ANNUAL REPORT 2019

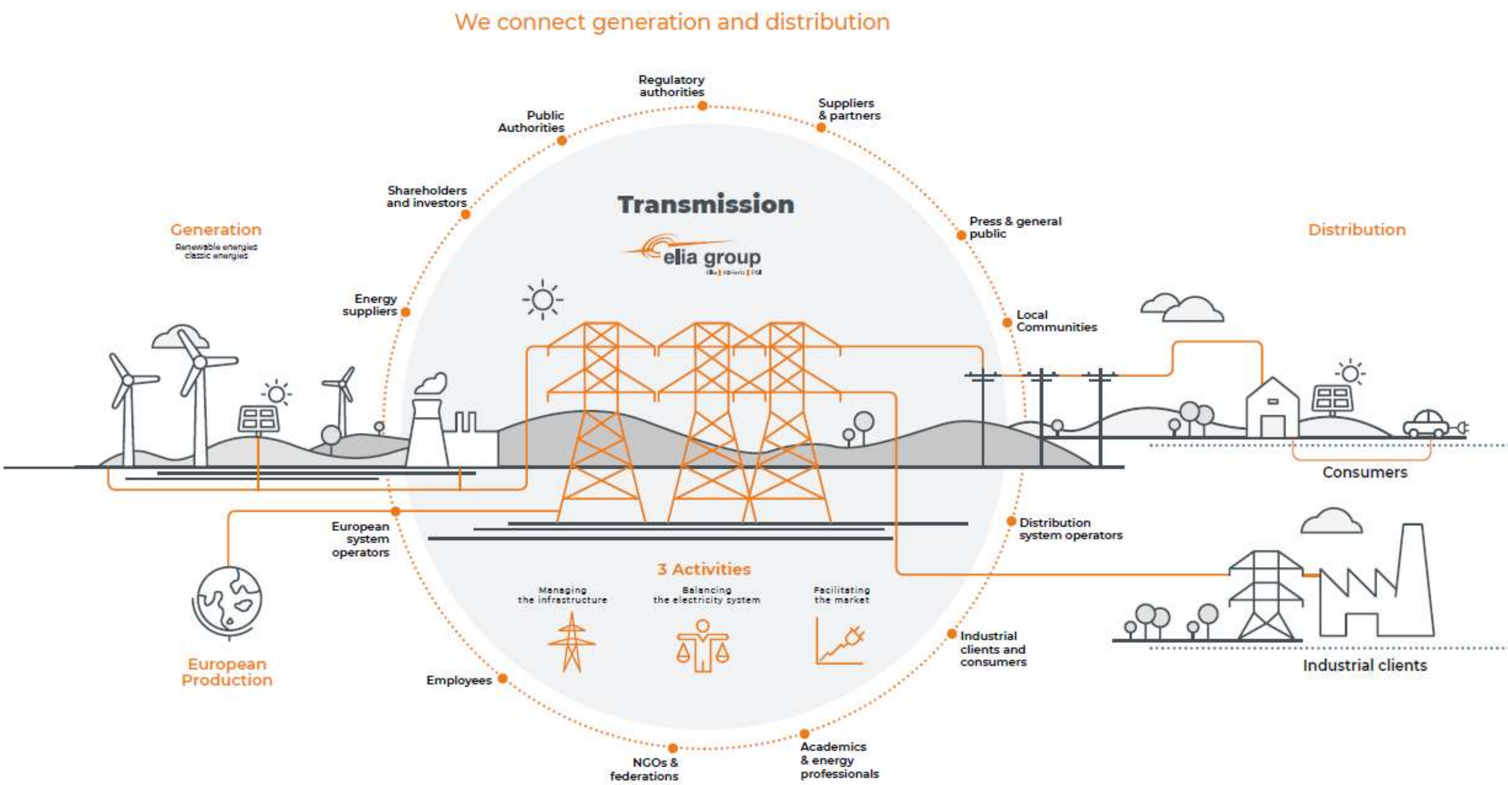
Ready to accelerate

Elia Transmission Belgium

Content

About this report

The annual report explains who we are and what we do, the context in which we operate, and includes the risks and opportunities. It outlines our strategy and the progress we have made towards achieving our goals. It also covers our approach to corporate governance and provides an introductory analysis of our 2019 results. The Annual Report concerns regulated information, published on 15 April 2020 after trading hours.



1. Introduction[1]

The transition of Europe's energy system is, without a doubt, one of the greatest challenges faced by society this century. The shift to a low-carbon society is sure to happen all the faster given the ambitious course set by the European Green Deal, which aims to make Europe the world's first climate-neutral continent by 2050. The energy transition is Elia Group's number-one priority. With our new corporate structure, we are ready to accelerate.

Shaping the Group

In 2019, Elia implemented an internal reorganisation project to isolate and ring-fence the regulated activities of Elia in Belgium from the non-regulated activities and regulated activities outside Belgium. This reorganisation aims to optimise Elia's debt positions in view of the new Belgian tariff methodology for the regulatory period 2020-2023. The Commission for Electricity and Gas Regulation (CREG) confirmed that such a reorganisation would significantly reduce the risk of cross-subsidy between regulated and non-regulated activities or regulated activities outside Belgium. This new structure will therefore allow the Elia group to further develop its existing and future Belgian and European activities (both regulated and non-regulated) in the most appropriate set-up to deliver on its growth strategy.

On 31 December 2019, Elia Transmission Belgium SA/NV ('ETB') took over the Belgian regulated activities of Elia System Operator SA/NV ('ESO'), including the indebtedness related to these activities. At that time, not all designations of ETB as national and regional/local Transmission System Operator ('TSO') were already obtained. For as long as ETB was awaiting the necessary designations, ESO subcontracted the operation of the transmission system to ETB in the framework of a silent partnership between ESO, ETB and Elia Asset SA/NV.

Beginning in 2020, ETB was designated the national and regional/local TSO for the very high- and high-voltage electricity grid in Belgium and the subcontracting by ESO to ETB of the operation of the transmission system has been ended. Elia System Operator SA/NV is now renamed Elia Group SA/NV and remains the listed parent company.

Elia Group

Elia Group acts as a holding company owning Elia Transmission Belgium (Belgian TSO), Eurogrid International (comprising the activities of 50Hertz, the German TSO) and Elia Grid International (the Group's international consultancy branch). Its main shareholder is the municipal holding Publi-T. Elia Group has been listed on the regulated market of Euronext Brussels, since June 2005.

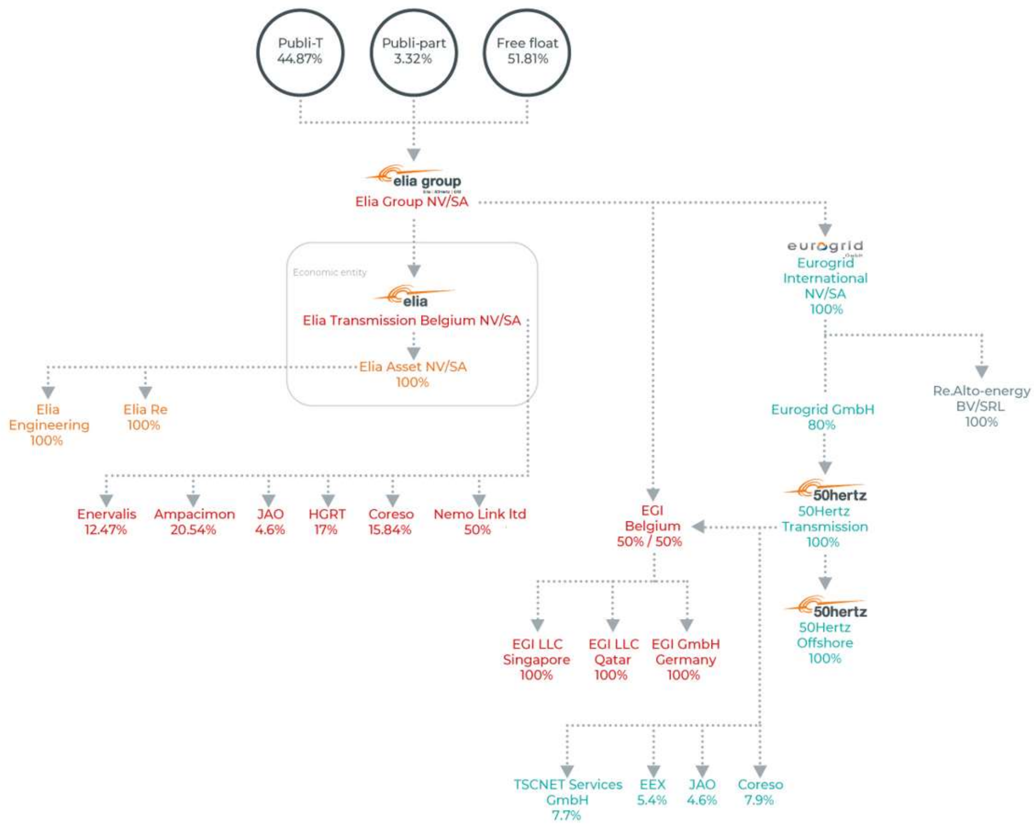
Elia Transmission Belgium

Elia Transmission Belgium (ETB) is fully owned. ETB is the Belgian transmission system operator for high-voltage electricity (30,000–400,000 volts). Its main activities include managing grid infrastructure (maintaining and developing

