on 5 September 2018 by issuing a perpetual hybrid bond of € 700 million and a 10 year € 300 million senior bond of which the proceeds, which was used for the redemption of the bridge loan that was used for the original financing of the Transaction acquisition.

The following table includes, at the dates indicated, the loans and debt instruments of the Issuer (figures as at 31 December 2017 (for the avoidance of any doubt, note that this table therefore does not include the hybrid bond and senior bond mentioned above)

	Maturity	Amount	Face value
		(€ million)	
Shareholders Loan	2022	495.8	495.8
Eurobond issues 2004 / 15 years	2019	499.8	500.0
Eurobond issues 2013 / 15 years	2028	547.4	550.0
Eurobond issues 2013 / 20 years	2033	199.4	200.0
Eurobond issues 2014 / 15 years	2029	346.5	350.0
Eurobond issues 2015 / 8.5 years	2024	498.4	500.0
Eurobond issues 2017 / 10 years	2027	247.4	250.0
Total		**2,834.7**	**2,845.8**

9 Legal and arbitration proceedings of the Issuer

On 31 December 2017, 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 €600,000.

The Issuer has a provision for litigation which, as at 31 December 2017, amounted to €2,222,448.87 (IFRS) and €2,602,427.73 (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;
- 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; and
- 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).

9.2 Legal proceedings brought by the Issuer:

These include:

- judicial review of decisions refusing to issue a building permit or against expropriation decisions;
- claims seeking compensation of repair costs due to the damage caused to underground cables, towers and overhead lines;
- claims contesting taxes imposed on high-voltage pylons by several Belgian municipalities; and
- a request in annulment of art. 30, h) 6) of the tariff methodology for the period 2020-2023, which is related to the new compensation mechanism for the regulated business and stipulates that the financing of non-regulated activities will be valorised by taking into account conditions that are equivalent to a financing via 100 per cent. equity from regulated activities. The said provision (art. 30, h) 6) of the tariff methodology for the period 2020-2023) is unclear and uncertain and could potentially have a negative impact on the profitability of both regulated and non-regulated activities of the Issuer. The Issuer has therefore decided to file a request in annulment before the Market Court (*Marktenhof/Cour des Marchés*) (see Section 3.4.4 "*New tariff methodology applicable for the period 2020-2023 – Cost and revenue allocation between regulated and non-regulated activities*" in "*Description of the Issuer*").

UNAUDITED PRO FORMA FINANCIAL INFORMATION

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

ERNST & YOUNG
REVISEURS D'ENTREPRISES SCCRL
De Kleetlaan 2
B- 1831 Diegem

KPMG
REVISEURS D'ENTREPRISES SCCRL
Luchthaven Brussel Nationaal 1K
B- 1930 Zaventem

The Board of Directors
Elia System Operator SA/NV
Keizerslaan 20
1000 Brussels
Belgium

Report on the Compilation of Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of pro forma financial information (the "Pro Forma Financial Information") of Elia System Operator SA/NV ("Elia" or the "Company"). The Pro Forma Financial Information consists of the pro forma statement of financial position as at 31 December 2017, the pro forma statement of profit or loss for the twelve month period ended 31 December 2017, and related notes as set out on pages 126-137 of the prospectus issued by the Company in relation to its €5,000,000,000 Euro Medium Term Note Programme (the "Prospectus"). The applicable criteria (the "Applicable Criteria") on the basis of which the directors of Elia have compiled the Pro Forma Financial Information are specified in Annex II of the European Commission Regulation No. 809/2004 of 29 April 2004 (the "Prospectus Regulation") and are described in Note 1 'Basis of Preparation' of the Pro Forma Financial Information.

The Pro Forma Financial Information has been compiled by the directors of Elia to illustrate the impact of the acquisition of 20% of the shares of Eurogrid International CVBA (the "Transaction"), set out in section Unaudited Pro Forma Financial Information on pages 126-137 of the Prospectus, on the Company's financial position as at 31 December 2017 and its financial performance for the twelve month period ended 31 December 2017 as if the Transaction had taken place at 1 January 2017. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors of Elia from the Company's consolidated financial statements as at and for the twelve month period ended 31 December 2017, on which an audit report has been published.

Board of Directors' Responsibility for the Pro Forma Financial Information

The board of directors of Elia is responsible for compiling the Pro Forma Financial Information in accordance with Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firms apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Joint Auditors' Responsibilities

Our responsibility is to express an opinion, as required by item 7 of Annex 1 of the Prospectus Regulation, about whether the Pro Forma Financial Information has been compiled, in all material respects, by the board of directors of Elia, on the basis of the Applicable Criteria, and whether that basis is consistent with the accounting policies of the Company.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the joint auditors plan and perform procedures to obtain reasonable assurance about whether the directors have compiled, in all material respects, the Pro Forma Financial Information on the basis of the Applicable Criteria, and that such basis is consistent with the accounting policies of the Company.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria and that such basis is consistent with the accounting policies of the Company, involves performing procedures to assess whether the Applicable Criteria used by the board of directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to the Applicable Criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the joint auditors' judgment, having regard to the joint auditors' understanding of the nature of the Company, the Transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled, in all material respects, on the basis stated, and
- such basis is consistent with the accounting policies of the Company.

Restriction on Use

This report is required by European Commission Regulation No. 809/2004 of 29 April 2004 and is provided for the purpose of complying with that Regulation and for no other purpose.

Brussels, 15 May 2018

ERNST & YOUNG
REVISEURS D'ENTREPRISES SCCRL
represented by,

Patrick Rottiers
Partner *
* Acting on behalf of a BVBA/SPRL

KPMG
REVISEURS D'ENTREPRISES SCCRL
represented by,

Alexis Palm
Partner

UNAUDITED PRO FORMA FINANCIAL INFORMATION

On 22 March 2018, the Issuer decided to exercise its pre-emption right after the Australian infrastructure fund IFM Investors provided notice on 2 February 2018 of its intention to sell half of its 40 per cent. shareholding in Eurogrid International CVBA ("**Eurogrid Int.**").

Under the terms of the purchase agreement entered into between the Issuer and IFM, the Issuer would acquire an additional 20 per cent. voting interest in Eurogrid Int.. Further to the completion of the transaction (the "**Transaction**") on 26 April 2018, the Issuer currently owns 80 per cent. of Eurogrid Int. and has full control of the operations and the economic benefits of Eurogrid Int.

The Transaction will help the Issuer to ensure the full deployment of its business plan allowing a further strengthening of the collaboration and synergies between the Issuer and Eurogrid Int. as well as its affiliates. The acquisition also fits with the strategy being deployed by Elia and the ambition to be a leading group of transmission system operators (TSOs) in Europe.

The stake of 60 per cent. in Eurogrid Int. which was owned by the Issuer prior to completion of the Transaction and resulted from the acquisition in 2010 was reflected in the historical financial statements of the Issuer as an interest in equity-accounted investees, as the Issuer together with IFM exercised joint control of Eurogrid Int.

The unaudited pro forma consolidated financial information consisting of the statement of profit or loss and the statement of financial position ("**Pro Forma Financial Information**") has been prepared as if the Transaction had occurred on 1 January 2017 and is based on the historical consolidated financial statements of the Issuer as at and for the year ended 31 December 2017.

The Issuer's historical consolidated financial statements include the consolidated financial information of Eurogrid Int. ("**Eurogrid Int. Financial Information**"), which has been presented as the '50Hertz Transmission (Germany)' segment information within the Pro Forma Financial Information.

The Pro Forma Financial Information also includes adjustments to reflect the financing structure to fund the Transaction. These adjustments, which reflect the Issuer's best estimate based upon the information available to date, are preliminary and are subject to change.

The Transaction will be accounted for as a business combination using the acquisition method in conformity with IFRS 3 "Business combinations". Under this method, the assets acquired and liabilities will be recorded based on fair values that will be determined upon the completion of the Transaction. The Pro Forma Financial Information is based upon the Eurogrid Int. Financial Information prepared in accordance with IFRS and compliant with the Issuer's accounting policies. No assurance can be given, however, that the allocation of the purchase price will not differ from the information reflected in the Pro Forma Financial Information. The assumptions that the Issuer has used are believed to be reasonable as of the date of this publication.

