PRESS RELEASE

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Elia Group strengthens and expands electrical grid while delivering a strong financial performance

HIGHLIGHTS 2017

- **Grid investments of €486 million in Belgium and €461 million in Germany to secure further the uninterrupted supply of electricity and to accommodate increasing renewable energy flows**
- **Very high system reliability (99.999%), benefiting 30 million end-users in Belgium and Germany**
- **Normalised net profit[1] up 28.9% to €216.6 million (Eurogrid up 58.2%, Elia up 8.8%), driven by the containment of operating costs in particular in Germany and, in Belgium, the full realisation of the strategic investment programme**
- **Dividend of €1.62 to be proposed at the General Meeting on 15 May 2018**

Elia Group CEO Chris Peeters comments on 2017

Our 2017 annual results reflect the Elia Group's efforts to boost the performance of its core activities. In Belgium, Elia is delivering major investment projects on time, within budget and with the required quality. In Germany, 50Hertz has seen a strong improvement in operational efficiency, due in part to new infrastructure projects. This means fewer congestion problems on the grid and thus a considerable saving in redispatch costs. At the same time, we are preparing the energy system for the future, making our knowledge and expertise available, and focusing on innovation and the development of new market products through increasing digitalisation. With a reliability level of 99.999%, the Elia Group's grid is once again one of the most adequate in Europe.

[1] The term "normalised" refers to performance measures (EBIT, Net Profit, EPS) before non-recurring items. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature. We refer to page 17, point 9 for a detailed reconciliation of the non-recurring items.

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1. 2017 IN A NUTSHELL

The Elia Group is active in electricity transmission. With subsidiaries in Belgium (Elia) and north-east Germany (50Hertz), we operate 18,600 km of high-voltage connections that supply power to 30 million end users. Our robust grid is key to socio-economic development in our control areas. We also aspire to be a catalyst for a successful energy transition towards a reliable, sustainable and affordable energy system. In addition to its activities as a transmission system operator (TSO), the Elia Group provides various consulting services to international customers through its subsidiary Elia Grid International (EGI).

Strong progress in infrastructure construction

By expanding international connections and integrating ever-increasing amounts of renewable energy generation, the Elia Group promotes both the integration of the European energy market and the decarbonisation of our society. In 2017, progress was made on a number of strategic investment projects.

In Belgium, the **Stevin** project was officially inaugurated in November in the presence of, among others, Prime Minister Charles Michel and Federal Energy Minister Marie Christine Marghem. Stevin will carry energy inland from the future offshore wind farms and from 2019 will enable the exchange of energy with the United Kingdom via the subsea interconnector Nemo Link.

Nemo Link, a joint venture between Elia and the British system operator National Grid, started laying the first 59 km of subsea cable in mid-2017. Since then, electrical works have started in Richborough (UK) and Bruges (BE) for the converter stations. Nemo Link commissioning is scheduled for Q1 2019.

Elia also obtained some important permits in 2017. Work can continue in 2018 on the second phase of the **Brabo** project to upgrade the grid around the Port of Antwerp, and on construction of **ALEGrO**, the first interconnector with Germany. The 90-km underground HVDC connection (of which 49 km is in Belgium) is being built in partnership with the German system operator Amprion.

Another important milestone was the approval of the bill for the **Modular Offshore Grid** in the federal parliament cancelling the option for offshore wind farm developers to connect directly to the shore. As a result of this law, any current concession holder for an offshore wind farm without a direct connection permit will have no choice but to connect to the Modular Offshore Grid. Located around 40 km off the coast, this offshore switch yard is important for the further development of an offshore grid in the Belgian North Sea. It will bundle together the cables from the new offshore wind farms and connect them to the mainland.

In Germany, the full commissioning of the 200-km **South-West Coupling Line** between Saxony-Anhalt and Bavaria was a major highlight, marking the culmination of more than 10 years of project development. The 380-kV line is intended to ensure a reliable power supply for Bavaria following Germany's nuclear power phase-out. The new line between the north-east of Germany and Bavaria decreases congestion on the grid and generates important savings in redispatch measures, to the benefit of end consumers.

50Hertz also made major progress on the offshore projects **Ostwind 1** and **Combined Grid Solution**. In the 90-km offshore grid connection project Ostwind 1, the laying of the first and second cable system was completed. This means that the Wikinger wind farm can be connected to the grid, according to the agreed schedule. Combined Grid Solution is a joint project with the Danish system operator Energinet and will be the world's first interconnector between two offshore wind farms: the Kriegers Flack (DK) and Baltic 2 (DE) projects, which are located barely 30 km apart. Commissioning is scheduled to take place from late 2018.

50Hertz also commissioned a number of **transformer substations** in 2017, at Wolmirstedt, Heinersdorf and Altentreptow, as well as successfully running a trial operation for phase-shifting transformers in Röhrsdorf on the border with the Czech Republic

Operational excellence

A lengthy cold snap in January 2017 caused a tense situation on the electricity grid and price spikes in several European countries. Thanks to close monitoring and international coordination with several European system operators, the situation remained under control in all places.

In October, Federal Energy Minister Marie Christine Marghem opened Elia's modernised national control centre. The centre is now better equipped to monitor a range of parameters such as international flows and variables in generation with an increasing share of renewable energy. Successfully integrating renewable energy with innovative storage technology and sufficient flexibility is the challenge that system operators are facing. The renovated national control centre anticipates all these developments and is equipped with the latest software.

At 50Hertz, the redispatching processes were optimised to better deal with congestion problems on the grid. This, combined with additional investments in grid infrastructure, has resulted in considerable savings on redispatch measures.

Market developments

Elia began implementing the **BidLadder** in 2017. With this new trading platform, Elia has opened up the tertiary reserve market (R3) to demand response and units smaller than 25MW, in order to create a level playing field for all technologies. Since May, there has also been a new contractual framework governing the provision of the primary frequency control reserve (FCR or R1). Market players can now participate in the primary frequency control service using resources with limited energy reserves, such as batteries. This innovation means that Elia remains a pioneer in the flexible integration of decentralised sources on the European market.

In Germany, 50Hertz is taking a leading role in the **WindNODE** consortium, which supports initiatives to improve the integration of large quantities of renewable energy into the electricity system. Among other things, WindNODE ('Wind in Nordostdeutschland') aims to test IT systems that support more flexible balancing products. The tests are taking place in the 50Hertz control area because of its high percentage of renewable energy generation, accounting for 53.4% of total electricity consumption (annual average for 2017).