[1] For further information on the identification of the assets & liabilities, important events after the end of the financial year and the regulatory framework, please refer to section 7.1 on page 39, section 8.4 on page 45 and section 9 on page 47 respectively of the financial report.

high-voltage installations) and electrical system (monitoring flows, maintaining the balance between electricity consumption and generation 24/7, importing and exporting to and from neighbouring countries) as well as facilitating the market (developing services and mechanisms with a view to developing the electricity market at national and European level).

2. Legal Structure



Elia Transmission Belgium holds shares in:

- Elia Asset is the company that owns all the installations on the high-voltage grid and is responsible for the further development and maintenance of this grid. Elia Asset and Elia Transmission Belgium form a single economic entity and operate under the name Elia
- Nemo Link, a joint-venture between Elia and National Grid Interconnector Holdings Limited, a subsidiary company of the UK's National Grid Plc, a major UK company which owns and manages gas and electricity infrastructure in the UK and in the northeastern US. Nemo Link operates a 1,000 MW interconnector between Belgium and Great-Brittani and is governed by a regulatory framework determined by OFGEM and CREG.
- Elia Engineering, is fully owned by Elia and is responsible for all engineering activities
- Elia Re's is Elia's reinsurance company
- Enervalis, developping innovative software-as-a-service solutions that will support market players in optimizing their energy bill, while helping to meet growing flexibility needs, with a view to managing the balance between supply and demand on the system;
- Ampacimon, providing and developing dynamic monitoring systems (current capacity) for overhead lines that help the TSOs to increase the efficiency of the grid and which respect the required security level;

- JAO, a joint service company of twenty Transmission System Operators from seventeen countries, responsible for the yearly, monthly and daily auctions of transmission rights on 27 borders in Europe. Acts as a fall-back for the European Market Coupling;
- HGRT (holding des gestionnaires de réseau de transport), a shareholder in the French-based European power exchange EPEX Spot SE;
- Coreso, the first joint regional technical coordination centre, shared by nine European transmission system operators. Coreso 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 CWE.

"Our Board of Directors approved the new company structure that will allow us to pursue our ambitious growth strategy and capture opportunities that the energy transition brings. We are looking forward to further contributing to the creation of a sustainable and reliable energy system in the benefit of society."
- Chris Peeters, CEO Elia Group

3. Corporate Governance Statement

ETB satisfies specific obligations in terms of transparency, neutrality and non-discrimination towards all stakeholders involved in its activities. At ETB, corporate governance in 2019 was based on two pillars:

1. the Corporate Governance Code, which ETB has adopted as its benchmark code;
2. the Act of 29 April 1999 on the organisation of the electricity market and the Royal Decree of 3 May 1999 on the management of the electricity transmission system.

Composition of the management bodies as at 31 December 2019

Board of Directors

CHAIRPERSON

— Bernard Gustin, independent director

VICE-CHAIRPERSONS

— Claude Grégoire, director appointed upon proposal of Publi-T

— Geert Versnick, director appointed upon proposal of Publi-T

DIRECTORS

— Michel Allé, independent director

— Luc De Temmerman, independent director

— Frank Donck, independent director

— Cécile Flandre, director appointed upon proposal of Publi-T

— Claude Grégoire, director appointed upon proposal of Publi-T

— Bernard Gustin, independent director

— Philip Heylen, director appointed upon proposal of Publi-T

— Luc Hujoel, director appointed upon proposal of Publi-T

— Roberte Kesteman, independent director

— Jane Murphy, independent director

— Dominique Offergeld, director appointed upon proposal of Publi-T

— Rudy Provoost, director appointed upon proposal of Publi-T

— Saskia Van Uffelen, independent director

— Geert Versnick, director appointed upon proposal of Publi-T

AUDITORS

— KPMG Réviseurs d’Entreprises SCCRL, represented by Alexis Palm

— Ernst & Young Réviseurs d’Entreprises SCCRL, represented by Patrick Rottiers

(DAILY) MANAGEMENT COMMITTEE

— Chris Peeters, Chairman and Chief Executive Officer

— Markus Berger, Chief Infrastructure Officer

— Patrick De Leener, Chief Customers, Market & System Officer

— Frédéric Dunon, Chief Assets Officer

- Pascale Fonck, Chief External Relations Officer
- Peter Michiels, Chief Human Resources & Internal Communication Officer
- Ilse Tant, Chief Community Relations Officer
- Catherine Vandenborre, Chief Financial Officer

AUDIT COMMITTEE

- Michel Allé, voorzitter
- Frank Donck
- Roberte Kesteman
- Dominique Offergeld
- Rudy Provoost

Diversity within the board of directors

Number of people on the Board of Directors of Elia Transmission Belgium as at 31 December 2019	Unit	2019
Men	Aged 35 < 55	3
	Aged ≥ 55	6
Women	Aged 35 < 55	2
	Aged ≥ 55	3

In accordance with the Act of 29 April 1999 on the organisation of the electricity market, the Belgian Companies Code, the Belgian Code of Companies and Associations and the articles of association of Elia Transmission Belgium, at least one third (1/3) of the Board members must be of the opposite gender to the remaining two thirds. This one-third rule is applied proportionately to the independent and non-independent directors.

In addition, the composition of the Board of Directors is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge.

When searching for and appointing new directors, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Diversity within the (daily) management committee

Number of people on the (Daily) Management Committee of Elia Transmission Belgium as at 31 December 2019	Unit	2019
Men	Aged 35 < 55	4
	Aged ≥ 55	1
Women	Aged 35 < 55	3
	Aged ≥ 55	0

In addition, the composition of the (Daily) Management Committee is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge.

When searching for and appointing new members of the (Daily) Management Committee, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Transparency rules – notifications

Elia Transmission Belgium received in 2019 no notifications within the meaning of the Act of 2 May 2007 on disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on disclosure of major shareholdings.

Elia Transmission Belgium has issued a total of 205,572,291 shares. 205,572,290 shares are B-shares and are held by Elia Group. 1 share is a C-share and is held by Publi-T.

Important events in 2019

On 31 December just before midnight, Elia Transmission Belgium, which was set up on 31 July 2019, took over the Belgian regulated activities of Elia System Operator, including the indebtedness associated with these activities. At that time, not all of Elia Transmission Belgium's appointments as a national and regional/local transmission system operator had yet been made. During this interim period (when Elia Transmission Belgium had not yet obtained the appointments), Elia System Operator subcontracted transmission system operation to Elia Transmission Belgium as part of a silent partnership between Elia System Operator, Elia Transmission Belgium and Elia Asset for as long as Elia Transmission Belgium was awaiting the necessary appointments.

As from midnight on 31 December 2019, Elia Transmission Belgium was appointed national and regional/local transmission system operator pursuant to the decisions of the CREG on 13 January 2020, the VREG on 24 December 2019 and the Brussels Government for the Brussels-Capital Region on 19 December 2019. In the Walloon government, the appointment as (local) transmission system operator was obtained automatically following the appointments made at federal level, i.e. on 13 January 2020. As a result, the outsourcing of transmission system operation by Elia System Operator to Elia Transmission Belgium came to an end and on 31 December 2019 Elia System Operator was renamed 'Elia Group' at midnight. Elia Group remains a listed company, which is no longer subject to the Law of 29 April 1999 on the organisation of the electricity market.

4. Risk management and uncertainties facing the company

4.1 Strategic/regulatory risks & responses provided

4.1.1 Changing/new regulatory conditions

Given the specificities of its activities, ETB is subject to extensive European, federal and regional legislation and regulation. Unplanned and/or inconvenient changes or misinterpretations in regulatory or policy mechanisms in Belgium could conflict with ETB's existing and envisioned strategy causing severe financial and organisational impacts.