The Pro Forma Financial Information is presented for illustrative purposes only and does not necessarily reflect the results of operations or the financial position of the Issuer that would have resulted had the Transaction been completed at the dates indicated.

The Pro Forma Financial Information does not reflect the cost of any integration activities or the value of any integration benefits from the Transaction, including potential synergies that may be derived in future periods.

The Pro Forma Financial Information should be read in conjunction with the Issuer's audited consolidated financial statements and related notes included in the Issuer's Annual Report as at and for

the year ended 31 December 2017. These audited consolidated financial statements include the Eurogrid Int. consolidated financial statements, an interest in which has been presented as an equity accounted investee in the financial statements of the Issuer under the segment "50Hertz Transmission", as at and for the year ended 31 December 2017.

The Issuer's historical consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and as adopted by the European Union. The Eurogrid Int. Financial Information was prepared in accordance with IFRS and is compliant with the Issuer's accounting policies.

Pro Forma Financial Information – Statement of financial position

(1) The historical financial statements of the Issuer as at 31 December 2017
(2) The Eurogrid Int. Financial Information at 100 per cent.
(3) Transaction: acquisition of 20 per cent of Eurogrid Int.
(4) Reversal of the 60 per cent. stake of Eurogrid Int. as an equity-accounted investee
(5) Full consolidation of Eurogrid Int. at 100 per cent.
(6) Intercompany eliminations
(7) Issuance of senior bond
(8) Issuance of hybrid bond
(9) Transactions related to the Bridge Facility funding
(10) Other transaction costs
(11) Pro Forma Financial Information

	Elia System Operator Group	*Eurogrid International*	*Acquisition Adjustments*				*Financing adjustments*		*Transaction costs*		*Total proforma combined*
	Historical Financial information	**Financial information**	**Acquisition transactions**	**Reverse impact of equity pick-up of Eurogrid International**	**Consolidation of Eurogrid International**	**Elimination of intercompany balances / transactions**	**Issuance of bond**	**Issuance of hybrid**	**Finance transaction costs (bridge)**	**Other transaction costs**	
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
(in million EUR)	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017
ASSETS											
NON CURRENT ASSETS	**6,093.3**	**4,580.4**	**1,021.0**	**-565.7**	**4,037.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**10,586.4**
Property, plant and equipment	3,202.4	4,486.3	0.0	0.0	4,486.3	0.0	0.0	0.0	0.0	0.0	7,688.7
Intangible assets and goodwill	1,738.6	53.7	743.9	0.0	53.7	0.0	0.0	0.0	0.0	0.0	2,536.2
Non-current tax receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other receivables	147.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	147.8
Equity-accounted investees	942.7	0.0	277.1	-565.7	-542.7	0.0	0.0	0.0	0.0	0.0	111.4
Other financial assets (including derivatives)	60.8	19.4	0.0	0.0	19.4	0.0	0.0	0.0	0.0	0.0	80.2
Deferred tax assets	1.0	21.0	0.0	0.0	21.0	0.0	0.0	0.0	0.0	0.0	22.0
CURRENT ASSETS	**503.2**	**1,615.6**	**-988.7**	**0.0**	**1,615.6**	**-15.0**	**295.6**	**686.8**	**-0.9**	**-2.5**	**2,094.2**
Inventories	13.6	4.5	0.0	0.0	4.5	0.0	0.0	0.0	0.0	0.0	18.1
Trade and other receivables	281.1	194.9	0.0	0.0	194.9	-15.0	0.0	0.0	0.0	0.0	460.9
Current tax assets	3.8	0.8	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	4.6
Cash and cash equivalents	195.2	1,413.4	-988.7	0.0	1,413.4	0.0	295.6	686.8	-0.9	-2.5	1,599.0
Deferred charges and accrued revenues	9.5	2.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	11.5
Total assets	**6,596.5**	**6,196.0**	**32.3**	**-565.7**	**5,653.4**	**-15.0**	**295.7**	**686.8**	**-0.9**	**-2.5**	**12,680.6**

	Elia System Operator Group	*Eurogrid International*	*Acquisition Adjustments*				*Financing adjustments*		*Transaction costs*		*Total proforma combined*
	Historical Financial information	**Financial information**	**Acquisition transactions**	**Reverse impact of equity pick-up of Eurogrid International**	**Consolidation of Eurogrid International**	**Elimination of intercompany balances / transactions**	**Issuance of bond**	**Issuance of hybrid**	**Finance transaction costs (bridge)**	**Other transaction costs**	
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
(in million EUR)	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017
EQUITY AND LIABILITIES											
EQUITY	**2,641.8**	**1,385.4**	**32.3**	**-565.7**	**842.8**	**0.0**	**-3.4**	**686.8**	**-0.9**	**-2.5**	**3,631.2**
Equity attributable to owners of the Company	2,640.7	1,385.4	32.3	-565.7	566.3	0.0	-3.4	-10.0	-0.9	-2.5	2,656.7
Share capital	1,517.6	442.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,517.6
Share premium	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.9
Reserves	173.0	-69.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	173.0
Retained earnings	938.2	1,011.9	32.3	-565.7	566.3	0.0	-3.4	-10.0	-0.9	-2.5	954.2
Hybrid securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	696.9	0.0	0.0	696.9
Non-controlling interest	1.1	0.0	0.0	0.0	276.5	0.0	0.0	0.0	0.0	0.0	277.6
NON CURRENT LIABILITIES	**2,984.5**	**3,096.6**	**0.0**	**0.0**	**3,096.6**	**0.0**	**299.1**	**0.0**	**0.0**	**0.0**	**6,380.2**
Loans and borrowings	2,834.7	2,829.3	0.0	0.0	2,829.3	0.0	299.1	0.0	0.0	0.0	5,963.1
Employee benefits	84.3	18.9	0.0	0.0	18.9	0.0	0.0	0.0	0.0	0.0	103.2
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	20.8	119.7	0.0	0.0	119.7	0.0	0.0	0.0	0.0	0.0	140.5
Deferred tax liabilities	40.9	106.4	0.0	0.0	106.4	0.0	0.0	0.0	0.0	0.0	147.3
Other liabilities	3.8	22.2	0.0	0.0	22.2	0.0	0.0	0.0	0.0	0.0	26.0
CURRENT LIABILITIES	**970.2**	**1,714.0**	**0.0**	**0.0**	**1,714.0**	**-15.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,669.2**
Loans and borrowings	49.5	19.7	0.0	0.0	19.7	0.0	0.0	0.0	0.0	0.0	69.2
Provisions	4.5	40.4	0.0	0.0	40.4	0.0	0.0	0.0	0.0	0.0	44.9
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other payables	378.6	1,228.3	0.0	0.0	1,228.3	-15.0	0.0	0.0	0.0	0.0	1,591.9
Current tax liabilities	2.9	85.1	0.0	0.0	85.1	0.0	0.0	0.0	0.0	0.0	88.0
Accruals and deferred income	534.7	340.6	0.0	0.0	340.6	0.0	0.0	0.0	0.0	0.0	875.3
Total equity and liabilities	**6,596.5**	**6,196.0**	**32.3**	**-565.7**	**5,653.4**	**-15.0**	**295.7**	**686.8**	**-0.9**	**-2.5**	**12,680.6**

Pro Forma Financial Information - Statement of profit or loss

(1) The historical financial statements of the Issuer as at 31 December 2017
(2) The Eurogrid Int. Financial Information at 100 per cent.
(3) Transaction: acquisition of 20 per cent of Eurogrid Int.
(4) Reversal of the 60 per cent. stake of Eurogrid Int. as an equity-accounted investee
(5) Full consolidation of Eurogrid Int. at 100 per cent.
(6) Intercompany eliminations
(7) Issuance of senior bond
(8) Issuance of hybrid bond
(9) Transactions related to the Bridge Facility funding
(10) Other transaction costs
(11) Pro Forma Financial Information