Safety as a top priority

In April 2017, Elia launched the **Safety for Contractors programme**, which extends the existing Go for Zero programme to subcontractors. The aim of both programmes is to reduce the number of accidents to zero. Because safety is an absolute top priority, Elia carried out, among other things, unannounced inspections at sites involving work at height. Contractors were checked to make sure they were correctly applying Elia's safety procedures, such as wearing fall protection.

Following an improvement in safety among suppliers at 50Hertz sites, 50Hertz is continuing its efforts to enhance safety even further. The **"gib8 programme"** was launched as part of this drive, because even one accident is one too many.

Innovation and opportunities through collaboration

Elia and nine other international energy companies joined forces with the Energy Web Foundation (EWF), a non-profit organisation seeking to develop a public technology platform for blockchain in the energy sector. Elia also took a minority stake in Enervalis, a start-up that develops innovative software-as-a-service that will allow market players to optimise their energy bills while helping to meet the growing need for flexibility in the electricity system.

In Germany, 50Hertz was given the go-ahead to implement the CompactLine pilot project as part of the Ragow-Förderstedt-Jessen/Nord 380-kV connection. This innovative project will test out a new type of pylon, which is shorter and narrower and so has less visual impact on its surroundings.

Elia and 50Hertz's international consulting company EGI secured its first contract in Southeast Asia in 2017, to carry out an assessment project for the Vietnamese TSO. In the Middle East, a project was completed for National

Grid SA and a new project launched for Transco Abu Dhabi. In Germany, EGI was awarded an engineering contract for the Combined Grid Solution offshore interconnector project.

In the interest of society

In 2017, Elia made a fundamental contribution to the public debate on the future of the Belgian energy system and the challenges posed by the energy transition. The vision paper which Elia published in June was supplemented in November by a quantified study entitled **Electricity Scenarios for Belgium towards 2050**, in which Elia calculated a number of future scenarios. In its conclusions, Elia called on the relevant authorities to take swift action to safeguard the Belgian energy system. The publication is considered a landmark document and triggered a political and social debate on such issues as the statutory closure of Belgium's nuclear power stations in 2025.

Together with Germany's other three transmission system operators, 50Hertz published the **Network Development Plan 2030** in 2017. It sets out the grid development needs for both onshore and offshore through to 2030 based on a range of scenarios according to the speed at which Germany wishes to implement the energy transition. The Network Development Plan was approved by the regulator at the end of the year. 50Hertz also published its first Sustainability Report in 2017. The document fulfils the criteria of the German Sustainability Code and follows the international guidelines of the Global Reporting Initiative.

Both Elia and 50Hertz engage in active stakeholder management. They also make every effort to communicate proactively with local authorities and residents when implementing new projects. Stakeholders are consulted from an early stage so that the project is developed on the basis of mutual consultation. In this way, the Elia Group strives to ensure the greatest possible acceptance of its projects.

Elia Group CEO Chris Peeters comments on 'Electricity Scenarios for Belgium towards 2050'

Our study considers various policy options and their consequences. This is our social responsibility. After all, the power grid is a crucial pillar of energy policy. By quickly and intelligently anticipating those opportunities that arise, Belgium can ensure an adequate, low-carbon and competitive electricity system that will help support prosperity for generations to come.

See section 3 for further information on the various significant events for the Elia Group in 2017.

2. KEY FIGURES

Consolidated results and financial position of the Elia Group:

Key figures	2017	2016	Difference (%)
Total revenues	887.5	868.1	2.2%
EBITDA	475.5	425.0	11.9%
EBIT	344.6	295.0	16.8%
Non-recurring items	*0.1*	*12.0*	*(99.3%)*
Normalised EBIT	344.5	283.0	21.7%
Net finance costs	(76.5)	(82.9)	(7.7%)
Net profit	**229.1**	**179.8**	**27.4%**
Non-recurring items	*12.5*	*11.8*	*6.0%*
Normalised net profit	**216.6**	**168.0**	**28.9%**
Total assets	6,596.5	6,241.5	5.7%
Equity	2,640.7	2,511.4	5.1%
Net financial debt	2,689.1	2,557.3	5.2%
Key figures per share	2017	2016	Difference (%)
Basic earnings per share (EUR)	3.76	2.95	27.5%
Normalised earnings per share (EUR)	3.56	2.76	29.0%
Dividend per share (EUR)	1.62	1.58	2.53%
Equity per share (EUR)	43.4	41.2	5.3%

EBIT = Result from operating activities and share of profit of equity-accounted investees (net of income tax)
EBITDA = EBIT + depreciation/amortisation + changes in provisions
Non-recurring items: See section 9 for more information on the non-recurring items.
Net profit = Profit for the period attributable to owners of the company
Equity = Equity attributable to owners of the company
Net financial debt = Non-current and current loans and borrowings less cash and cash equivalents

Analyst & Investor conference call

The Elia Group will host a conference call for institutional investors and analysts on 23 February 2018 at 10:30 a.m. CET. For dial-in details and webcast links please visit our website (http://www.eliagroup.eu).

Financial

The Elia Group's normalised net profit increased by 28.9% to €216.6 million, the combined result of an increase in net profit in both Belgium (up 8.8%) and Germany (up 58.2%).

In **Belgium**, solid results were achieved, with a normalised net profit of €108.6 million, driven by the realisation of strategic investments. In more detail: the regulated net profit increased by €7.5 million thanks to the full realisation of the mark-up investments since the start of the tariff period in 2016 (up €9.5 million) and the increase in the yearly average OLO compared to 2016 (up €5.0 million). This was partially offset by lower contributions from incentives (down €5.2 million) and a regulatory settlement from prior year (down €1.7 million). Furthermore, the increasing investment programme also resulted in a significant increase in the customer contributions received (up €4.5 million), which was offset by a negative contribution from the movement in the pension provision (down €2.7 million) and a lower result recognised on associates (down €2.5 million). Finally, the normalised net profit benefited from limited damage to electrical installations (up €1.0 million).

In **Germany**, the normalised net profit increased considerably on the back of a strong operational performance. After peaking in the maintenance activity cycle in 2016, due in part to substantial damage to electrical installations, and thanks to the containment of operating costs, following the launch of an efficiency programme, operational costs declined significantly in 2017 (up €72.4 million). Furthermore, there was increased investment cost coverage as a result of both onshore and offshore investment activities (up €38.7 million). These effects were partly offset by higher depreciations (down €11.5 million) following commissionings that occurred during 2017. Together with higher taxes, this all resulted in a normalised net profit of €180.1 million for the German activities.

Taking into account the non-recurring items, which were slightly higher than in 2016, the **reported Elia Group net profit** increased by 27.4% to €229.1 million.

More details of the financial performance of the two constituent TSOs (Elia Transmission in Belgium and 50Hertz Transmission in Germany) can be found in the individual segment reporting sections below.