Responses

In order to minimise uncertainties, ETB strives to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian law, notably as part of the "Clean Energy Package" and the possible evolution of the Transmission System Operator (TSO) role to a Regional Operational Centre (ROC) one. ETB is also a member of the European Network of Transmission System Operators for Electricity (ENTSO-E). Through participating in this network, the transmission system operator provide advocacy for evolutions in line with its strategy.

Highlights

The regulatory and legal framework entails risks with regard to the division of powers between Belgium's federal and regional entities. For instance, contradictions between the various regulations, including the grid codes, could hinder the ability to perform ETB's activities. The further development of and changes to these regulations may also impact ETB's liability in the event of a power outage on the grid or – in the context of a reform of the State – the division of powers between federal and regional authorities, potentially including the power to approve transmission tariffs. In order to minimize those risks, ETB also strives to anticipate proactively evolution brought to national or local legislations.

4.1.2 Risk of early termination of TSO licence

To execute its activities, ETB has a licence, which can be revoked earlier if ETB does not have, inter alia, the human, technical and/or financial resources to guarantee the continuous and reliable operation of the grid in accordance with the applicable legislation, as well as the unbundling obligations as described in Article 9 of the EU Electricity Directive. Such a revocation would have an adverse material impact on ETB.

Responses

The Elia group has performed a reorganisation by the end of 2019, which enables the ring-fencing of the Belgian regulated activities of ETB from its other non-regulated activities. This in turn limits the risk of cross-subsidy between Belgian regulated activities and other types of activities. It thereby provides ETB with a suitable framework for the further carry out and develop its activities.

Highlights

ETB was confirmed as a Belgian transmission system operator with effect from December 31, 2019 by different public entities (the Federal Government for a period of 20 years, the Brussel's Government for a period of 20 years, and the Flemish regulator for a period of 4 years). The risks of early termination of the TSO licences are therefore limited in the short term. It is noted, however, that some discussions around the interpretation to give to Corporate Governance rules shall be conducted prior to the next renewal of the Flemish licence.

4.1.3 Sustainability of incomes

The remuneration of ETB is almost entirely driven by the regulatory framework applicable. Changes to the regulatory parameters could impact the profitability of ETB. In addition, the realisation of certain parameters defined in the tariff methodologies are subject to specific uncertainties that could affect ETB's financial position.

In particular, the remuneration of ETB depends in part on its ability to realise the needed projects and maintain the realised assets, as the current remuneration in Belgium is subject to the Regulatory Asset Base. This depends on its ability to obtain the necessary permits and to manage potential environmental and public health risks and accommodate city planning constraints without incurring significant costs. If ETB would not be able to realise or not timely/economically realise its investment programme, this could have a negative impact on ETB's future profits.

Responses

In the context of the Energy transition, the development needs of transmission infrastructure in Belgium requires the implementation of ambitious investment programmes, which indirectly contributes to increasing their regulatory asset base.

ETB also strives to develop tariff methodologies that take into account the changes brought about by the energy transition and the decentralization of energy generation.

Lastly, ETB seeks to act as efficiently as possible in its investment and asset maintenance policies. This allows consumers to benefit from the scale effect of centralised grid management.

Highlights

CREG's Management Committee has approved the Belgian Tariff proposal for the 2020-2023 regulatory period. Despite inflation and the continuation of ambitious investment programme, electricity transmission tariffs will decrease over the period 2020-2023, ending up 1% lower than the current 2019 tariffs by the end of that period. This effect can be explained mostly by the expected reduction in financial charges and ancillary service costs, as well as by the restitution of the tariff excesses collected in the past.

https://www.elia.be/en/news/press-releases/2019/11/20191107_elia-press-release-creg-approves-tariff-proposition

4.1.4 Anticipate HR needs

The energy transition drives us to a consumer centric model on which our strategy and ambition is based. To enable this consumer-centric model ETB culture and planned changes must be fully aligned with ETB strategy.
Additionally, with regard to talent management, specific technical expertise (offshore, digitalisation, IP...) will be required in the future to support the achievement of ETB strategy.

Responses

A reinforced focus on talent and culture led to several anticipating actions, like workshops, transparent communication, a group-wide roll-out of a culture change project, as well as specific training courses, are currently ongoing to achieve this alignment.

A succession planning is being implemented with a focus on leadership skills and an upgrade in the mapping of critical functions is also foreseen.

4.2 Operational risks[2]

4.2.1 Balancing

The consumption of electrical energy should be equal to the production at any time. A transmission system operator uses balancing energy to balance unplanned fluctuations in the production of electricity or the energy load.
The growth in the number of renewable energy units connected to distribution systems across Europe and, the connection of large offshore wind farms, also creates new challenges for operational grid management, particularly through increased volatility of energy flows on our network.

Responses

Maintaining security of the grid with respect to balancing at reasonable costs for the society relies on a mix of measures. These involve improving the cooperation for grid control at both national and international levels, enhancing the quality of forecasts (consumption, offshore, etc.), as well as ensuring a market design that incentivises the Balancing Responsible Parties to manage their portfolio balance, whilst at the same time offering them the market arrangements which allow them to trade their imbalances as close as possible to real-time (e.g. intraday markets). In addition, market reforms have to be implemented that unlock as much flexibility as possible and that can be called upon in real-time to keep the grid balanced at the least cost. The latter market reforms are aiming to open the balancing markets to all technologies and all players, irrespective of the voltage level they are connected to.

As an illustration of the aforementioned measure, in the course of 2020 in Belgium, ETB will move from monthly procurement of mFRR (manual frequency restoration reserve) and weekly procurement of aFRR (automatic frequency restoration reserve) to a daily procurement of both reserves. This will greatly lower the entry barrier for the reserve market and allow the effective participation of more technologies.

4.2.2 Adequacy

The federal governments in place have a key role to play in ensuring that enough generation capacity is available in their countries to avoid the risk of an electricity shortage and problems of supply. The transmission system operators of our Group, for their part, provide them with useful information. As an example, the Belgian transmission system operator performs, in accordance with the law, regular assessments of Belgium's security of supply situation in the short and longer term.

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[2] ETB was confirmed as a Belgian transmission system operator on December 31. For the year 2019, ETB's main risks are outside the scope of operational risks, because the latter were incurred over a very short period of time. However, for the sake of transparency, these risks are reported here. They correspond to risks that will be incurred in the future by ETB.

For the Belgium's adequacy situation in the short-term, the adequacy between load projections and available generation (incl. Demand Side Response, denoted DSR, load shifting…) in Belgium and the surrounding countries against security of supply criteria defined by law is assessed. If the study reveals that the latter criteria may not be met, the Minister in charge of Energy can ask the transmission system operator to constitute a Strategic Reserve. A Strategic Reserve is composed of assets sitting out of the market that can be called upon in the event that the market cannot ensure security of supply.

On December 2, a probabilistic analysis of Belgium's adequacy situation for the winter 2020-21 was published. The results of this study are available here:
https://www.elia.be/en/news/press-releases/2019/12/20191202_strategic-reserve-for-winter-2020-21

Belgium's adequacy situation in the longer term is also analysed through studies which assess the adequacy between load projections and anticipated available generation (incl. DSR, load shifting…) in Belgium and the surrounding countries. The anticipated available generation includes politically set objectives in terms of renewable generation as well as an economic viability gap to assess if sufficiently robust signals are available to trigger investments in the market to close any potential adequacy gap as defined by the legal security of supply criteria.
The latest study in this respect "Adequacy & Flexibility Study 2020-2030", dates from June 28, 2019. It is available here: **https://www.elia.be/en/publications/studies-and-reports**

This study concluded that as a result of the nuclear phase-out, Belgium would face an adequacy gap by 2025 and that there are insufficient robust investment signals to expect this gap to be filled up by the market without additional intervention.

As a result, and in order to guarantee Belgium's security of supply in the longer term, the Belgian government decided to introduce a capacity remuneration mechanism (**CRM)**. To this end, a legal proposal on this CRM mechanism was debated and adopted on April 2019. ETB shall assist the government in designing and implementing this CRM mechanism.

The aforementioned study also indicated that Belgium might already face an adequacy issue between 2022 and 2025 (period during which some nuclear units will leave the market). An assessment of the exact scale of the identified deficit, as well as the (need for) possible mitigating mechanisms, will be conducted in the course of 2020.