	Elia System Operator Group	*Eurogrid International*	*Acquisition Adjustments*				*Financing adjustments*		*Transaction costs*		*Total proforma combined*
	Historical Financial information	**Financial information**	**Acquisition transactions**	**Reverse impact of equity pick-up of Eurogrid International**	**Consolidation of Eurogrid International**	**Elimination of intercompany balances / transactions**	**Issuance of bond**	**Issuance of hybrid**	**Finance transaction costs (bridge)**	**Other transaction costs**	
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
(in million EUR)	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017	31 December 2017
Continuing operations											
Revenue	828.5	1,257.8	0.0	0.0	1,257.8	-9.6	0.0	0.0	0.0	0.0	2,076.7
Raw materials, consumables and goods for resale	-9.6	-56.9	0.0	0.0	-56.9	20.3	0.0	0.0	0.0	0.0	-46.2
Other income	59.0	72.5	0.0	0.0	72.5	-23.0	0.0	0.0	0.0	0.0	108.4
Services and other goods	-344.4	-695.7	0.0	0.0	-695.7	12.4	0.0	0.0	0.0	-3.5	-1,031.2
Personnel expenses	-147.2	-101.2	0.0	0.0	-101.2	0.0	0.0	0.0	0.0	0.0	-248.4
Depreciations, amortizations and impairments	-131.2	-149.8	0.0	0.0	-149.8	0.0	0.0	0.0	0.0	0.0	-281.0
Changes in provisions	0.4	-0.3	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.1
Other expenses	-19.6	-4.6	0.0	0.0	-4.6	0.0	0.0	0.0	0.0	0.0	-24.2
Results from operating activities	**235.9**	**321.7**	**0.0**	**0.0**	**321.7**	**0.0**	**0.0**	**0.0**	**0.0**	**-3.5**	**554.1**
Share of profit of equity accounted investees (net of tax)	108.7	0.0	0.0	-108.1	0.0	0.0	0.0	0.0	0.0	0.0	0.58
Earnings before interest and tax (EBIT)	**344.6**	**321.7**	**0.0**	**-108.1**	**321.7**	**0.0**	**0.0**	**0.0**	**0.0**	**-3.5**	**554.7**

	Elia System Operator Group	*Eurogrid International*	*Acquisition Adjustments*				*Financing adjustments*		*Transaction costs*		*Total proforma combined*
Net finance costs	**-76.4**	**-54.4**	**32.3**	**0.0**	**-22.1**	**0.0**	**-4.9**	**0.0**	**-1.3**	**0.0**	**-104.6**
Finance income	5.5	1.9	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0	7.4
Finance costs	-81.9	-56.2	0.0	0.0	-56.2	0.0	-4.9	0.0	-1.3	0.0	-144.3
Non-recurring	0.0	0.0	32.3	0.0	32.3	0.0	0.0	0.0	0.0	0.0	32.3
Profit before income tax	**268.2**	**267.3**	**32.3**	**-108.1**	**299.6**	**0.0**	**-4.9**	**0.0**	**-1.3**	**-3.5**	**450.0**
Income tax expense	-39.1	-87.1	0.0	0.0	-87.1	0.0	1.4	0.0	0.4	1.0	-123.3
Profit from continuing operations	**229.1**	**180.2**	**32.3**	**-108.1**	**212.5**	**0.0**	**-3.4**	**0.0**	**-0.9**	**-2.5**	**326.7**
Profit for the period	**229.1**	**180.2**	**32.3**	**-108.1**	**212.5**	**0.0**	**-3.4**	**0.0**	**-0.9**	**-2.5**	**326.7**
Profit attributable to:											
Owners of the Company	229.1	180.2	32.3	-108.1	144.2	0.0	-3.4	0.0	-0.9	-2.5	290.7
Non-controlling interest	0.0	0.0	0.0	0.0	36.0	0.0	0.0	0.0	0.0	0.0	36.0
Profit for the period	**229.1**	**180.2**	**32.3**	**-108.1**	**212.5**	**0.0**	**-3.4**	**0.0**	**-0.9**	**-2.5**	**326.7**

Notes to Pro Forma Financial Information

Note 1. Basis of preparation

(a) *General information*

The Pro Forma Financial Information is based on the historical consolidated financial statements of the Issuer and the segment information included in the Issuer's consolidated financial statements for Eurogrid Int. This Pro Forma Financial Information has been prepared to reflect the Transaction including the anticipated financing structure to fund the Transaction.

The Pro Forma Financial Information is presented for illustrative purposes only and does not necessarily reflect the results of operations or the financial position of the Issuer that would have resulted had the Transaction been completed at the date indicated, or project the results of operations or financial position of the combined group for any future dates or periods.

Pro forma adjustments reflected in the Pro Forma Financial Information are based on items that are factually supportable and directly attributable to the Transaction. Any non-recurring items directly attributable to the Transaction are included in the pro forma statement of financial position, and in in the pro forma statement of profit or loss.

The Pro Forma Financial Information does not reflect the cost of any integration activities or the value of any integration benefits from the Transaction, including potential synergies that may be generated in future periods.

The 2017 Pro Forma Financial Information is based on the assumption that the Transaction was completed on 1 January 2017.

The Eurogrid Int. Financial Information has been prepared in accordance with the Issuer's accounting policies.

The estimated income tax impacts of the (pre-tax) adjustments that are reflected in the Pro Forma Financial Information are calculated using an assumed estimated statutory rate, which is based on preliminary assumptions related to the jurisdictions in which the income (expense) adjustments will be recorded, or, where applicable, an estimated effective tax rate.

(b) *Base of the Pro Forma Financial Information*

The Issuer's historical reported consolidated financial statements as at 31 December 2017 and for the year then ended (approved by the Board of Directors on 22 March 2018) are the basis for the preparation of the Pro Forma Financial Information. (See column 1).

These audited consolidated financial statements consist of two segments (i) "Elia Transmission Belgium" and (ii) "50Hertz Transmission Germany". The segment 50Hertz Transmission Germany is based on the Eurogrid Int. consolidated financial information and has been presented as an equity accounted investee in the historical financial statements of the Issuer. (See chapter 4.3 of Issuer's historical reported consolidated financial statements as at 31 December 2017 - pages 23-24)

Column 2 reflects the Eurogrid Int. consolidated financial information at 100 per cent. used for the preparation of the segment, 50Hertz Transmission Germany, for the historical reported consolidated financial statements of the Issuer as at 31 December 2017.

Note 2. Pro forma adjustments relating to the Transaction

(a) *Introduction*

On 22 March 2018, the Issuer decided to exercise its pre-emption right after the Australian infrastructure fund IFM Investors provided notice on 2 February 2018 of its intention to sell half of its 40 per cent. shareholding in Eurogrid International CVBA.

The purchase price for the acquisition of an additional 20 per cent. in Eurogrid Int. amounts to EUR 956 million, increased by (i) EUR 20 million in respect of a dividend relating to the 2017 financial year and (ii) interest on the purchase price from 31 December 2017 until closing of the Transaction (resulting in a total consideration of EUR 988,7 million).

A preliminary fair value of Eurogrid Int.'s net assets (which includes 100 per cent. of 50Hertz's net assets through the holding entity Eurogrid GmbH) has been estimated within a range of EUR 2.1 billion and EUR 3.3 billion. This preliminary fair value exercise was performed with the assistance of an independent valuation expert based on various valuation methodologies and by applying the following methods and assumptions:

- "DCF method TV RAB" or "DCF method TV perpetuity", based on the present value of future cash flows as well as the assumed terminal value. The latter is either based on the (expected) regulatory asset base ("RAB") or on a terminal value approach which assumed a perpetual growth rate affecting discounted cash flows.
- "DDM method TV RAB" or "DDM method TV perpetuity", based on the present value of the dividends that the business can be expected to generate in the future, as well as the assumed terminal value. The latter is either based on the (expected) regulatory asset base ("RAB") or on a terminal value approach which assumed a perpetual growth rate affecting discounted cash flows.

The terminal value is an important driver on all valuation methods used.

The applied discount rate of 4.6 per cent. is based on the cost of equity of 7.2 per cent. and the pre-tax cost of debt of 1.5 per cent. and is in line with what financial analysts use to value the quoted peers. As such, the preliminary range of fair values of the net assets is consistent with the valuation range resulting from the DCF method TV perpetuity.

As result of the acquisition and obtaining an 80 per cent. shareholding in Eurogrid Int., the Issuer benefits from the shareholders' agreement of Eurogrid Int. which now provides the Issuer with a substantial governance role for very significant matters which require approval of more than 75 per cent. of the votes cast (such as changes to the business plan, material transactions, disposals of assets, changes to the share capital, material borrowings and important investments outside the business plan).