The **net financial debt** increased slightly to €2,689.1 million (up 5.2%). Elia's sizeable CAPEX programme, 10% bigger than in 2016, was financed mainly by cash flows generated from operating activities (€370.2 million), the proceeds from the sale of 2.8 million green certificates to the Walloon Region leading to a cash inflow of €176.2 million and profit reservation from prior years. In addition, Elia Transmission issued a €250 million Eurobond in late March 2017.

Shareholders' equity for the Elia Group rose 5.1% compared with 31 December 2016, from €2,511.4 million to €2,640.7 million. The increase was due mainly to reservation of the 2017 profit less payment of €96.2 million dividends for 2016. As a result, equity per share rose from €41.2 to €43.4. This was also impacted by the limited capital increase in 2017, which was reserved for personnel.

At the General Meeting of Shareholders to be held on 15 May 2018, the Board of Directors will recommend that a gross dividend of €1.62 per share be paid, i.e. a net dividend of €1.134 per share.

2.A. Segment reporting for Elia Transmission (Belgium)

Key results

Elia Transmission key figures (in million EUR)	2017	2016	Difference (%)
Total revenues	887.5	868.1	2.2%
EBITDA	367.3	349.6	5.1%
EBIT	236.5	219.6	7.7%
Non-recurring	*0.0*	*4.9*	*n.r.*
Normalised EBIT	236.5	214.7	10.2%
Net finance costs	(76.5)	(82.9)	(7.7%)
Income tax expenses	(39.1)	(32.0)	22.2%
Net profit	**121.0**	**104.5**	**15.8%**
Non-recurring	*12.4*	*4.7*	*n.r.*
Normalised net profit	**108.6**	**99.8**	**8.8%**
Total assets	5,765.1	5,463.6	5.5%
Total equity	2,075.0	1,999.1	3.8%
Net financial debt	2,689.1	2,557.3	5.2%
Free cash flow	(32.8)	98.8	(133.2%)

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

Financial

Elia Transmission's revenue increased by 2.2% compared with the same period the previous year, to €887.5 million. The increase in revenues is a result of a higher allowed regulated net profit, higher depreciations and higher taxes that are passed through into revenues. These increases were partly offset by lower costs, mainly for ancillary services and financing, which are all passed through into revenues to the benefit of consumers, and the lower revenues generated by Elia Grid International (EGI).

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

Detailed revenues (in million EUR)	2017	2016	Difference (%)
Revenues according to old tariff mechanism (applicable in 2016 only)	0.0	(1.3)	n/a
Grid connection	42.2	40.8	3.3%
Management and development of grid infrastructure	479.2	476.8	0.5%
Management of the electrical system	118.5	118.1	0.4%
Compensation for imbalances	170.7	146.4	16.6%
Market integration	24.3	23.5	3.3%
International revenue	47.3	38.9	21.4%
Other income (including EGI revenues)	97.5	105.8	(7.8%)
Subtotal revenues & other income	979.8	949.1	3.2%
Settlement mechanism: deviations from approved budget	(92.3)	(81.0)	14.0%
Total revenues and other income	**887.5**	**868.1**	**2.2%**

Grid connection revenues increased slightly to €42.2 million (up 3.3%) as a result of a tariff increase as well as an increase in the number of connected assets.

Revenues from **management and development of grid infrastructure** (up 0.5%) and **management of the electrical system** (up 0.4%) remained fairly stable.
Services rendered in the context of energy management (including black start) and individual balancing of balancing groups are paid within the **revenues for compensation of imbalances**. These revenues increased by 16.6% to €170.7 million, largely due to the tariff increase for energy management (up €13.7 million) and by higher revenues from compensation of imbalances as a result of higher congestion (up €10.8 million).

Finally, the last section of the tariff revenues encompasses the services that Elia Transmission provides within the context of **market integration**, which increased slightly (up 3.3%) to €24.3 million.

International revenue increased by €8.4 million (up 21.4%), due to the higher congestion on the borders in early 2017 resulting from a lack of production in France and at year end lower generation levels in Belgium.

Other income decreased by €8.3 million (down 7.8%) compared to the same period last year to €97.5 million. This was driven principally by EGI revenues, which decreased from €19.7 million to €9.7 million, as fewer owner's engineering services were provided in 2017 compared to prior year.

The **settlement mechanism** (€92.3 million) encompasses the deviation in the current year from the **budget approved by CREG**. The operating surplus, in relation to the budget of the costs and revenues authorised by the regulator, must be returned to consumers and therefore does not form part of the revenues. The operational surplus compared to the budget is primarily a result of the higher tariff sales (€13.0 million), increased cross-border revenues (€4.6 million), lower costs for ancillary services (€50.9 million) and lower financial charges (€19.6 million). This was partly offset by a higher regulated net profit compared to budget (€9.2 million) and the use of a deferred tax asset for used notional interest deduction (€11.8 million).

The **reported EBITDA** (up 5.1%) and **EBIT** (up 7.7%) were mainly impacted by increased regulated net profit, higher depreciations, lower financing costs to be passed on in the tariffs, partly offset by the lower contribution from EGI and the lower result of equity-accounted investments. As no non-recurring items were recognised in EBIT compared to 2016, the **normalised EBIT** increased more sharply by 10.2%.

Net **finance costs** (down 7.7%) fell by €6.4 million compared with 2016, mainly due to the repayment of a €500 million bond in April 2016. Also, with the settlement of the fiscal claim in 2016 and the cash inflow of € 176.2 million following the purchase of 2.8 million green certificates by the Walloon Region in September 2017, the financing was limited to the issuance of a €250 million Eurobond. Owing to strong investor interest and low market interest rates, the Eurobond had a coupon of 1.375%. The lower lending costs are entirely to the benefit of consumers, in accordance with the regulatory framework.

In a nutshell, the **normalised net profit** increased by 8.8% to €108.6 million, mainly due to the following items:

1. Increase in the **fair remuneration** (up €5.0 million):
   The higher average OLO compared to 2016 (up 0.25%) and the increase in equity due to reservation of part of the 2016 (€40.1 million) result led to a fair remuneration of €41.1 million;
2. Decrease in the **incentives** realised (down €5.2 million):
   Good operational performance, primarily on the incentives linked to welfare (up €0.1 million), innovation (up €0.5 million) and discretionary (up €0.4 million), was offset by a higher average tax rate (down €1.8 million), a lower performance on the incentive linked to import capacity (down €2.3 million) following a change in the regulatory reference for 2017 and lower efficiency (down €2.0 million);
3. Higher **mark-up** for strategic investments (up €9.5 million);
4. Higher customer contributions for specific investments (up €4.5 million);
5. No major damage to electrical installations compared to 2016 (up €1.0 million);
6. IAS 19 movement (down €2.7 million);
7. Lower result on equity-accounted investments compared to 2016 (down €2.5 million);
8. Others (down €0.9 million): Lower EGI result (down €1.5 million), regulatory settlement for prior year (down €1.7 million), higher activation of software costs (up €1.5 million) and the activation of issuance costs linked to the Eurobond issued (up €0.7 million).