4.2.3 Contingency events & Business continuity disruption

The transmission system operated by ETB is very reliable. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur and alter the smooth operation of one or more infrastructure components. In most cases, these will lead to a so-called single contingency event, and have no impact on the end customers' power supply because of the meshed structure of the grid operated by ETB. Indeed, electricity can often reach end customers via a number of different connections in the system. However, in other cases, an incident in the electricity system may lead to a multiple contingencies event that could result in a local or widespread electricity outage provoking liability claims and litigation which could negatively impact the financial position of ETB.

There are causes other than unfavourable weather conditions for contingency events & business continuity disruption. Examples include human errors, malicious attacks, terrorism, equipment failures, etc.

Offshore equipment particularly has our full attention, in a context where there is less of a track record with these technologies and a higher complexity for curative actions.

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, investments or full time equivalent (FTE) resources proposed by ETB.

Responses

There are several procedures in place to manage these risks, going from crisis management plans to operational procedures such as defence plans and restoration plans. All of them are regularly trained for and tested with large-scale exercises and simulator trainings so that our staff and transmission system operators, as the case may be, are ready to deal with the most unexpected and extreme situations. In the event of an error attributable to ETB, the respective general terms and conditions of its contracts provide for appropriate liability caps for ETB, set at a reasonable level. Each relevant insurance policy is designed to limit some of the financial repercussions if these risks were to occur. Should unfavourable circumstances occur, the TSO may 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 from the competent Minister in the relevant area to reduce the impact of the event.

Additionally, the design and operation of offshore as well as onshore technologies takes constraints related to repair time, monitoring opportunities and grid resilience into account.

Highlights

As a regulated entity, ETB acts in accordance with the "network codes" applicable at European, federal and regional level, while network access contracts are approved by the regulator.

ETB's exposure under the regulatory framework and these contracts is limited to an acceptable amount.
These risks are generally covered by a "liability" insurance contract for the appropriate amounts.

In Belgium, due to resource bottlenecks, asset replacements and capital expenditures are generally subject to arbitration, which contributes to the ageing of some asset fleets, complicates the asset management and may eventually affect the availability of some network components and the performance of protection devices.

4.2.4 Failure of Information and Communication Technology (ICT) and data security

A failure of the ICT systems and processes used by ETB or a breach of their security measures may result in losses for customers and reduced revenues for ETB.

ETB also collects and stores sensitive data, its own business data and that of its suppliers and business partners. ETB is subject to several privacy and data protection rules and regulations, including, as of May 25, 2018, the General Data Protection Regulation (EU Regulation 2016/679 of April 27, 2016), Despite all of the 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 ETB to provide all or part of its 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 ETB, or damage the reputation of ETB, and in general could adversely affect the business of ETB.

Responses

ETB takes appropriate measures to revise, update and back up its ICT processes and hardware, software and network protection (for example, failover mechanisms) on an ongoing basis to the maximum extent permitted by technical and financial considerations. ETB also continuously adapts its processes and implements new ones to ensure compliance.

4.2.5 Permitting risk

The changing European energy market and largescale deployment of renewable-based generation technologies also requires the further development of the infrastructure of the transmission system operator. The development of such infrastructure and interconnectors with other neighbouring countries are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents a critical challenge to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Responses

In order to manage uncertainties related to permitting, concrete and upfront stakeholder management takes place, as well as transparent communication to the community.

Highlights

In Belgium, three projects are particularly important to facilitating the energy transition, but they also require a great deal of effort to gain community acceptance, namely Boucle du Hainaut, Ventilus and MOG II.

4.2.6 Supplier’s risk

ETB relies on a limited number of key suppliers to provide they with material and realise its investment projects. Given the complexity of the infrastructure works, the increasing demand in the market, and the factories' full order books, ETB may not be able to find sufficient suppliers or supply capacity for its projects. These key suppliers also face the challenge of having enough skilled HR profiles, so that the design of their products is adequate, their production capacity is sufficient, the quality of their supplies is good and their work teams demonstrate a deeply embedded safety culture. Should they fail to have enough skilled profiles, this might adversely impact our business, including the safety of our works. In addition, ETB is also exposed to the risk of public procurement claims and that its 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 its infrastructure works could have an adverse effect on the business and reputation of ETB.

Responses

ETB maintains ongoing dialogue with its suppliers and regularly performs predictive capacity analysis at market level in order to minimise supplier's risk. ETB also develops more resilient purchasing strategies and diversifies its supplier portfolio.

4.2.7 Health & safety accidents

ETB operates facilities where accidents, asset failure or external attacks may cause harm to people. As a result, ETB may be exposed to potential liabilities that may have a material, negative impact on its financial position, require significant financial and managerial resources, or possibly damage its reputation.

Responses

The safety and welfare of individuals (both ETB's staff and third parties'staff) is a key priority and a daily preoccupation for ETB who has put a Health and Safety policy in place, undertakes safety analyses and promotes a safety culture.

4.3 Financial risks & responses provided

4.3.1 Negative changes in financial markets[3]

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

Fluctuations of interest rates may negatively influence the financial situation of ETB. Indeed, in order to finance its investments and to achieve its short and long-term strategic goals, ETB and its affiliates need to access capital markets. In the current bank and capital market environment characterised by low interest rates, ETB has no constraints on the availability of funding. However, ETB is partly financed by debt instruments with floating interest rates, and a change in interest rates of financial instruments in the market can have an impact on the financial charges. Regulatory schemes can also be adversely affected by these fluctuations of interest rates when impacting the allowed return on equity

To finance its investments, ETB is dependent on its ability to access the debt and capital markets in order to raise the necessary funds to repay its existing indebtedness and meet its financial needs for its future investments. This **funding risk** is heavily impacted by macroeconomic trends. In 2020, these will mainly be shaped by the outcome of the trade discussion between the US and China, the evolution in the Middle East and the execution of BREXIT. All of these macroeconomic factors are reflected at market level by severe volatility, which could have a negative impact on the growth of the Elia Group and on the pursuit of its objectives.

[3] For more information, please refer to section 8.1 on page 42 of the annual financial report.

Elia Group, and its relevant affiliates, including ETB, are rated by S&P. 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 Company's credit rating could reduce ETB's funding options and increase its cost of borrowing.

Responses

The risks ETB faces are identified and analysed in order to establish appropriate limits. ETB controls and monitors risks and compliance with such limits. To this end, ETB has defined responsibilities and procedures specifically for the financial instruments to be used and the operating limits for managing them. These procedures and related systems are revised on a regular basis to reflect any changes in market conditions and the activities of ETB. The financial impact of these risks is limited, as ETB operates under the Belgian regulatory framework.

As part of ETB's efforts to mitigate the funding risk, ETB aims to diversify its financing sources in debt instruments. As a stock quoted company, ETB also has access to the equity market. The refinancing risk is managed through developing strong relationships with a group of financial institutions, through maintaining a robust 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 the Commercial Paper Programme.

Highlights

In Belgium, the funding costs linked to the financing of the regulated activities are qualified as "Noncontrollable 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 the interest rate.

4.3.2 Cashflow

The fluctuation in interest rates of ETB's debt mentioned in the previous section can also have an impact on the actual financial charges by causing a time differential (positive or negative) between the financial costs effectively incurred by ETB and the forecast financial costs. This could cause transitory effects on the cash position of ETB. Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues may have a negative short-term effect on the cash position of ETB, as well as a negative medium-term impact on the tariff setting for the next period.

In the framework of their respective competences, national and regional governments have taken measures to support the further development of renewable energy by introducing different support mechanisms. ETB is entitled to several of these public service obligations mechanisms. This may have an indirect impact on ETB's cashflow. Deviations from the expected number of sales of green certificates at a guaranteed minimum price or deviations from the expected volumes of sales of renewable energy at a fixed price could generate short-term significant cash expenses. TSO public service obligations' costs are covered by tariffs which are approved by the regulators on a regular basis.

Responses

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

Other risk mitigation measures include being involved in the design of public service obligation mechanisms aiming to support the development of renewable energy. Once these mechanisms are in place, performing good forecasts, as well as reporting and communicating issues to governments and regulators, they can contribute to keeping a good balance.

Highlights

With the advent of Belgian laws and regulations governing decentralised or renewable energy generation, notably via photovoltaic solar panels and wind turbines, the federal and regional governments organised the issuance of so-called 'green certificates' (GC), which are used as a financial support mechanism for renewable energy.