(b) *Accounting effects of the acquisition (see column 3 in Pro Forma Financial Information)*

The Transaction will be accounted for as a business combination achieved in different stages in conformity with IFRS 3 "Business Combinations". Under this method, the assets acquired and liabilities assumed should be recorded based on fair values. The fair values of the assets and liabilities will be determined upon the completion of the Transaction and consequently the purchase price allocation has not been finalised at the date of this document. The information used for the preparation of the Pro Forma Financial Information is based on the Eurogrid Int. Financial Information prepared in accordance with IFRS and is compliant with the Issuer's accounting policies.

The 60 per cent. equity accounted interest is to be remeasured at its fair value at acquisition date. This would result in an upward adjustment on the equity investee's interest in an amount of EUR 32 million, resulting in a gain of EUR 32 million to be recognised in the statement of profit or loss (see column (a) below):

EUR million	at 60%	**EUR million**	at 20 %	**EUR million**	at 80%
	(a)	**(b)**		**(c) = (a) + (b)**	
Parent company's value of investment at 31.12.2017 (1)	831.26	Parent company's value of investment at 31.12.2017 (1)	277.09	Parent company's value of investment at 31.12.2017 (1)	1,108.35
Fair value Eurogrid Int. at transaction date (2)	863.60	Purchase price transaction (2)	988.66	Total value (2)	1,852.26
Gain on investment at 31/12/2017 (3) = [(2)-(1)]	**32.34**	**Amount subject to PPA (3)** = [(2)-(1)]	**711.57**	**Amount subject to PPA (3)** = [(2)-(1)]	**743.91**

The purchase price of EUR 989 million for the 20 per cent. stake in Eurogrid Int. results in a difference of EUR 712 million, as described in column (b) of the table above. Taking into account the recognition of a gain on the investment of EUR 32 million, a total amount of EUR 744 million will be allocated in accordance with the purchase price allocation principles as described in IFRS 3.

As the assets and liabilities are presented at their book values and the purchase price allocation will be realised upon completion of the transaction, the difference between the Parent company's valuation of the investment at 31.12.2017 (EUR 1,108 million) and the total amount invested by the Issuer in Eurogrid Int. (EUR 1,852 million) is presented as goodwill of EUR 744 million.

The allocation of the purchase price will be realised at a later date and may result in a change in the values of the net assets acquired compared to those presented in the Pro Forma Financial Information and, consequently, in the value of residual goodwill.

The following elements in respect of the anticipated acquisition have been recognised:

- The amount of EUR 744 million is classified as goodwill (see table above (c) (3));
- The EUR 277 million investment at parent company's value is reflected in the Non-current assets (see table above (b) (1));
- A non-recurring gain on the 60 per cent. stake has been recognised in the statement of profit or loss. (see table above (b) (2);
- And finally the purchase price of EUR 989 million has been subtracted from the cash position.

(c) *Full consolidation of Eurogrid Int. (see column 4 & 5 in Pro Forma Financial Information)*

The impacts in respect of the anticipated full consolidation of Eurogrid Int. have been adjusted as follows:

- The reversal of the portion of the investment initially recognised as an equity accounted investee (60 per cent.) (4) The amount of EUR 565 million comprises the 60 per cent. of the equity of Eurogrid international (EUR 1.385 million) reduced by the historical acquisition cost of EUR 265 Million;

- All assets and liabilities of Eurogrid Int. at 100 per cent. have been recognised in the statement of financial position. An adjustment has been recorded to the statement of financial position to reflect the 20 per cent. of Non-controlling interest. The amount of EUR 542 million on the line 'equity accounted investee' comprises the historical acquisition price of EUR 265 million and the recognition of EUR 277 million related to the acquisition transaction mentioned under restatement (3);

- The statement of profit or loss of Eurogrid Int. at 100 per cent. is included in the Pro Forma Financial Information with a portion of the profit to be qualified as non-controlling interest;

- The amounts reflected in column 4 are based on the Eurogrid Int. Financial Information prepared in accordance with IFRS and compliant with the Issuer's accounting policies.

(d) *Intragroup eliminations (see column 6 in Pro Forma Financial Information)*

Some intragroup activities, mainly related to intragroup services between EGI Germany and 50Hertz, have been eliminated

Note 3. Pro forma adjustments relating to financing

(a) *Sources of funding*

The Issuer entered into the following credit facilities:

- A EUR 75 million bank guarantee facility ("**Bank Guarantee Facility**"), pursuant to which one lending institution has agreed, subject to limited conditions, to grant a guarantee to secure the payment by the Issuer of part of the cash portion of the consideration payable to IFM in certain circumstances; and

- A EUR 990 million twelve month term loan facility with extension option of two times six months ("**Bridge Facility**") pursuant to which BNP Paribas Fortis has agreed, subject to limited conditions, to provide the financing for the purpose of the Issuer paying the cash portion of the consideration payable to IFM upon completion of the Transaction, and to provide the financing for fees, costs and expenses in connection with the Transaction.

BNP Paribas Fortis is the sole lender under the Bridge Facility and will be repaid, *inter alia*, from the net proceeds of the issue of the senior bond and Securities referred to below. The Bridge Facility bears some structuring fees and a variable interest rate equal to EURIBOR (floored at zero) plus margin which can range from 0.20 per cent. to 0.85 per cent in certain circumstances. The applicable margin increases every three months the Bridge Facility is left outstanding.

It has been assumed that the Transaction will be financed with debt with long maturity, through the issue of a senior bond of EUR 300 million and a hybrid bond of EUR 700 million. The hybrid bond (the "**Securities**") will be deeply subordinated securities. With the exception of the ordinary shares of the Issuer, the Securities will rank as the most junior instruments in the capital structure of the Issuer in an insolvency hierarchy. The holders of the Securities will have limited ability to influence the outcome of a bankruptcy proceeding in respect of the Issuer or a restructuring of the Issuer outside bankruptcy. The Securities will be a perpetual instrument, the terms of which do not provide for any events of default nor any right for holders to demand repayment or redemption thereof. Subject to certain exceptions where accrued interest would be mandatorily payable (including, without limitation, where a dividend is paid on any ordinary shares of the Issuer), the Issuer may elect to defer payment of all of the interest which would otherwise be paid on an Interest Payment Date. Any such failure to pay would

not constitute a default by the Issuer for any purpose. In light of their characteristics, the Securities will be classified as an equity instrument under IFRS.

Further details of the calculation of the cash purchase consideration are set out below (amounts in EUR million)

Gross proceeds net of financing costs:

Gross proceeds from Bridge facility:	990.0
Gross proceeds from Hybrid Bond:	700.0
Gross proceeds from Senior Bond:	300.0
Total sources of funding	**1,990.0**
Less: Reimbursement Bridge Facility	-990.0
Less: Debt issuance costs (*)	-23.9
Total cash financing adjustment	**976.1**
(*) Tax effect on issuance cost is estimated at	*5.9*

(b) *Interest expense*

Interest expense *EUR million*

		Principal	Average Principal	Interest rate	Interest expense (*)	OCI
BankGuarantee Facility	1st January - 31st January	75.0	37.5	0.15%	0.0	0.0
Bridge Facility	1st January - 31st January	990.0	495.0	0.25%	1.3	0.0
Transaction costs					**1.3**	**0.0**
Senior Bond	1st February - 31st December	300.0	150.0	1.75%	4.9	0.0
Hybrid Bond	1st February - 31st December	700.0	350.0	2.13%	0.0	14.2
Financing adjustments					**4.9**	**14.2**
Total adjustment to interest expense					**6.2**	**14.2**
Net of income taxes					4.4	10.0

(*) included amortization of Upfront fees for the senior / hybrid bond

Pro forma adjustments to finance expense in the pro forma statement of profit or loss reflect the additional interest expense under the Bridge Facility, which bears variable interest rates equal to EURIBOR plus applicable margins ranging from 0.20 per cent. to 0.85 per cent., as if the borrowing of EUR 1 billion had occurred between 1 January 2017 and 31 January 2017, for the purposes of preparing the Pro Forma Financial Information. (Column 9).

For the purposes of calculating the related interest expense, a three month EURIBOR rate of 0 per cent. (plus applicable margin) as of 1 January 2017 has been assumed, which may differ from the rates in place when actually utilising the facilities.