The **reported net profit** increased more sharply by 15.8% to €121.0 million. Following the approval of the legislation implementing the corporate income tax reform in late December 2017, Elia Transmission re-assessed its deferred tax assets and liabilities according to the new future tax rates that apply to the period when the asset will be realised or the liability will be settled, leading to a non-recurring result of €12.4 million for the period.

Total assets increased by 5.5% to €5,765.1 million, mainly as a result of the investment programme. The **net financial debt** also increased to €2,689.1 million (up 5.2%), as Elia's sizeable CAPEX programme (€485.6 million) was mainly financed by cash flows generated from operating activities (€370.2 million), the proceeds from the sale of 2.8 million green certificates to the Walloon Region leading to a cash inflow of €176.2 million and profit reservation from prior years. In addition, Elia Transmission issued a €250 million Eurobond in late March 2017, partially offset by the reimbursement of commercial paper and an EIB loan reaching maturity in 2017 (€20 million).

The **equity** increased mainly as a result of the reservation of the 2017 profit, partly offset by the payment of dividends for 2016 (€96.2 million).

Operational

The **load** measured on the Elia grid increased slightly from 77.3 TWh in 2016 to 77.4 TWh (up 0.2%). The **net offtake** from the Elia network decreased slightly from 67.5 TWh in 2016 to 67.3 TWh (down 0.2%).

In 2017, Belgium was again a net importer. Net imports decreased from 6.2 TWh in 2016 to 6.0 TWh (down 2.6%). Total imports decreased by 3.1% to 14.2 TWh, while the total exports decreased by 3.5% to 8.2 TWh. In total, the electricity flows between Belgium and its neighbouring countries decreased by 3.3% to 22.4 TWh.

Investments

In 2017, Elia Transmission further accelerated its investments to a net amount of €485.6[1] million (including Nemo), mainly on upgrading high-voltage substations and laying high-voltage interconnections, intended to incorporate renewable energy into the grid and facilitate the further integration of the European energy market through interconnection.

In 2017, a further €67 million was invested in the Stevin project, which was put into operation at year-end. Work on other important interconnection projects such as Brabo (€37.7 million) and ALEGrO (€21.6 million) also continued and work on the high-voltage Mercator-Horta line got under way (€33.5 million). In addition, €21.7 million was invested in the Modular Offshore Grid. Finally, Elia Transmission continued to finance Nemo Link for an amount of €141.1 million.

[1] Excluding Nemo and including capitalisation of software, IAS 23 (Borrowing Costs) and IFRIC 18 (Transfers of Assets from Customers – with customer contributions to grid connections fully recognised in IFRS as revenue), this gives €388.1 million.

2.B. Segment reporting for 50Hertz Transmission (Germany)

Key results

50Hertz Transmission key figures (in million EUR)	2017*	2016*	Difference (%)
Total revenues	1,330.2	1,291.2	3.0%
EBITDA	471.8	376.3	25.4%
EBIT	321.7	237.2	35.6%
Non-recurring	*0.2*	*16.7*	*n.r.*
Normalised EBIT	321.5	220.5	45.8%
Net finance costs	(54.4)	(55.4)	(1.8%)
Income tax expenses	(87.1)	(56.3)	54.7%
Net profit	**180.2**	**125.6**	**43.5%**
Of which 60% attributable to the Elia Group	***108.1***	***75.4***	***43.4%***
Non-recurring	*0.1*	*11.8*	*n.r.*
Normalised net profit	**180.1**	**113.8**	**58.2%**
Of which 60% attributable to the Elia Group	***108.0***	***68.3***	***58.2%***
Total assets	6,196.0	5,663.6	9.4%
Total equity	1,385.4	1,296.4	6.9%
Net financial debt	1,435.6	1,623.5	(11.6%)
Free cash flow	283.8	(593.3)	n.r.

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

Financial

50Hertz Transmission's revenue increased by 3.0% compared with 2016. This was the result of increasing revenues following the increased onshore and offshore investments, as well as higher other revenues.

Total revenues are detailed in the table below.

Total revenues (in million EUR)	2017	2016	Difference (%)
Vertical grid revenues	1,241.4	944.3	31.5%
Horizontal grid revenues	210.2	167.2	25.7%
Ancillary services revenues	94.0	99.5	(5.5%)
Other revenues	73.5	64.9	13.3%
Subtotal revenues	***1,619.1***	***1,275.9***	***26.9%***
Settlement mechanism: deviations from approved budget	(288.9)	15.3	n.r.
Total revenues and other income	**1,330.2**	**1,291.2**	**3.0%**

Vertical grid revenue (tariffs to end customers) increased by €297.1 million, primarily as a result of the increase in the total allowed revenues by the regulator. The allowed non-controllable costs for energy (up €353.6 million) to be passed on in the tariffs, which are updated each year, were impacted by a newly introduced allowance for renewable energy (RES) curtailment costs, as well as the recovery of the high 2015 tariff deficits for energy costs. Furthermore, following the ongoing investment programme, there was an increased allowed cost recovery for investments (up €16.4 million).

Horizontal grid revenues increased by €43.0 million compared to 2016, mainly due to higher congestion income (up €7.0 million) and higher offshore costs charged to other TSOs (up €33.7 million). In Germany, all offshore connection costs are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs. Due to the increasing offshore investments, which in 2017 related mainly to the offshore grid connection of Ostwind 1, the cost recovery charged horizontally to the other TSOs is rising and thus impacting the horizontal revenues.

Ancillary services revenues slightly reduced by €5.5 million. Cross-border redispatch revenues strongly decreased with the commissioning of phase shifters at the Czech border. This was partly compensated by higher revenues from balancing groups, as higher costs for control energy were passed through to the balancing group owners.

The **settlement mechanism** includes both the annual offsetting of deficits and surpluses arising accounted for before 2017 (- €162.1 million) and the net surplus generated in 2017 between the costs allowed to be passed on in the tariffs and the actual costs (- €126.8 million). The operational surplus in 2017 results mainly from the lower real energy costs as a result of favourable weather conditions and preventative grid measures.