On the federal level in the past years, offshore wind turbines have been installed in the North Sea and their number will continue to grow, generating green certificates which are sold to ETB. This offshore green certificate public service obligation generates an increasingly large cash outflow, compensated by an equivalent cash inflow resulting from an increasing tariff to be approved by the government on an annual basis in the coming years.

In terms of the regional public service obligations, the imbalance on the green certificates' market in Wallonia will continue over the next few years, with high levels of sales of green certificates at the guaranteed minimum price to ETB. The high tariff for public service obligations for financing the support measures for renewable energy in Wallonia, which is established to cover the cost of selling green certificates, was completed in late 2017 by a new green certificate temporisation mechanism. In this context, the Walloon Region is entitled to buy appropriate quantities of GC from ETB and to resell these GC to the market in a few years. A new decree of May 2, 2019 amending the decree of April 12, 2001 relating to the organisation of the regional electricity market should provide an additional structural and lasting solution for the imbalance on the GC market in Wallonia as from 2020, as well as establishing a mobilisation mechanism of some GCs bought by the local TSO. Unlike the mechanisms already in place, the mobilisation mechanism will make it possible to avoid deferring Walloon debt over time by cancelling the excess GCs on the market. The mobilisation mechanism is based on a Special Purpose Vehicle (SPV) which is not consolidated with the local TSO and is financed by the issue of bond loans. The income of the SPV is generated by a new charge collected from the Walloon end-consumers.

At the time of publishing, there still needs to be confirmation that this decree complies with the current European state-aid regulation. The operationalisation of the mechanism is still in progress and is expected to be ready for mid-2020.

4.3.3 Development of new activities

Any negative results from new activity developments specific to ETB are entirely born by ETB and represent an additional financial risk.

Responses

ETB carries out its regulated activities according to the rules in force, which limits the corresponding financial risks. Also, risk management exercises and audits of new activities specific to ETB are foreseen and, if necessary, the appropriate risk mitigation measures are identified and implemented.

4.3.4 Legal disputes & liabilities

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

Responses
ETB carries out its 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.

4.4 R&D activities

In line with our strategic priority to facilitate the energy transition, ETB explores, with partners, ideas that could help reshape the future of energy and pave the way for the creation of a group of digital TSOs.

Our R&D activities relate to three domains: asset, market and system operation.

The first one provides a valuable contribution to managing the continuity of supply and health & safety risks through using advanced analytics to increase the efficiency of maintenance activities, connecting assets so as to improve their monitoring and maximise their use, and by the increasing automation of asset inspection and developing devices which alert workers in case some specific risks are detected. It also explores some options to reduce the environmental impact of assets.

In the market domain, activities are aiming to provide a digital test bed to put consumer centricity into practice and to understand the potential of advanced technologies for existing processes and new ways of market facilitation. These activities are a valuable contribution to manage the balancing and changing/new regulatory condition's risks.

With the third domain, system operation, ETB starts getting ready to operate the increasingly complex system reliability, by studying challenges related to the changed context and by learning to anticipate and act on grid state, in order to automate tasks and free up human resources. These activities are a valuable contribution to managing the continuity of supply risks and HR needs risks.

4.5 Contextual factors

4.5.1 Caretaker government

In Belgium, the presence of a "caretaker government" may lead to increased delays in some decision-making processes.

4.5.2 Preparing the energy transition

As outlined in the risk description, in the context of nuclear phase-out, preparing the energy transition requires additional generation units being available for ensuring both the network balancing and adequacy. This in turns requires a framework in which investors will feel confident enough to invest in those generation units. This framework is not yet available.

Additionally, preparing for the energy transition has a cost. Finding ways to finance them in a manner that is responsible for the future generations and in a context of indebtedness is a challenge in itself.

4.5.3 Energy demand & energy efficiency

While global energy demand has steadily increased over the past decades, energy efficiency is also one of the key measures outlined by the EU in respect of Union-wide CO2 footprint reduction. Significant energy efficiency measures in Belgium can potentially affect power consumption and thus reduce the volumes of electricity transmitted via ETB's networks. The same applies for a slowing down of the economic activities of industrial clients and a reduction of their consumption.

4.5.4 Macroeconomic context

2019 was characterised by a rather uncertain macroeconomic climate, in particular due to the high indebtedness and the prospect of a no-deal BREXIT.

As well as this, interest rates remained very low, following the ECB's highly accommodative monetary policy stance, but this situation may change in the future. Evolutions in long-term interest rates may affect the expected return for transmission system operators.

5. Features of the internal control and risk management systems

The reference framework for internal control and risk management, established by the Management Committee and approved by the ETB Board of Directors, is based on the COSO II framework. The framework has five closely linked basic components, providing an integrated procedure for internal control and risk management systems: control environment, risk management, control activities, information and communication, and monitoring. The use and inclusion of these concepts in ETB's various procedures and activities enables the company to control its activities, improve the effectiveness of its operations, optimally deploy its resources, and ultimately achieve its objectives. The implementation of COSO II at ETB is described below.

5.1 Control environment

Organisation of internal control

Pursuant to the ETB articles of association, the Board of Directors has established various committees to help it fulfil its duties: the Management Committee, the Audit Committee, the Strategic Committee, the Remuneration Committee and the Corporate Governance Committee. The Board has charged the Audit Committee with the task of monitoring: (i) the financial reporting procedure; (ii) the effectiveness of internal control and corporate risk management systems; (iii) the internal audit and its effectiveness; (iv) the statutory audit of annual and consolidated accounts, including the follow-up of any issues raised or recommendations made by external auditors; (v) the independence of external auditors, (vi) examining accounts and controlling budgets.

The Audit Committee generally meets quarterly to discuss the above points.

The Finance Department helps the Management Committee by providing, in a timely manner, correct and reliable financial information to aid not only decision-making with a view to monitoring the profitability of activities, but also effective management of corporate financial services. External financial reporting – one of ETB's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iii) specific reporting obligations applicable to public companies; (iv) reporting obligations under the regulatory framework. The structured approach developed by ETB helps to ensure that financial data is both exhaustive and precise, taking into account the deadlines for activity reviews and the actions of key players so as to ensure adequate control and accounting.

Integrity and ethics

ETB's integrity and ethics are a crucial aspect of its internal control environment. The Management Committee and management regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees. These rules are disseminated to all new employees, and compliance with them is formally included in employment contracts. The Code of Conduct also helps to prevent employees from breaching any Belgian legislation on the use of privileged information or market manipulation and suspicious activities. Management consistently ensures that employees comply with internal values and procedures and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts.

The Ethical Code defines what ETB regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees. ETB's Ethical Code expressly states that the Group prohibits bribery in any form, misuse of prior knowledge and market manipulation. This is confirmed by the ETB Code of Conduct. ETB and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by ETB. Disguising gifts or entertainment as charitable donations is also a violation of the Ethical Code. Moreover, the Ethical Code prohibits all forms of racism and discrimination, promotes equal opportunities for all employees, and ensures the protection and confidential use of IT systems. All parties involved in procurement must abide by ETB's Purchasing Code of Ethics and all associated regulations. ETB's Purchasing Code of Ethics is published internally and externally and is based on four pillars: confidentiality, non-discriminatory treatment of suppliers, transparency, and avoidance of conflicts of interest. The management of the employees involved in the procurement and payment processes regularly provides opportunities for training and awareness-raising on these topics.

ETB offers its employees the opportunity to express their concern about an (alleged) breach of the ethical code without fear of sanctions and/or unfair treatment. In addition to the existing reporting channels, an external system for reporting breaches of professional integrity has been implemented. Internal employees can report via this platform their suspicions about possible breaches of the ETB Code of Ethics which may harm ETB's reputation and/or interests in a protected manner.

By virtue of its legal status as a power transmission system operator, ETB is subject to a large number of st tutory and regulatory rules setting out three fundamental principles: non-discriminatory conduct, confidential processing of information, and transparency towards all electricity market players as regards non-confidential market information. With a view to meeting these specific obligations, ETB has drawn up an Engagement Programme, which has been approved by the Corporate Governance Committee. The Compliance Officer reports annually to the relevant regulatory bodies in this regard.

Any violations of these codes can be reported to the Compliance Officer, who handles them objectively and confidentially. The Compliance Officer declares that no such violations were reported by internal employees or external stakeholders in 2019.

Internal Audit's annual programme includes a number of actions and verification audits designed to act as specific safeguards against fraud. Any findings are systematically reported to the Audit Committee. In2019, no relevant findings relating to financial fraud were reported in the audits making up the annual audit plan of 2019.