The Issuer's credit rating is BBB+ by S&P. For purposes of the interest expense calculation the Issuer has assumed an interest rate based on the applicable margin matrix within the Senior Facilities Agreement.

For the purposes of preparing the Pro Forma Financial Information, it has also been assumed that the Bridge Facility was replaced by a Senior Bond and a Hybrid bond as from 1 February 2017 till 31 December 2017, with a total estimated coupon of approximately 1.75 per cent. for the Senior Bond and approximately a 2.13 per cent. estimated coupon for the Hybrid bond (we refer to columns 7 and 8).

In addition to the incremental interest charges, the Issuer has also recorded a pro forma adjustment relating to the estimated debt issuance costs, which will have to be deferred and amortised over the duration of the borrowing, in accordance with IFRS.

For the purposes of the Pro Forma Financial Information, it has been assumed that the estimated interest expense on the debt financing incurred to fund the Transaction will be deductible for tax purposes. This assumption may be subject to change and may not be reflective of the deductions that will be available in future periods.

Note 4. Pro forma adjustments relating to Transaction costs

Column 10 reflects the estimated costs incurred related to the Transaction and relate mainly to fees for consultants, merger and acquisition advisory, lawyers, etc.

The cost is currently estimated at EUR 3.5 million before tax.

TAXATION

Belgian Taxation on the Notes

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 Prospectus 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 Prospectus 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 the Issuer in excess of the issue price (upon full or partial redemption whether or not on the maturity date, or upon purchase by the Issuer) and, (iii) in case of a realisation of Notes between two interest payment dates, 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 "**Tax 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, Luxembourg, SIX SIS and Monte Titoli are directly or indirectly Participants for this purpose.

Holding the Notes through the NBB System enables Tax 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 Tax Eligible Investors in an X Account.

Tax 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 Belgian code on income tax of 1992 (*wetboek van de inkomenstenbelastingen 1992/code des impôts sur les revenus 1992*, the "**BITC1992**");

(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 BITC1992.

(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 invoering van het wetboek inkomstenbelastingen 1992/arrêté royal d'execution 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.

Tax 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.

Participants to the NBB System must keep the Notes which they hold on behalf of the non-Tax Eligible Investors in a non-exempt securities account (an "**N Account**"). In such instance, all payments of interest are subject to withholding tax (currently at the rate of 30 per cent.), which is withheld by the NBB and paid to the Belgian Treasury.

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-Tax 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 N Account) to an N Account gives rise to the refund by the NBB to the transferee non-Tax 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, a Tax 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 Tax 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 a Tax Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that: (i) the Intermediary is itself a Tax Eligible Investor; and (ii) the Beneficial Owners holding their Notes through it are also Tax 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**") as Participants to the Securities Settlement 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-CSD as Participants include the commitment that all their clients, holder of an account, are Eligible Investors..

Belgian income tax

(a) **Belgian resident individuals**

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, 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 capital gains are realised outside the scope of the management of one's private estate or except to the extent they qualify as interest (as described in "*Belgian Withholding Tax*" above). Capital losses 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 29.58 per cent. (with a reduced rate of 20.40 per cent. applying to the first tranche of EUR 100,000 of taxable income of qualifying small companies), to be reduced to 25 per cent. (and 20 per cent.) as from 1 January 2020 onwards. Capital losses realised upon the disposal of the Notes are in principle tax deductible.

(c) **Belgian legal entities**

Belgian legal entities subject to Belgian legal entities tax (*rechtspersonenbelasting/impôts des personnes morales*) and which do not qualify as Tax Eligible Investors 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 Tax Eligible Investors and that consequently have received gross interest income 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**

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through a permanent establishment in Belgium 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 Tax Eligible Investors and that they hold their Notes in an X Account.

Tax on stock exchange transactions

A tax on stock exchange transactions (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) 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 ("*residence habituelle*"/"*gewone verblijfplaats*") 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 Euro 1,300 per transaction and per part.

A separate tax is due by each party to the transaction, and both taxes are 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. Professional intermediaries established outside Belgium could however 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 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 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 Euro 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 November 28, 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.

Annual tax on securities accounts

The law of 7 February 2018 (published in the Belgian State Gazette on 9 March 2018) introduces a tax on securities accounts. Pursuant to this law, Belgian resident and non-resident individuals will be taxed at a rate of 0.15 per cent. on their share in the average value of qualifying financial instruments (i.e. shares, share certificates, bonds, bond certificates, units or shares in investment funds or companies (except if acquired or subscribed to in the context of a life insurance or pension savings arrangement), medium-term notes ("kasbons"/"bons de caisse") and warrants) held on one or more securities accounts with one or more financial intermediaries during a reference period of 12 consecutive months starting on 1 October and ending on 30 September of the subsequent year ("Tax on Securities Accounts"). However, the first reference period would start as of the day following the publication of the law in the Belgian State Gazette (ie on 10 March 2018) and end on 30 September 2018. However, the tax is not due if the Noteholder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts would be due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals on securities accounts with a financial intermediary established or located in Belgium fall within the scope of the Tax on Securities Accounts. Note that, pursuant to certain double tax treaties entered into by Belgium, Belgium has no right to tax the capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty override may, subject to certain conditions, be claimed.

A financial intermediary would be defined as (i) a credit institution or a listed company as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and listed companies and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are pursuant to national law admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts would in principle be due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value

of each of these accounts do not amount to EUR 500,000 or more but of which the holder's share in the total average value of these accounts exceeds EUR 500,000). If the Tax on Securities Accounts is not paid by the financial intermediary, such Tax on Securities Accounts would have to be declared and be due by the holder itself, unless the holder provides evidence that the Tax has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("Tax on the Securities Accounts Representative"). Such Tax on the Securities Accounts Representative would then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

Belgian resident individuals have to report in their annual income tax return all their securities accounts held with one or more financial intermediaries of which they are considered the holder within the meaning of the Tax on Securities Accounts. Non-resident individuals would have to report in their annual Belgian non-resident income tax return all their securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered the holder within the meaning of the Tax on Securities Accounts.

Prospective Noteholders are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

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 has 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)

Council Directive 2011/16/EU on administrative cooperation in the field of taxation, as amended by the Directive on Administrative Cooperation (2014/107/EU) of 9 December 2014 (DAC2), implemented the exchange of information based on the Common reporting Standard ("**CRS**") within the EU. The CRS has been transposed in Belgium by the law of 16 December 2015.

Under CRS, financial institutions resident in a CRS country (as at 10 April 2017, 100 jurisdictions have committed) are required to identify their customers and report, according to a due diligence standard, personal

data and 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 e.g. trusts) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

Under DAC2 (and the Belgian 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 (income, gross proceeds, etc) to the Belgian competent authority, who shall communicate the information to the competent authority of the CRS state of the tax residence of the beneficial owner.

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. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of 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 to foreign passthru payments prior to 1 January 2019 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 (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated on or about 18 September 2018, as supplemented from time to time (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, 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 applicable Final Terms.

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. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (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, as determined and certified to the Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of 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), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA 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 Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. 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 MiFID II; or

(b) a customer within the meaning of the Insurance Mediation 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 Directive; and

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 Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) 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 3(2) of the Prospectus Directive,

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 Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Belgium

The Notes are not intended to be offered, sold to or otherwise made available to 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 van economisch recht / Code de droit economique*) dated 28 February 2013, as amended from time to time. 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 offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, 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 individual in Belgium qualifying as a consumer..

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) 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 UK Financial Services and Markets Act 2000 by the Issuer;

(ii) 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 UK Financial Services and Markets Act 2000 received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the UK Financial Services and Markets Act 2000 does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the UK Financial Services and Markets Act 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 "**FIEA**"). 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 as defined under Item 5, Paragraph 1, Article 6 of the FIEA, 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 FIEA and other relevant laws and regulations of Japan.

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. Any such modification will be set out in a supplement to this Prospectus.

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 Prospectus or any other offering material or any Final Terms, 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 Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

FORM OF FINAL TERMS

Final Terms dated [●]

Elia System Operator SA/NV
Legal Entity Identifier ("LEI"): 549300S1MP1NFDIKT460
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the €5,000,000,000
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 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"). 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 2002/92/EC, as amended, 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 Directive. 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.][3]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 18 September 2018 [and the supplement(s) to it dated [●] which [together] constitute[s] a base prospectus] (the "**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on [*Issuer's/financial intermediaries/regulated market/competent authority*] website.