The **EBITDA** increased to €471.8 million (up 25.4%) mainly as a result of both the onshore and offshore investment activities (up €38.7 million) and lower operational expenditures (up €72.4 million). The material costs dropped significantly mainly due to lower maintenance costs, after reaching the peak in the maintenance activity cycle in 2016. Furthermore, with the substantial investment programme and lower maintenance activities, a higher portion of personnel cost could be allocated to new investments, leading to higher own work capitalised revenues compared to 2016. **Normalised EBIT** (up 45.8%) was further impacted by the increased depreciations as a result of the commissioning of the Southwest Coupling Line and North Ring during 2017. Taking into account the non-recurring energy bonus realised in 2017 (€4.8 million), which decreased compared to 2016 (€7.6 million), and the non-recurring regulatory settlements (-€4.6 million), the **reported EBIT** came in at €321.7 million.

The **normalised net profit** increased by 58.2% to €180.1 million as a result of:

1. Growing asset base driven by the ongoing investment programme, leading to a higher onshore (up €17.4 million) and offshore (up €21.3 million) remuneration;
2. Decreased **OPEX and other costs** (up €72.4 million)
3. Increased **depreciation** (down €11.5 million) driven by commissioning of investments
4. Reduced **net finance costs** (up €2.3 million), with the full year effect of the €750 million debt capital market transaction concluded in April 2016 offset by lower interest on provisions;
5. Increased **income tax expense** (down €35.6 million).

Total assets increased by 9.4% to €6,196.0 million, mainly due to a favourable development of the EEG cash and the investments made.

50Hertz ended the year with a positive **free cash flow** of €283.8 million linked to the positive EEG cash flows and the remuneration of the 2015 energy costs, recovered in 2017. Consequently, the **net financial debt** decreased to €1,435.6 million compared to the end of 2016. The net debt includes an EEG cash position of €775.7 million.

Operational

A net volume of 48.8 TWh was drawn off from the 50Hertz grid. The net offtake of electricity was 5.2% lower than during the same period last year (51.5 TWh). 50Hertz imported 12.3 TWh of electricity in 2017 (12.2 TWh in 2016) and exported 61.1 TWh (52.6 TWh in 2016). As a result, net export of electricity increased by 21% from 40.4 TWh to 48.8 TWh. The maximum offtake within the 50Hertz grid was 9,107 MW in 2017, slight lower (down 0.8%) than the peak load in 2016 (9,181 MW).

Investments

To meet grid users' requirements, 50Hertz Transmission invested €460.6 million in 2017, 38% less than in 2016 (€737.3 million). The onshore investments amounted to €214.2 million, while the offshore investments totalled €246.4 million. The most significant onshore investments were made for the overhead line project North Ring (€13.0 million), the construction of new phase shifters in the substations at Vierraden (€6.2 million) and Röhrsdorf (€13.2 million), the modernisation of the telecommunications network (€16.8 million) and the reinforcement of high-voltage pylons (€23.7 million) in order to enhance operational safety. Offshore investments related mainly to offshore grid connection of Ostwind 1 (€203.0 million) and the offshore interconnector project Kriegers Flak Combined Grid Solution (€37.9 million).

3. SIGNIFICANT EVENTS IN 2017

Significant progress on delivering the transmission infrastructure of the future

Nemo project - Belgium

The works at Nemo Link, the joint venture between Elia and National Grid poised to operate the first electricity interconnection between Belgium and the United Kingdom (UK), are progressing well. The majority of the construction works on the converter station at Herdersbrug (Belgium) are completed while the installation of the electrical equipment is ongoing and progressing well. The construction of the converter station at Richborough (UK) is almost completed.

With regard to the cable, the land cable works are completed on the UK side and the works for laying the land cable on the Belgian side are ongoing and will finish in spring 2018. The first 59 km of the double subsea cable between the UK onshore landing point and the French offshore section have been laid and buried in the seabed. The production of the remaining 71 km of double subsea cable is complete and this cable will be installed in Belgian territorial waters during spring 2018.

In the meantime, Nemo Link is also progressing well on making the company business-ready by setting up the commercial organisation and buying or developing, and testing necessary IT platforms. The electricity interconnector is scheduled to be commissioned in early 2019, allowing bidirectional energy flows between the UK and Belgium.

Stevin project – Belgium

On 21 November 2017, Elia officially inaugurated the Stevin high-voltage line. The project shores up Belgium's high-voltage grid in West and East Flanders and represents a key milestone allowing for the further expansion of the offshore wind farms and the continued integration of the European gird. The 47-km-long, 380-kV Stevin interconnection between Zeebrugge and Zomergem will transport energy generated by the new offshore wind farms to the mainland, encourage green energy projects in the region, support the growth of the Zeebrugge port area, and facilitate the exchange of energy with the UK via the subsea Nemo cable. The Stevin interconnection can transport up to 3,000 MW, a capacity equal to that of three major nuclear power plants.

ALEGrO project – Belgium

Following approval of the investment plan and the signing of the turnkey contracts for cable and converter in 2016, work began on the detailed design phase for construction of a 90-km interconnector between Belgium and Germany, capable of transporting a capacity of 1,000 MW. The type-testing of the cable was successfully performed and production of the cables is ongoing. The necessary permits and authorisations were received in late 2017, allowing the construction phase to start shortly. The construction includes a 49-km underground connection that will be built alongside the main infrastructure between the transformer substation at Lixhe and the German border, crossing 14 municipalities, and a converter station which will link the ALEGrO connection to the existing network. Commercial operation is expected to start in 2020.

Modular Offshore Grid – Belgium

The MOG includes an offshore platform providing connections to new wind farms. This platform will be located approximately 40 km off the coast of Zeebrugge. The 220-kV submarine cables will link the platform with the Stevin substation in Zeebrugge, so that generated wind energy can be injected into the Belgian onshore grid. Committing to the MOG is of strategic importance for Belgium's future in terms of its participation in the further development of renewable energy in the North Sea.

In 2017, the detailed design of the platform was finalised and the necessary utilities and electrical equipment for the platform fabrication yard were contracted as well as vessels for offshore heavy lift operations for the installation of jacket and topside. In August, the contract for the supply, installation and maintenance of approximately 85 km of submarine cable was signed. The platform, together with the first MOG cables, is scheduled to enter service at the end of the third quarter of 2019.

Mercator-Horta – Belgium

Works started on the Mercator-Horta high-voltage line in East Flanders. The 380-kV connection will cross 12 municipalities over a distance of 49 km between Kruibeke and Zomergem. Strengthening the Mercator-Horta axis will make it possible to import more electricity from abroad, and the line will also allow the increasing volume of renewable energy from new offshore wind farms to be integrated into the grid. All necessary permits for the project were received in May 2017, and works have started at the Mercator high-voltage substation (Kruibeke) as well as on strengthening towers and foundations along the entire line. The replacement with high-performance conductors is scheduled to start in April 2018.