Roles and responsibilities

ETB's internal control system relies on clearly defined roles and responsibilities at all levels of the organisation. The roles and responsibilities of the various committees established within ETB are primarily identified in the legal framework applicable to ETB, the articles of association and the Corporate Governance Charter. Under the supervision of the Chief Financial Officer, the Accounting Department is responsible for statutory financial and tax reporting and the consolidation of the Elia Group's various subsidiaries. The Controlling Department monitors analytical accounting and reporting and assumes responsibility for all financial reporting in a regulatory context. The Investor Relations Department is responsible for specific reporting applicable to companies listed on the stock exchange.

As regards the financial reporting process, the tasks and responsibilities of all employees in the Accounting Department have been clearly defined with a view to producing financial results that accurately and honestly reflect ETB's financial transactions. A detailed framework of tasks and responsibilities has been drawn up to identify the main control duties and the frequency with which tasks and control duties are performed.

An IFRS Accounting Manual is used by all entities within the scope of consolidation as a reference for accounting principles and procedures, thus ensuring consistency, comparability and accurate accounting and reporting within the Group.

The Finance Department has the appropriate means (including IT tools) to perform form its tasks; all entities within the scope of consolidation use the same ERP software, which has a range of integrated controls and supports task separation as appropriate. ETB also clarifies the roles and responsibilities of all its employees by providing a description of each job in line with the Business Process Excellence methodology.

Competencies

With a view to ensuring its various activities are performed reliably and effectively, ETB clearly spells out the vital importance of its employees' competencies and expertise in its recruitment, training and retention procedures. The Human Resources Department has drawn up the appropriate policies and defined all jobs in order to identify the relevant roles and responsibilities as well as the qualifications needed to fulfil them.

ETB has drawn up a policy for the management of generic and specific competencies in line with the company's values, and promotes training so as to enable all its employees to effectively perform the tasks allocated to them. Requirements with regard to competency levels are continually analysed by means of formal and informal self-assessments at various stages of an employee's career.

Training programmes on financial reporting are offered to all employees involved directly or indirectly with that task. The training emphasises the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

5.2 Risk management

Risk management is another internal control system that is crucial in helping ETB to achieve its strategic objectives as defined in its mission. The Board of Directors and the Risk Manager jointly and regularly identify, analyse and assess key strategic and tactical risks. The risks are assessed qualitatively and/or quantitatively depending on their nature and potential effect. The Risk Manager then makes recommendations on how best to manage each risk considering the close interaction of ETB's entire risk universe. Based on this assessment, preventive, remedial and/or corrective actions are implemented, including the strengthening of existing internal control activities where applicable.

As part of its responsibilities, ETB's management establishes an effective internal control system to ensure, among other objectives, accurate financial reporting. It emphasises the importance of risk management in financial reporting by taking into account, with the Audit Committee, a whole range of associated activities and risks. It ensures that risks are truly reflected in financial results and reports. In addition, Risk Management goes beyond those risks known to ETB and tries to anticipate the nature and characteristics of emerging risks, which may impact ETB's objectives. Financial risk assessments primarily involve the identification of:

1. significant financial reporting data and its purpose;
2. major risks involved in the attainment of objectives;
3. risk control mechanisms, where possible.

Financial reporting objectives include (i) ensuring financial statements complywith widely accepted ; (ii) ensuring that the information presented in financial results is per both transparent and accurate; (iii) using accounting principles appropriate to the sector and the company's transactions; (iv) ensuring the accuracy and reliability of financial results. The activities undertaken by ETB, as an electricity transmission system operator in relation to its physical installations, contribute significantly to its financial results.

Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations. Risk management is a company-wide activity, actively supported by the delegation of relevant responsibilities to all employees as part of their specific activities, as defined in the Policy.

Continuous assessment

Employing a simultaneously top-down and bottom-up approach enables ETB to identify and, where possible, anticipate forthcoming events and react to any incidents occurring inside or outside the organisation which might affect the attainment of objectives.

Top-down approach based on strategic risks

ETB's strategic risk assessments are reviewed on a quarterly basis in the Audit Committee. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

Bottom-up approach with regard to business

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and management remain in contact and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended. Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Emphasis is put on risks associated with changes in the financial and regulatory context, industrial practices, accounting standards and corporate developments such as mergers and acquisitions.

Operational management assesses the relevant risks and puts forward action plans. Any significant changes to assessment rules must be approved by the Board of Directors. Risk Management is instrumental for ETB to maintain its value for stakeholders and the community, works with all departments with a view to optimising ETB's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

5.3 Control activities

Main control activities

ETB has established internal control mechanisms at its various structural levels so as to ensure compliance with standards and internal procedures geared to the proper management of identified risks. These include: (i) clear task separation as part of procedures, preventing the same person from initiating, authorising and recording a transaction – policies have been drawn up regarding access to information systems and the delegation of powers; (ii) integrated audit approach as part of internal procedures so as to link end results with the transactions supporting them; (iii) data security and integrity through the appropriate allocation of rights; (iv) appropriate documentation of procedures through the use of the Business Process Excellence Intranet, which centralises policies and procedures. Departmental managers are responsible for establishing activities to control the risks inherent to their department.

Financial reporting procedure

For all significant financial reporting risks, ETB sets out appropriate control mechanisms to minimise the probability of error. Roles and responsibilities have been defined in connection with the closing procedure for financial results. Measures have been established for the continuous follow-up of each stage, with a detailed agenda of all activities undertaken by Group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations. During the financial closing period, a specific test is performed to ensure control over significantly unusual transactions, accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates. The combination of these controls ensures the reliability of financial results. Regular internal and external audits also contribute to financial reporting quality.

In identifying those risks that may affect the achievement of financial reporting objectives, the management takes into account the possibility of misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. Internal Audit performs specific audits based on the risk assessment for potential fraud, with a view to avoiding and preventing any instances of fraud.

5.4 Information and communication

ETB communicates relevant information to its employees to enable them to fulfil their responsibilities and achieve their objectives. Financial information is needed for budgeting, forecasts and ensuring compliance with the regulatory framework. Operational information is also vital for the production of various reports, essential for the well-functioning of the company. As such, ETB records recent and historical data needed for corporate risk assessments. Multiple communication channels are used: manuals, memos, emails, bulletin boards and intranet applications. Financial results are reported internally and validated at different levels. The management responsible for financial reporting regularly meets other internal departments (operational and control departments) to identify financial reporting data. It validates and documents the critical assumptions underpinning booked reserves and the company's accounts.

At Group level, consolidated results are broken down into segments and validated by means of a comparison with historical figures and a comparative analysis between forecasts and actual data. This financial information is reported monthly to the Management Committee and is discussed quarterly with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

5.5 Monitoring

ETB continually re-evaluates the adequacy of its risk management approach. Monitoring procedures include a combination of monitoring activities carried out as part of normal business operations, in addition to specific ad hoc assessments on selected topics. Monitoring activities include (i) monthly reporting of strategic indicators to the Management Committee and the management; (ii) follow-up on key operational indicators at departmental level; (iii) a monthly financial report including an assessment of variations as compared with the budget, comparisons with preceding periods and events liable to affect cost controlling. Consideration is also given to third-party feedback from a range of sources, such as (i) stock market indices and reports by ratings agencies; (ii) share value; (iii) reports by federal and regional regulators on compliance with the legal and regulatory framework; (iv) reports by security and insurance companies. Comparing information from external sources with internally generated data and ensuing analyses allows ETB to keep on making improvements.

Internal Audit also plays a key role in monitoring activities by conducting independent reviews of key financial and operational procedures in view of the various regulations applicable to ETB. The findings of those reviews are reported to the Audit Committee to help it monitor internal control and risk management systems and corporate financial reporting procedures.

The Group's legal entities are also subject to external audits, which generally entail an evaluation of internal control and remarks on (annual and quarterly) statutory and consolidated financial results. External auditors make recommendations for improving internal control systems. In entities that have an Audit Committee, the recommendations, action plans and their implementation are reported annually to that Committee, which in turn reports to the Board of Directors on the independence of the auditor or statutory audit firm and drafts a motion for a resolution on the appointment of external auditors.

6. Financial Report

DECLARATION BY RESPONSIBLE PERSONS

The undersigned Chairman of the Management Committee and Chief Executive Officer Chris Peeters and Chief Financial Officer Catherine Vandenborre declare that to the best of their knowledge:

a. the financial statements, which have been prepared in accordance with applicable accounting policies for financial statements, give a true and fair view of the assets, the financial position and results of Elia and of its subsidiaries included in the consolidation;

b. the annual report gives a true and fair view of the evolution and the results of the Company and of the situation of Elia and of its subsidiaries included in the consolidation, as well as a description of the most significant risks and uncertainties they are facing.