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]

[3] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

		[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]
7	Maturity Date:	[●] [Interest Payment Date falling in or nearest to [●]]
8	Interest Basis:	[[●] per cent. Fixed Rate] [[●]+/- [●] per cent. Floating Rate] [Zero Coupon] (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.
10	Change of Interest Basis:	[●] [Not Applicable]
11	Put/Call Options:	[Investor Put] [Issuer Call] [Make Whole Call/Three-Month Par Call Option] [(further particulars specified below)]
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/Following Business Day Convention/Modified Following Business Day Convention/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/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] 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 – 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] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 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 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
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount	[●]
	(ii) Maximum Redemption	[●]
	(d) Notice Periods:	Minimum period: [15][●] days Maximum period: [30][●] days
18	Make Whole/Three-Month Par Call Option	[Applicable/Not Applicable]

	(a) Notice periods:	Minimum period: [15] [●] days 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	Investor Put	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount:	[●] per Calculation Amount
	(c) Notice periods:	Minimum period: [15][●] days Maximum period: [30][●] days
20	Final Redemption Amount:	[●] per Calculation Amount
21	Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22	Form of Notes:	Dematerialised form
23	Financial Centre(s)	[Not Applicable/[●]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] 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 System Operator 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 [●] and to be listed on the [●] with effect from, or from around, [●].]
(ii) Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

Ratings:	[The Notes to be issued [are not/have been/are expected to be] specifically rated [●] by [●].]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: [●].] [Name of rating agency]: [●] [●] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**").

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*", 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**

(i) Reasons for the offer:	[See "*Use of Proceeds*" wording in Prospectus] – [In case Green Bonds are issued, the category of Green Projects must be specified] [*Other*];

5 **YIELD** (*Fixed Rate Notes only*)

Indication of yield:	The yield in respect of this issue of Fixed Rate Notes is [●]. 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*)

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 clearing system(s) other than the NBB System, Euroclear Bank SA/NV, Clearstream Banking, S.A., SIX SIS AG and Monte Titoli S.p.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.]/[No. Whilst the designation is specified as "*no*" at the date of these Final Terms, 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 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 Retail Investors;	[Applicable/Not Applicable]

[4] Certain forms of Notes may only be offered and sold to Tax 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.

GENERAL INFORMATION

(1) Application has been made to the FSMA to approve this document as a prospectus. Application has been made to Euronext Brussels for Notes issued under the Programme to be listed and to be admitted to trading on Euronext Brussels' regulated market.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in the Kingdom of Belgium in connection with the establishment of the Programme. The 2018 update of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 26 July 2018.

(3) There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2017 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.

(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 12 months preceding the date of this Prospectus 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, Luxembourg, SIX SIS and Monte Titoli. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms.

The address of the NBB System is Boulevard de Berlaimont 14, BE-1000 Brussels. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, the address of SIX SIS is Baslerstrasse 100, 4600 Olten, Switzerland and the address of Monte Titoli is Piazza degli Affari, 6 Milan, MI 20123, Italy. The address of any alternative clearing system will be specified in the applicable Final Terms.

(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 Prospectus 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 applicable Final Terms 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 Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:

(i) the Agency Agreement;

(ii) the constitutional documents of the Issuer;

(iii) the audited consolidated financial statements of the Issuer for each of the two financial years ended 31 December 2016 and 31 December 2017, in each case together with the audit reports in connection therewith;

(iv) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity);

(v) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and

(vi) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

This Prospectus, the Final Terms for Notes that are listed and admitted to trading on Euronext Brussels' regulated market and each document incorporated by reference will be published on the website of Euronext Brussels (*www.euronext.com*).

(10) Copies of the latest annual report and audited consolidated annual financial statements of the Issuer and the latest unaudited interim condensed consolidated financial statements may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of the Agent during normal business hours, so long as any of the Notes is outstanding.

(11) KPMG Bedrijfsrevisoren BCVBA of Bourgetlaan 40, 1130 Brussels, Belgium and a member of the "*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*" and Ernst & Young Bedrijfsrevisoren BCVBA of De Kleetlaan 2, B-1831 Diegem, Belgium and a member of the "*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*" have audited, and rendered unqualified audit reports on, the consolidated financial statements of the Group for the years ended 31 December 2016 and 31 December 2017.

(12) Each of KPMG Bedrijfsrevisoren BCVBA and Ernst & Young Bedrijfsrevisoren BCVBA has given and not withdrawn its written consent to the inclusion in this Prospectus of its report as set out in the section entitled "Unaudited Pro Forma Financial Information – Accountant's Report on Unaudited Pro Forma Financial Information" in this Prospectus, and the references to its name, in the form and context in which they appear, and has authorised the contents of that part of this Prospectus which comprises its reports for the purposes of the Annex II requirements of the Prospectus Regulation.

(13) 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.

Registered Office of the Issuer

Elia System Operator SA/NV
Keizerslaan 20
1000 Brussels
Belgium

Dealers

Belfius Bank SA/NV
Place Charles Rogier 11
1210 Brussels
Belgium

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
United Kingdom

Coöperatieve Rabobank U.A.
Croeselaan 18
3521 CB Utrecht
The Netherlands

ING Bank N.V., Belgian Branch
Avenue Marnix 24
B-1000 Brussels
Belgium

KBC Bank NV
Havenlaan 2
B-1080 Brussels
Belgium

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA
United Kingdom

Agent

BNP Paribas Securities Services SCA, Brussels Branch
Boulevard Louis Schmidt 2
1040 Brussels
Belgium

Arranger

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
United Kingdom

Auditors

Ernst & Young Bedrijfsrevisoren BCVBA
De Kleetlaan 2
B-1831 Diegem
Belgium

KPMG Bedrijfsrevisoren BCVBA
Bourgetlaan 40
1130 Brussels
Belgium

Legal Advisers

To the Issuer as to Belgian law

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Tervurenlaan 268A avenue de Tervueren
1150 Brussels
Belgium

To the Issuer as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Dealers as to Belgian law

Freshfields Bruckhaus Deringer LLP
Marsveldstraat 5
1050 Brussels
Belgium

To the Dealers as to English law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

ANNEX

This annex to the Prospectus contains the following press releases of the Issuer: (a) the press release dated 26 April 2018 titled "Elia completes the acquisition of an additional 20% in 50Hertz"; (b) the press release dated 28 May 2018 titled "Elia receives notification from IFM that it intends to sell remaining 20% in Eurogrid, the holding company above German transmission system operator 50Hertz"; and (c) the press release dated 27 July 2018 titled "Elia to partner with Bank KfW as shareholder in German transmission system operator 50Hertz". This annex to the Prospectus is incorporated by reference in the Prospectus.

PRESS RELEASE

26 April 2018

Elia completes the acquisition of an additional 20% stake in German transmission system operator 50Hertz

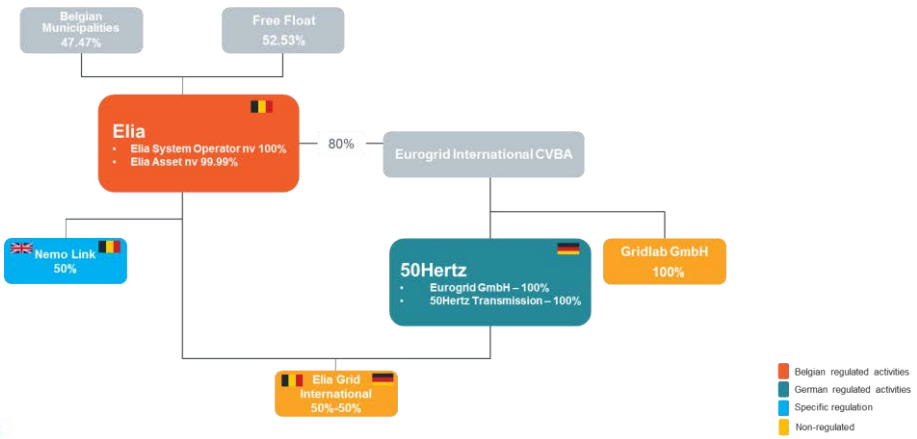
BRUSSELS/BERLIN 26/04/2018 - Elia System Operator SA/NV ('Elia'), the Belgian transmission system operator (TSO), announced today that it has completed the acquisition of an additional 20% stake in Eurogrid International SCRL ('Eurogrid'), the holding company of the German TSO 50Hertz Transmission GmbH ('50Hertz'). Following this transaction, Elia will own 80% of Eurogrid and fully control 50Hertz.