Brabo – Belgium

In December 2017, all necessary permits and authorisations were received for the construction of the 380-kV overhead line between Zandvliet, Lillo and Liefkenshoek (crossing the River Scheldt) and all contracts for this project have been awarded. Construction of the 150-kV cable connection between Zandvliet and Lillo is nearing completion. This will allow the dismantling of the 150-kV overhead line between the two substations in the second half of 2018, followed by the construction of the 380-kV line. The new line is expected to be operational by the last quarter of 2020.

Ostwind 1 - Germany

Costing over €1 billion, the project connecting the offshore wind farms in the Westlich Adlergrund Cluster (CWA) to the grid represents the largest investment in the history of the company so far and another key step towards the culmination of the German energy transition. The AC connection to be built by 50Hertz consists mainly of three cable systems connecting the Lubmin onshore substation with two offshore substations (OSSs) and one cross connection between the two OSSs. The laying of the first and second cable system was completed in the second half of 2017. However, due to external events, the project was delayed in relation to the initial Year Plan. Furthermore, significant savings on several projects were achieved to the benefit of customers. This led to a reduction of investments planned in 2017. Nevertheless, this will not compromise the binding completion dates.

Kriegers Flak Combined Grid Solution - Germany

The Kriegers Flak Combined Grid Solution will connect the Danish region of Zealand with the German state of Mecklenburg-Western Pomerania. It is the first offshore interconnector linking two national offshore windfarm connections, with a planned transfer capacity of 400 MW. Commissioning is scheduled for the end of 2018. The civil engineering works at the Bentwish substation for the construction of the back-to-back converter are making good progress. As for the sea cable, the first part of the type test was completed successfully, while the results of the second part are still under investigation. The foundations for the Kriegers Flak platforms are currently being shipped from Ostend in Belgium to Denmark. Upon arrival at the site and depending on the weather conditions, the foundations will soon be installed on the seabed.

South-West Coupling Line – Germany

Following a challenging approval process spanning several years, the South-West Interconnector, which runs from Bad Lauchstädt (Saxony-Anhalt) via Erfurt-Vieselbach and Altenfeld (Thuringia) to Redwitz (Bavaria), was fully commissioned in 2017. With a transmission capacity of 5,000 MW and more than €300 million invested, the Southwest Coupling Line is one of 50Hertz's most important projects in the last decade. The 380-kV power line, also known as the Thuringian Power Bridge, was declared a European priority project and is a key element of the Power Grid Expansion Act (EnLAG). It is now the second line connecting the north-east of Germany to Bavaria, significantly boosting transport capacities along the north-south axis and contributing substantially to grid stability and a reduction in redispatch costs.

North Ring project – Germany

The North Ring project consists of a 380-kV overhead line, spanning the entire northern circumference of Berlin over a length of 80 km. Its purpose is to handle the increased infeed of renewable energy in the Brandenburg region, to boost security of supply in and around the German capital and to reinforce the grid connection of the steel mill in Hennigsdorf. Construction of the western section (82 pylons, 29 km) was completed in 2017. Construction of the eastern section is expected to begin in 2018, as soon as planning approval is granted.

Elia Grid International concludes strategic alliance agreement with EuroAsia Interconnector

Elia Grid International (EGI) has entered into a strategic alliance agreement with the EuroAsia Interconnector, the official EU project developer of the 2,000-MW electricity interconnector between Israel, Cyprus, Crete-Attica (Greece) and Europe. The agreement formalises a close cooperation with EGI for the development and implementation of the EuroAsia Interconnector. The EuroAsia Interconnector is a leading European Project of Common Interest (PCI) and is being heralded as an EU “electricity highway” connecting the national electricity grids of Israel, Cyprus and Crete-Attica (Greece) through a 1,518-km subsea HVDC cable.

Extension of the primary frequency control market to include new technologies

On 1 May 2017, Elia introduced a new contractual framework governing the provision of the primary frequency control service (FCR or R1). This framework sets out new rules designed to further enhance suppliers' flexibility with respect to possible combinations of the resources in their portfolio. In addition, market players can now participate in the primary frequency control service using resources with limited energy reserves, such as batteries.

Elia invests in Enervalis, an energy software start-up that develops smart solutions for the energy system of the future

In 2017, Elia acquired a minority stake of 12.46% in the start-up Enervalis. This reflects its 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 (e.g. 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.

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

In March, Elia System Operator, under its EMTN programme, issued a corporate bond worth €250 million. The bond has a 10-year maturity and a coupon yielding 1.375%. In addition, Elia and the European Investment Bank signed a seven-year €100 million loan linked to implementation of the Stevin project, which will contribute significantly to the further integration of renewable energy and enable the interconnection with the UK via the subsea Nemo cable, in line with the objectives of the ongoing energy transition. The loan is still undrawn. Finally, in June 2017, the prospectus for the Commercial Paper programme was updated, allowing the issuance of commercial paper up to a value of €350 million.

Changes to the Elia Board

In the course of 2017, several changes to the composition of Elia's Board of Directors occurred. The Elia Group General Meeting on 16 May, appointed Mr Bernard Gustin as an independent director and Mr Rudy Provoost as a non-independent director and renewed the mandates of Ms Jane Murphy as an independent director and of Ms Cécile Flandre, Mr Claude Grégoire, Mr Philip Heylen and Ms Dominique Offergeld as non-independent directors, and this for a term of 6 years. The Elia Group General Meeting on 27 October appointed Ms Roberte Kesteman as an independent director, for a period of 6 years.

On 21 December, Elia's Board of Directors appointed Bernard Gustin as the new chairman of the Board of Directors, for a period of 3 years with immediate effect. Bernard Gustin succeeds Claude Grégoire, who had been acting as interim chairman.

4. IMPORTANT EVENTS AFTER 31 DECEMBER 2017

On 2nd February 2018, Elia has received a notification from IFM Investors (via Global InfraCo S.à.r.l), its partner in the joint venture Eurogrid International SCRL, the holding company above 50Hertz Transmission GmbH ("50 Hertz Transmission"), on its contemplated sale of half of its 40%-participation in Eurogrid International to State Grid Corporation of China, or one of its subsidiaries.

Elia has approximately 2 months to decide to exercise its pre-emption right. Elia is currently assessing the contemplated transaction and its terms and conditions, and will inform the market once it has determined its position.