Brussels, 26 March 2020

Catherine Vandenborre
Chief Financial Officer

Chris Peeters
Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in million EUR) - year ended 31 December	Notes	2019
Continuing operations		
Revenues		0.0
Raw materials, consumables and goods for resale		0.0
Other income		0.0
Net income (expense) from settlement mechanism		0.0
Services and other goods	(5.1)	(0.1)
Personnel expenses		0.0
Depreciations, amortizations and impairments		0.0
Changes in provisions		0.0
Other expenses		0.0
Results from operating activities		**(0.1)**
Share of profit of equity accounted investees (net of tax)		0.0
Earnings before interest and tax (EBIT)		**(0.1)**
Net finance costs		**0.0**
Finance income		0.0
Finance costs		0.0
Profit before income tax		**(0.1)**
Income tax expense		0.0
Profit from continuing operations		**(0.1)**
Profit for the period		**(0.1)**
Profit attributable to:		
Equity holders of ordinary shares		(0.1)
Non-controlling interest		0.0
Profit for the period		**(0.1)**
Earnings per share (EUR)		
Basic earnings per share		(9.32)
Diluted earnings per share		(9.32)

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and comprehensive income

(in million EUR) - Year ended 31 December	Notes	2019
Profit/(Loss) for the period		**(0.1)**
Other comprehensive income (OCI)		
Other comprehensive income for the period, net of tax		**0.0**
Total comprehensive income for the period		**(0.1)**
Total comprehensive income attributable to:		
Equity holders of the parent - ordinary shareholders		(0.1)
Non-controlling interest		0.0
Total comprehensive income for the period		**(0.1)**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2019
ASSETS		
NON CURRENT ASSETS		**6,417.1**
Property, plant and equipment	(6.1)	4,268.4
Goodwill	(6.3)	1,707.8
Intangible assets	(6.2)	35.1
Trade and other receivables	(6.4)	2.3
Equity-accounted investees	(6.5)	342.6
Other financial assets (including derivatives)	(6.6)	60.3
Deferred tax assets	(6.7)	0.6
CURRENT ASSETS		**279.5**
Inventories	(6.8)	14.6
Trade and other receivables	(6.9)	213.9
Current tax assets	(6.10)	2.6
Cash and cash equivalents	(6.11)	42.0
Deferred charges and accrued revenues	(6.9)	6.4
Total assets		**6,696.6**
EQUITY AND LIABILITIES		
EQUITY		**2,198.1**
Equity attributable to owners of the Company	(6.12)	2,198.1
Equity attributable to ordinary shares		2,198.1
Share capital		2,055.5
Share premium		0.0
Reserves		0.0
Hedging reserve		(3.3)
Retained earnings	(7.1)	145.9
Non-controlling interest	(6.12)	0.0
NON CURRENT LIABILITIES		**2,943.2**
Loans and borrowings	(6.13)	2,704.6
Employee benefits	(6.14)	87.5
Derivatives	(8.1)	4.4
Provisions	(6.15)	33.0
Deferred tax liabilities	(6.7)	22.8
Other liabilities	(6.16)	90.9
CURRENT LIABILITIES		**1,555.3**
Loans and borrowings	(6.13)	593.0
Provisions	(6.15)	2.5
Trade and other payables	(6.17)	384.3
Current tax liabilities	(6.10)	1.6
Accruals and deferred income	(6.20)	573.9
Total equity and liabilities		**6,696.6**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in million EUR)	Share capital	Share premium	Hedging reserve	Retained earnings	**Equity attributable to ordinary shares**	Non controlling interests	**Total equity**
Balance at 31 July 2019	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Profit for the period				(0.1)	(0.1)		(0.1)
Total comprehensive income for the period				**(0.1)**	**(0.1)**		**(0.1)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to Owners							
Shares issued	0.2				0.2		0.2
Acquisition business combinations under common control	2,055.3		(3.3)	146.0	2,198.0		2,198.0
Issuance costs							
Share-based payment expenses							
Dividends to third parties							
Total contributions and distributions	2,055.5		(3.3)	146.0	2,198.1		2,198.1
Total transactions with Owners	2,055.5		(3.3)	146.0	2,198.1		2,198.1
Balance at 31 December 2019	**2,055.5**		**(3.3)**	**145.9**	**2,198.1**		**2,198.1**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in million EUR) Year ended 31 December	Notes	2019
Cash flows from operating activities		
Profit for the period		**(0.1)**
Adjustments for:		
Change in deferred taxes	(6.7)	0.0
Cash flow from operating activities		**(0.1)**
Net cash from operating activities		**(0.1)**
Cash flow from financing activities		
Proceeds from the issue of share capital	(6.12)	0.2
Acquisition business combinations under common control		41.9
Net cash flow from (used in) financing activities		**42.1**
Net increase (decrease) in cash and cash equivalents		**42.0**
Cash & cash equivalents at 31 July		0.0
Cash & cash equivalents at 31 December		42.0
Net variations in cash & cash equivalents		**42.0**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

1.1. Background information

Elia Transmission Belgium SA/NV, ('Company' or 'Elia' or 'Elia Transmission Belgium') is a new company, incorporated on 31 July 2019 as a public limited company by Elia System Operator SA/NV and Publi-T SCRL in the context of the planned reorganisation of Elia System Operator NV/SA.

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

The transfer of the regulated business (regulated assets and liabilities) from Elia System Operator NV/SA to Elia Transmission Belgium NV/SA was completed and the new shares were transferred to Elia Group NV/SA with effect from just before midnight 31 December 2019. transaction is described under section 7.1.

Elia Transmission Belgium NV/SA has been designated as Belgian TSO at federal and regional level on 31 December 2019 (retroactive designation) and should comply with the regulatory framework/legislation applicable for the TSO. (see section 9). As result of the internal reorganisation, Elia Transmission Belgium will start it's operations as TSO as from 1st January 2020. In 2019 there were no operating activities, so the consolidated statement of profit or loss included some minor set up costs, but no operating results.

Once these designations were obtained, the articles of association of Elia System Operator NV/SA were amended to change the name of the entity to Elia Group NV/SA . As a result of this reorganization, Elia Group NV/SA was transformed into a holding company ("Elia Group") on 31 December 2019, holding a majority stake in its subsidiary Elia Transmission Belgium NV/SA.

1.2. Information on Reporting entity

Established in Belgium, Elia Transmission Belgium has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The Company's consolidated financial statements for the financial year 2019 include those of the Company and its subsidiaries (together referred to as the 'Group' or 'Elia Transmission Belgium Group') and the Group's interest in joint ventures and associates.

The Company is a limited liability company and is a subsidiary of Elia Group SA/NV, which shares are listed on Euronext Brussels, under the symbol ELI.

Elia Tranmission Belgium is the electricity transmission system operator ("TSO") in Belgium.

The Group also has a 50% stake in NemoLink Ltd, which has constructed an electrical interconnector between the UK and Belgium known as the Nemo Link interconnector. Nemo Link is a joint venture with National Grid Ventures (UK) and began commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

Elia Transmission Belgium Group has around 2,500 employees and a transmission grid comprising some 19,000 km of high-voltage connections serving 30 million consumers. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Group has applied all standards and interpretations published by IASB and applicable to the Group's activities which are effective for financial years starting on 1 January 2019.

New standards not yet adopted

The following **standards, amendments and interpretations** had not yet taken effect in 2019. The changes in the below standards, amendments and interpretations are not expected to have a material impact on the annual accounts and are therefore not set out in more detail:

- Amendments to IFRS 3: Definition of a Business;
- IFRS 17: Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 and IAS 8, regarding the definition of materiality;
- Amendments to References to the Conceptual Framework in IFRS Standards: Amendments to conceptual framework.

2.2. Functional and presentation currency

The consolidated financial statements are presented in million euro (the functional currency of the Company), rounded to the nearest hundred thousand, unless stated otherwise.

2.3. Basis of measurement

The consolidated financial statements have been prepared on a historical-cost basis, except for the derivative financial instruments, which are measured at fair value. Non-current assets are valued at the lowest of the carrying amount and the recoverable amount. Employee benefits are valued at the present value of the defined benefit obligations, less the fair value of the plan assets (see also note 6.14). Changes in fair value of other shareholdings are recorded through OCI..Financial assets not classified as measured at amortised cost or fair value through OCI are measured at fair value through profit and loss

2.4. Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects this period, or in the period in which the estimate is revised and future periods, if the revision affects both current and future periods. See also note 7.1.