On March 23rd 2018, Elia announced its decision to exercise its pre-emption right to acquire an additional 20% stake in Eurogrid International SCRL. The finalisation of the acquisition announced today follows the company's satisfaction of all the conditions related to the transaction, including the clearance of the European Commission.

The finalisation of this acquisition is a major step forward in realising Elia Group's growth strategy. It will allow further strengthening of the cooperation between Elia and 50Hertz, and underscores Elia's ambition to be one of the leading transmission system operators in Europe. The transaction enhances the Group's profile and resources, enabling it to realise a reliable, sustainable, affordable and integrated power system and will not affect the tariffs for the end consumer, which are regulated in the respective countries.

By closing of the transaction, Elia obtained full control of Eurogrid and the financials of Eurogrid and its affiliates will be fully consolidated in Elia's group results going forward. The payment of €976,5m for the 20% stake increased by an amount of €12,16m for interest will be refinanced through a mix of hybrid and bond, as previously announced.

Elia decided to exercise its pre-emption right after the IFM Global Infrastructure Fund, a fund advised by IFM Investors Pty Ltd, stated that it intended to sell half of its 40% shareholding in Eurogrid on February 2, 2018. Now the transaction is completed, Elia owns 80% of Eurogrid and IFM will retain the remaining 20% stake. Elia and IFM have shared a successful period of co-control in 50Hertz since 2010. While Elia has a pre-emption right on IFM's residual shareholding, Elia will be pleased to continue working with IFM as a financial investor with minority rights in 50Hertz.



For further information please contact:

Investor Relations: Yannick Dekoninck | +32 47 890 13 16 | investor.relations@elia.be
Corporate Communications (N): Marleen Vanhecke | +32 48 49 01 09 | marleen.vanhecke@elia.be
Corporate Communications (F): Jean Fassiaux | +32 474 46 87 82 | jean.fassiaux@elia.be

About the Elia Group

ONE OF EUROPE'S TOP FIVE PLAYERS

The Elia Group is active in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. With subsidiaries in Belgium (Elia) and north-east Germany (50Hertz), we operate 18,600 km of high-voltage connections. As such, our group is one of Europe's Top 5. With a reliability level of 99.999%, we give society a robust power grid, which is important for socio-economic prosperity. We also aspire to be a catalyst for a successful energy transition by making sure a reliable, sustainable and affordable energy system is in place.

WE MAKE THE ENERGY TRANSITION HAPPEN

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

Headquarters

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

50Hertz GmbH
Heidestraße 2
D-10557 Berlin – Germany

IN THE INTEREST OF SOCIETY

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

INTERNATIONAL FOCUS

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

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

www.elia.be/www.eliagroup.eu

PRESS RELEASE

28 May 2018

Elia receives notification from IFM that it intends to sell remaining 20% in Eurogrid, the holding company above German transmission system operator 50Hertz

BRUSSELS/BERLIN 28/05/2018 – The Belgian transmission system operator (TSO) Elia System Operator SA/NV ('Elia') has received a notification from IFM Global Infrastructure Fund ('IFM') that it intends to sell its remaining 20% share in Eurogrid International ('Eurogrid'), the holding company of the German TSO 50Hertz Transmission GmbH ('50Hertz'). As the main shareholder of Eurogrid (80%), Elia now has two months to decide on whether it wants to exercise its pre-emption right. The notification follows an earlier transaction closed on April 26th 2018 when Elia increased its shareholding in Eurogrid from 60 to 80% and took full control of 50Hertz.

The notification from the Australian infrastructure fund IFM refers to an agreement with a third party for the acquisition of the remaining 20% in Eurogrid.

The finalisation of the acquisition in April 2018 was a major step forward in realising Elia Group's growth strategy. By increasing the share from 60 to 80%, Elia obtained full control of Eurogrid. As a result, the financials of Eurogrid and its affiliates are now fully consolidated in Elia's group results. The transaction also allows further strengthening of the cooperation between Elia and 50Hertz, and underscores Elia's ambition to be one of the leading transmission system operators in Europe.

Elia and IFM have shared a successful period of co-control of 50Hertz since 2010. Now that Elia has received a second notification, the company has about two months to take a decision on exercising its pre-emption right.

The possible transaction will be analysed in the interests of Elia Group and its stakeholders. As in the case of the earlier pre-emption right for the first 20%, any decision will take Elia's aim of maintaining a strong investment grade rating into consideration.

For further information please contact:

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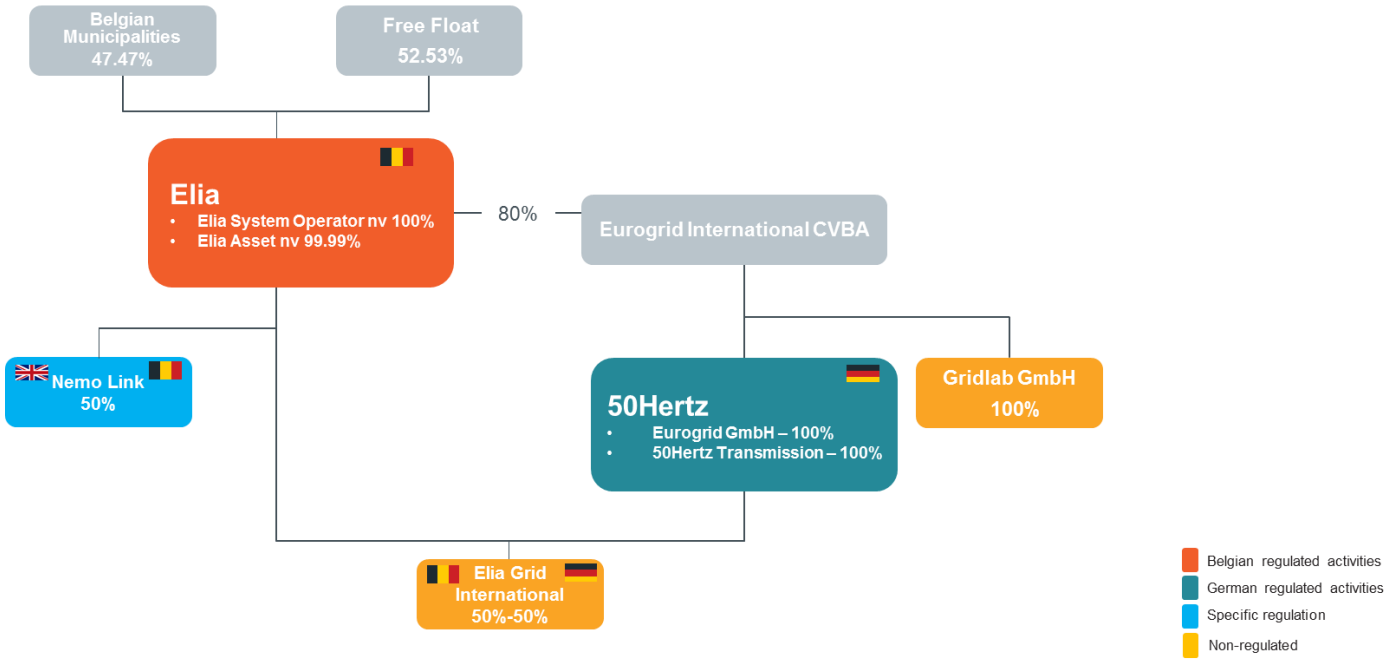
Corporate Communications (F): Jean Fassiaux | +32 474 46 87 82 | jean.fassiaux@elia.be

CURRENT SHAREHOLDER STRUCTURE ELIA GROUP



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

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

INTERNATIONAL FOCUS

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

www.elia.be/www.eliagroup.eu

PRESS RELEASE

27 July 2018

Elia to partner with Bank KfW as shareholder in German transmission system operator 50Hertz

- **Elia exercises its pre-emption right on the remaining 20% stake in Eurogrid held by IFM and will immediately sell the stake at the same price to German state-owned bank Kreditanstalt für Wiederaufbau (KfW).**
- **The transaction between Elia and KfW fosters Belgian-German cooperation regarding critical grid infrastructure.**

BRUSSELS/BERLIN - The Belgian transmission system operator (TSO) Elia System Operator SA/NV ('Elia') has exercised its pre-emption right on the remaining 20% stake in Eurogrid International ('Eurogrid'), the holding company of German TSO 50Hertz Transmission GmbH ('50Hertz'). After Elia has acquired the 20% stake, it will be sold to the German state-owned bank Kreditanstalt für Wiederaufbau (KfW) at the same financial conditions. The transaction between Elia and KfW fosters Belgian-German cooperation regarding critical grid infrastructure. 50Hertz is one of four electricity TSOs in Germany and is playing an important role in the implementation of the 'Energiewende' or energy transition in Germany.