5. INFORMATION ON EXPECTED IMPACT OF IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) establishes a new comprehensive framework for determining whether, how much and when revenue is recognised. The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. The only impact that the Group foresees relates to the application of IFRIC 18, under which received customer contributions are currently directly recognised in full as revenue, whereas under IFRS 15 the cash considerations should be presented as deferred revenue and will be recognised in revenue over the lifetime of the underlying asset. The impact on the Group's results is €21.4 million for the period ended 31 December 2017 as well as an expected impact of €83.2 million on the opening equity at 1 January 2018.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has completed an initial assessment of the potential impact of the adoption of IFRS 9 on its consolidated financial statements. The Group expects an increase in impairment losses and more volatility on the impairment losses for the assets in the scope of the IFRS 9 impairment model. An assessment indicated that the application of the Expected Credit Losses (ECL) method at 31 December 2017 would increase the bad debt allowance for trade receivables by €0.3 million at that date compared with the allowance for trade receivables recognised under IAS 39. Deferred tax assets would increase by an amount of €0.1 million and net profit for the period would decrease by an amount of €0.2 million. Additionally, a small other comprehensive income ('OCI') effect will result from the valuation of assets in non-listed companies to be held for the foreseeable future. The Group intends to apply the option to recognise changes in fair value through OCI. An assessment indicated that this recognition of fair value changes through OCI would increase the OCI by €3.1 million.

6. OUTLOOK

In **Belgium**, assuming a stable trend in the Belgian 10-year OLO, we remain positive in our ability to achieve a return (ROE) in line with that of 2017. The investment programme will be further increased to approximately €650 million with a view to investing in further upgrading and expanding the grid, specifically €390 million for the Belgian high-voltage grid (including €112 million for the Modular Offshore Grid) and €68 million for the Nemo project. €221 million of CAPEX is linked to the implementation of the specific incentive for strategic investments ('mark-up incentive').

In **Germany**, as we enter the last year of the second regulatory period, we remain confident in our ability to achieve a return (ROE) between 10 and 12%. 50Hertz Transmission intends to invest approximately € 470 million in 2018. The realization of these investments, for which a certain external risk is still present, will also depend on the outcome of an auction of offshore wind farm capacity in the Baltic Sea planned for April 2018, which will determine the range of wired connections required for the Ostwind 2 project.

7. DECLARATION OF THE JOINT STATUTORY AUDITORS

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

8. FINANCIAL CALENDAR FOR 2018

Publication of 2017 Annual Report	early April 2018
2018 General Meeting	15 May 2018
Interim statement Q1 2018	16 May 2018
Payment of dividend for 2017	early June 2018
Publication of 2018 half-yearly results	27 July 2018
Interim statement Q3 2018	30 November 2018

9. NON-RECURRING ITEMS - RECONCILIATION TABLE

(in million EUR) – Period ended 31 December 2017	Elia Transmission	50Hertz Transmission à 100%	Consolidation entries	Elia Group
EBIT – Non-recurring items				
Regulatory settlements prior year	0.0	(4.6)	4.6	0.0
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	0.1	0.1
Energy bonuses	0.0	4.8	(4.8)	0.0
Total EBIT non-recurring items	**0.0**	**0.2**	**(0.1)**	**0.1**
Impact tax reform on deferred tax	12.4	0.0	0.0	12.4
Tax impact	0.0	(0.1)	0.1	0.0
Net profit – non recurring items	**12.4**	**0.1**	**(0.1)**	**12.5**

(in million EUR) – Period ended 31 December 2016	Elia Transmission	50Hertz Transmission à 100%	Consolidation entries	Elia Group
EBIT – Non-recurring items				
Regulatory settlements prior year	8.1	9.1	(9.1)	8.1
Reversal IFRS adjustment prior year not covered via tariffs	(3.1)	0.0	0.0	(3.1)
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	7.1	7.1
Energy bonuses	0.0	7.6	(7.6)	0.0
Total EBIT non-recurring items	**4.9**	**16.7**	**(9.6)**	**12.0**
Tax impact	(0.2)	(4.9)	4.9	(0.2)
Net profit – non recurring items	**4.7**	**11.8**	**(4.7)**	**11.8**

10. ANNEXES

- Consolidated statement of financial position
- Consolidated statement of profit and loss
- Consolidated statement of profit and loss and other comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Segment reporting – reconciliation
- Notes

ANNEXES:

Consolidated statement of financial position

(in million EUR)	31 December 2017	31 December 2016
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 revenues	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
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 profit and loss

(in million EUR) - Period ended 31 December	2017	2016
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
Earnings before interest and tax (EBIT)	**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
Diluted earnings per share	3.76	2.95

Consolidated statement of profit and loss and other comprehensive income

(in million EUR) – Year ended 31 December	2017	2016
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
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 changes in equity

(in million EUR)	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Total	Non controlling interests	Total equity
Balance at 1 January 2016	1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4
Profit for the period						179.8	179.8	0.3	180.2
Other comprehensive income			5.8			0.2	6.0		6.0
Total comprehensive income for the period			**5.8**			**180.0**	**185.8**	**0.3**	**186.2**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to Owners									
Shares issued	3.5	1.8					5.3		5.3
Share-based payment expenses	0.9						0.9		0.9
Transfer to legal reserve					34.3	(34.3)			
Dividends						(94.1)	(94.1)		(94.1)
Total contributions and distributions	4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Total transactions with Owners	4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Balance at 31 December 2016	**1,517.2**	**11.8**	**(6.1)**	**0.0**	**173.0**	**815.5**	**2,511.4**	**1.2**	**2,512.6**

(in million EUR)	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Total	Non controlling interests	Total equity
Balance at 1 January 2017	1,517.2	11.8	(6.1)	0.0	173.0	815.5	2,511.4	1.2	2,512.6
Profit for the period						229.1	229.1		229.1
Other comprehensive income			6.2			(10.3)	(4.1)		(4.1)
Total comprehensive income for the period			**6.2**			**218.8**	**225.0**		**225.0**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to Owners									
Shares issued	0.2	0.1					0.3		0.3
Share-based payment expenses	0.1						0.1		0.1
Dividends						(96.2)	(96.2)		(96.2)
Total contributions and distributions	0.3	0.1				(96.2)	(95.8)		(95.8)
Total transactions with Owners	0.3	0.1				(96.2)	(95.8)		(95.8)
Balance at 31 December 2017	**1,517.6**	**11.9**	**0.0**	**0.0**	**173.0**	**938.2**	**2,640.7**	**1.1**	**2,641.8**

Consolidated statement of cash flows

(in million EUR)	31 December 2017	31 December 2016
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
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 and long term receivables to joint ventures	(84.6)	(38.7)
Net cash used in investing activities	**(463.1)**	**(388.7)**
Cash flow from financing activities		
Proceeds from the issue of share capital	0.4	5.3
Expenses related to the issue of share capital	0.0	(0.1)
Dividends paid (-)	(96.2)	(94.2)
Repayment of borrowings (-)	(100.0)	(540.0)
Proceeds from withdrawal of borrowings (+)	247.2	80.0
Non-controlling interests	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)**