The change in Eurogrid's share ownership will follow a notification received by Elia in May 2018 from IFM Global Infrastructure Fund ('IFM'), an Australian investment management company, of an agreement with a third party for the acquisition of IFM's remaining 20% stake in Eurogrid.

Elia had already acquired a first 20% share package from IFM in April 2018. After owning an 80% stake in 50Hertz, Elia achieved its objective to fully control 50Hertz in order to realise the complete potential of its growth strategy and reinforce its role as a leading group of TSOs in Europe. From a strategic and financial perspective, the final acquisition of the shares by Elia at similar financial conditions as the first 20% stake, wasn't considered as necessary.

Chris Peeters, CEO of Elia Group:

"As a leading company in the energy sector, 50Hertz is very closely connected to the German society that it serves. Elia as main shareholder, looks forward to having KfW as our new partner and feels confident that this stronger national anchorage will inspire us to continue building the infrastructure to realise the energy transition in Germany."

The arrival of German Bank KfW will mean that, as from the closing of the transaction between Elia and the Australian infrastructure fund IFM, IFM will no longer be a Eurogrid shareholder. Elia already wishes to thank IFM for its successful cooperation, which began in 2010 with the joint acquisition of 50Hertz from Vattenfall. Since then, 50Hertz has been the fastest growing division of Elia Group.

For further information, please contact:

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The new shareholding structure insures a continued realisation of Elia's important investment programme to achieve the ambitious objectives of the German energy transition and enable further integration of the European electricity market.

The closing of all transactions is expected to be finalised in the third quarter of 2018. Citi acted as the financial advisor to Elia.

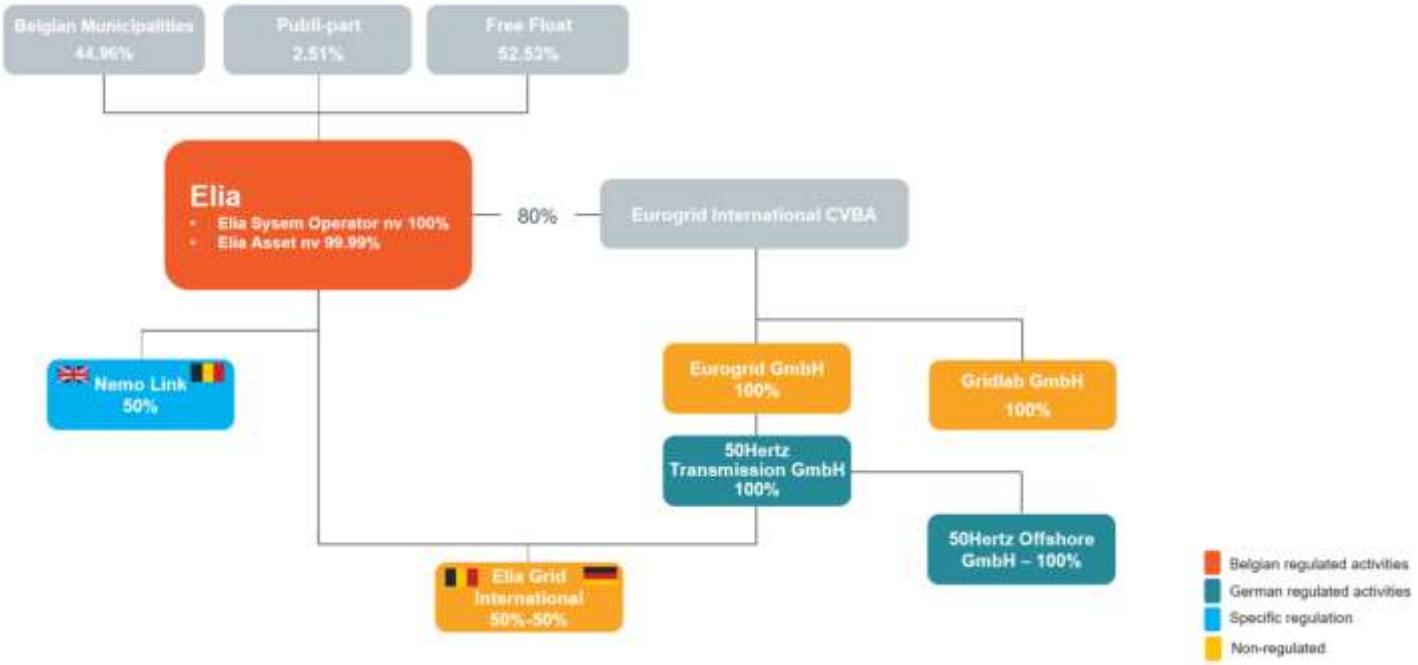
Elia's acquisition of 20% of Eurogrid International which completed on 26th of April 2018 and increased its share in Eurogrid to 80%, is currently financed via a bridge loan. Following the closing of the transaction described above, the refinancing of the bridge loan will be completed. Elia confirms its intention to finance the acquisition of 20% of Eurogrid by issuing long-term debt instruments of which €700M hybrid bonds and €300M unsubordinated senior bonds.

About KFW

KfW is one of the world's leading promotional banks. With its decades of experience, KfW is committed to improving economic, social and ecological living conditions across the globe on behalf of the Federal Republic of Germany and the federal states. To do this, it provided funds totaling EUR 76.5 billion in 2017 alone; and of this, 43 % went into measures for protecting the environment and combating climate change.

KfW does not have any branches and does not hold customer deposits. It refinances its promotional business almost entirely through the international capital markets. In 2017, KfW raised some EUR 78 billion for this purpose. In Germany, the KfW Group is represented in Frankfurt, Berlin, Bonn and Cologne. Its network includes 80 offices and representations around the world.

SHAREHOLDER STRUCTURE OF ELIA GROUP



About the Elia Group

ONE OF EUROPE'S TOP FIVE PLAYERS

The Elia Group is active in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. With subsidiaries in Belgium (Elia) and east Germany (50Hertz), we operate 18,600 km of high-voltage connections. As such, our group is one of Europe's top 5. With a reliability level of 99.999%, we give society a robust power grid, which is important for socio-economic prosperity. We also aspire to be a catalyst for a successful energy transition insuring a reliable, sustainable and affordable energy system for the future.

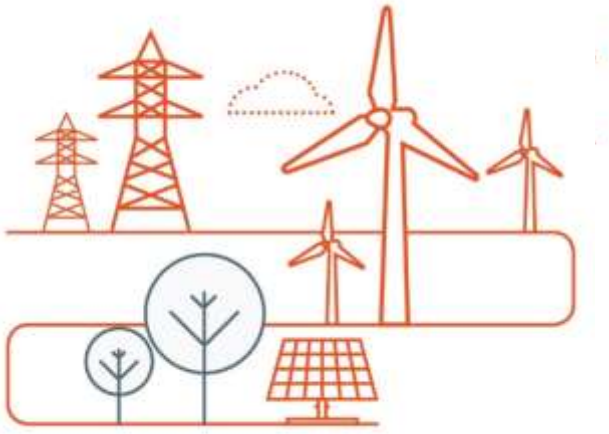
WE MAKE THE ENERGY TRANSITION HAPPEN

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

Headquarters

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

50Hertz Transmission GmbH
Heidestraße 2
D-10557 Berlin - Germany



IN THE INTEREST OF SOCIETY

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

INTERNATIONAL FOCUS

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

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

www.elia.be

www.eliagroup.eu