Segment reporting - reconciliation

Consolidated results (in million EUR) - Period ended 31 December	2017 Elia Transmission (Belgium) (a)	2017 50Hertz Transmission (Germany) (b)	2017 Consolidation entries & intersegment transactions (c)	2017 Elia Group (a) + (b) + (c)
Total revenues and other income	887.5	1,330.2	(1,330.2)	887.5
Depreciation, amortization, impairment and changes in provisions	(130.8)	(150.1)	150.1	(130.8)
Results from operating activities	235.9	321.7	(321.7)	235.9
Share of profit of equity accounted investees, net of tax	0.6	0.0	108.1	108.7
Earnings before interest and tax (EBIT)	236.5	321.7	(213.6)	344.6
Earnings before depreciations, amortizations, interest and tax (EBITDA)	367.3	471.8	(363.6)	475.5
Finance income	5.5	1.9	(1.9)	5.5
Finance costs	(81.9)	(56.2)	56.2	(81.9)
Income tax expenses	(39.1)	(87.1)	87.1	(39.1)
Profit attributable to the Owners of the Company	**121.0**	**180.2**	**(72.1)**	**229.1**
Consolidated statement of financial position (in million EUR)	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Total assets	5,765.1	6,196.0	(5,364.6)	6,596.5
Capital expenditures	388.1	478.1.	(478.1)	388.1
Net financial debt	2,689.1	1,435.6	(1,435.6)	2,689.1

Consolidated results (in million EUR) - Period ended 31 December	2016 Elia Transmission (Belgium) (a)	2016 50Hertz Transmission (Germany) (b)	2016 Consolidation entries & intersegment transactions (c)	2016 Elia Group (a) + (b) + (c)
Total revenues and other income	868.1	1,291.2	(1,291.2)	868.1
Depreciation, amortisation, impairment and changes in provisions	(130.0)	(139.1)	139.1	(130.0)
Results from operating activities	216.6	237.2	(237.2)	216.6
Share of profit of equity-accounted investees, net of income tax	3.1	0.0	75.3	78.4
Earnings before interest and tax (EBIT)	219.6	237.2	(161.8)	295.0
Earnings before depreciations, amortisations, interest and tax (EBITDA)	349.6	376.3	(300.9)	425.0
Finance income	7.0	1.8	(1.8)	7.0
Finance costs	(89.9)	(57.1)	57.1	(89.9)
Income tax expenses	(32.0)	(56.3)	56.3	(32.0)
Profit attributable to the Owners of the Company	**104.5**	**125.6**	**(50.2)**	**179.9**
Consolidated statement of financial position (in million EUR)	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Total assets	5,463.6	5,663.6	(4,885.6)	6,241.6
Capital expenditures	406.9	737.3	(737.3)	406.9
Net financial debt	2,557.3	1,623.5	(1,623.5)	2,557.3

Notes

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

The consolidated financial information is an extract from the consolidated financial statements that will be published in April 2018.

The same accounting policies were used to prepare the Elia Group's consolidated financial statements for the financial year ending 31 December 2017 as were used to prepare the consolidated financial statements for the financial year ending 31 December 2016 (see section 3. 'Significant accounting policies' of the financial part of the annual report for 2016), as published in April 2017, with the exception of the following:

(i) the application of the new, revised or amended IASB standards below, which came into effect on 1 January 2017:

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses;
- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IFRS 12 Disclosure of Interests in Other Entities.

These new, revised or amended standards did not have a material impact on the consolidated financial statements of the Group.

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

b. Belgian tax reform

On 25 December 2017, the Belgian government published an important tax reform law. This law foresees, amongst others, a decrease in the corporation tax rate from 33,99% to 29,58% in financial year 2018 and 2019 and a further decrease to 25% as from financial year 2020. The effect of this law has been considered in the measurement of the deferred tax liabilities as at 31 December 2017, resulting in a €12,4m positive effect on the statement of profit and loss and an offsetting €2,4m effect on other comprehensive income.

c. Scope of consolidation

There have been no material changes to the subsidiaries, joint ventures and associates compared to the relevant note in the annual report relating to the situation as at 31 December 2016.

Company	31 December 2017	31 December 2016
Parent company:		
- Elia System Operator SA/NV	Full	Full
Subsidiaries:		
- Elia Asset SA/NV	Full	Full
- Elia Engineering SA/NV	Full	Full
- Elia Re SA	Full	Full
- Elia Grid International SA/NV	Full	Full
- Elia Grid International GmbH	Full	Full
Joint ventures:		
- Eurogrid International CVBA	Equity	Equity
- Eurogrid GmbH	Equity	Equity
- 50Hertz Transmission GmbH	Equity	Equity
- 50Hertz Offshore GmbH	Equity	Equity
- Gridlab GmbH	Equity	Equity
- E-Offshore A LLC	Equity	Equity
- Atlantic Grid Investment A Inc	Equity	Equity
- Nemo Link Ltd.	Equity	Equity
Associates:		
- HGRT SAS	Equity	Equity
- Coreso SA/NV	Equity	Equity
- Ampacimon SA/NV	Equity	Equity
- Enervalis SA/NV	Equity	-
Other participations:		
- Atlantic Grid A LLC	-	-
- European Energy Exchange AG	-	-
- TSCNET Services GmbH	-	-
- JAO SA	-	-

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-west 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 towards a reliable, sustainable and affordable energy system.

WE MAKE THE ENERGY TRANSITION HAPPEN

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

Headquarters

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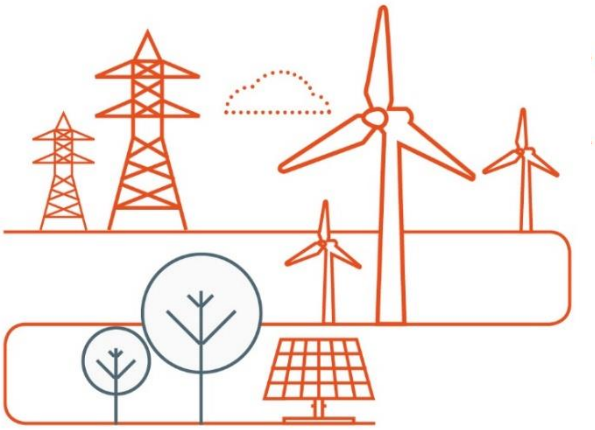
Boulevard de l'Empereur 20
1000 Brussels – Belgium

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