The following notes include information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

- The total allowed remuneration for its role as TSO in Belgium is mainly determined by calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation ('CREG'). In this context the recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of judgement is needed. More disclosures are to be found in Notes 6.20 and 9.1.4.

- Entities in which the Group holds less than 20% of the voting rights but has significant influence are accounted for under the equity method. Following the guidance in IAS 28, the Group assesses whether it has significant influence over its associates and therefore needs to account for them under the equity method (rather than applying IFRS 9) and reassesses this in each reporting period (see also Note 6.5).

- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making its judgement, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.7).

- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (see Note 8.1).

- Employee benefits including reimbursement rights – see Note 6.14:

    - The Group has defined-benefit plans and defined-contribution plans which are disclosed in Note 6.14. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also impact the present value of future pension liabilities;

    - In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one dominant rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve;

    - Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. Hence, the resulting discount rate reflects both the current interest rate environment and the plan's distinct liability characteristics.

- Provisions for environmental remediation costs: at each year-end, an estimate is made of future expenses in respect of soil remediation, based on the advice of an expert. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.15).

- Other provisions are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and the duration of the associated process/procedures (see Note 6.15).

- Goodwill impairment testing: the Group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indicators that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).

- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a level of judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.18).

- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory framework in Belgium, which is considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 6.1)

- The Group made use of practical expedients when applying IFRS 16 Leasing:
    - The Group applies a single discount rate per group of contracts, summarised per their duration. Those leases were assumed to have similar characteristics. The discount rate used is the Group's best estimation for the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years,…) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Transmission Belgium Group in the same sector with similar duration. The interest rate is set fixed over the lifetime of the lease contract.
    - The Group assessed the non-cancellable period of each of the contracts in scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonable certain to exercise that option. Certainly where it relates to office rent contracts, the Group’s made its best estimation of the non-cancellable period based on all information on which the Group disposes. (see note 6.19)

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 26 March 2020.

3. Significant accounting policies

3.1. Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that this ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so results in a deficit balance of the non-controlling interests. Changes in the Group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions

ASSOCIATES

Associates are those companies in which the Company exerts significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for in the consolidated financial statements in accordance with the equity method. They are recognised initially in the consolidated statement of financial position at cost (with all transaction costs incurred with the acquisition included) and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. This accounting under the equity method is done from the date that significant influence commences until the date that significant influence ceases. When the Group's share of the losses exceeds its interest in an associate, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of an associate .

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, as opposed to joint operations whereby the Group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost price with all transaction costs incurred with the acquisition included. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the total recognised profits and losses of joint ventures on the basis of the equity method, from the date that joint control commences until the date that joint control ceases. When the Group's share of the losses exceeds its interest in joint ventures, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of a joint venture.

NON-CONTROLLING INTERESTS

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

LOSS OF CONTROL

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of other comprehensive income related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-Group transactions are eliminated when preparing the consolidated financial statements.

Unrealised gains from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS AND GOODWILL

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs incurred by the Group in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2. Foreign-currency translation

FOREIGN-CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted at the foreign exchange rate on that date. Foreign exchange differences arising on conversion are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are valued in terms of historical cost are converted at the exchange rate on the date of the transaction.

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity, whose activities are based or conducted in a country or currency other than those of the reporting entity.

The financial statements of all Group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the exchange rate at the reporting date;
- income and expenses are translated at the average exchange rate of the year.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, interests in joint ventures and associates at closing exchange rates are included in shareholder's equity under OCI. Upon the (partial) disposal of foreign subsidiaries, joint ventures and associates, (part of) cumulative translation adjustments are recognised in the profit or loss as part of the gain/loss of the sale.

3.3. Balance sheet items

3.3.1. Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see the section 3.3.7. 'Impairment of non-financial assets'). The cost of self-produced assets comprises the cost of materials, of direct labour and, where relevant, of the initial estimate of the costs of dismantling and removing the assets and restoring the site where the assets were located. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs of replacing part of such an item when that cost is incurred, but only when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repair and maintenance costs, are recognised in profit or loss as and when they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages can be found in the table below.

Depreciation methods, remaining useful lives and residual values of the property, plant and equipment are reassessed annually and are prospectively adjusted as the occasion arises.

• Administrative buildings	1.67% – 2.00%
• Industrial buildings	2.00 – 4.00%
• Overhead lines	2.00 – 4.00%
• Underground cables	2.00 – 5.00%

• Substations (facilities and machines)	2.50 – 6.67%
• Remote control	3.00 – 12.50%
• Dispatching	4.00 – 10.00%
• Other PPE (fitting out rented buildings)	contractual period
• Vehicles	6.67 – 20.00%
• Tools and office furniture	6.67 – 20.00%
• Hardware	25.00 – 33.00%
• Right of use assets	contractual period

Decommissioning asset

Provision is made for decommissioning and environmental costs, based on future estimated expenditure, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditure relating to property, plant or equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated economic useful lives; otherwise such changes are recognised in the profit or loss.

The unwinding of the discount is recorded in the profit or loss as a financing charge.

Derecognition

An asset is no longer recognised when the asset is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of the asset (which is determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss, under other income or other expenses, during the year in which the asset was derecognised.

3.3.2. Intangible assets

Computer software

Software licences acquired by the Group are stated at cost, less accumulated amortisation (see below) and impairment losses (see the section 3.3.7. 'Impairment').

Expenditure on research activities undertaken with the purpose of developing software within the Group is recognised in profit or loss as expenditure as incurred. Expenditure on the development phase of software developed within the Group is capitalised if:

- the costs of development can be measured reliably;
- the software is technically and commercially feasible and future economic benefits are probable;
- the Group plans – and has sufficient resources – to complete development;
- the Group plans to use the software.

The capitalised expenditure includes cost of material, direct labour costs and overhead costs that are directly attributable to preparing the software for its use. Other costs are recognised in profit or loss as incurred.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights are capitalised and amortised on a straight-line basis over the contractual period, if any, or the estimated useful life.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as expenditure as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it becomes available for use. The estimated useful lives are as follows:

• Licences	20.00%
• Concessions	contractual period
• Computer software	20.00 – 25.00%

Depreciation methods, remaining useful lives and residual values of intangible assets are reassessed annually and are prospectively adjusted as the occasion arises.

3.3.3. Goodwill

Goodwill is stated at cost, less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment (see the section 3.3.7 'Impairment of non-financial assets'). In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

3.3.4. Trade and other receivables

Contract assets

Revenue arising from 3rd party services and associated costs are recognised over time as we have the right to consideration for work performed but not billed. Progress is determined based on the costs incurred.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on project work. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.Contract assets are included in trade and other receivables..

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost minus the appropriate allowance for amounts regarded as unrecoverable.

Impairment

For trade receivables and contract assets, the Group applies a simplified approach in calculating the Expected Credit Losses (ECLs). The Group therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, as its best proxy for future credit losses to be incurred.

Refer to Note 8.1, 'Credit risk', for a detailed description of the model.

3.3.5. Inventories

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price minus the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted-average-cost-price method. The cost includes the expenditure incurred in acquiring the inventories and the direct costs of bringing them to their location and making them operational.

Write-downs of inventories to net realisable value are recognised in the period in which the write-offs occurred.

3.3.6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.7. Impairment of non-financial assets

The carrying amount of the Group's assets, excluding inventories and deferred taxes, is reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets that are not yet available for use is estimated at the end of each reporting period.

An impairment loss is recognised whenever the carrying amount of such asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.

After recognition of impairment losses, the depreciation costs for the asset will be prospectively adjusted.

Calculation of the recoverable amount

The recoverable amount of intangible assets and property, plant and equipment is determined as the higher of their fair value less costs of disposal, or their value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset.

The Group's assets do not generate cash flows that are independent from other assets. The recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage grid) to which the asset belongs. This is also the level at which the Group administers its goodwill and gather the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8. Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- financial assets at amortised cost (debt instruments)
- financial assets measured at fair value through OCI (equity instruments)
- financial assets measured at fair value through profit and loss

Financial assets at amortised cost

Financial assets at amortised cost are managed with a view to holding them to maturity and collecting contractual cash flows. The financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include loans to third parties.

Financial assets measured at fair value through OCI (equity instruments)

Upon initial recognition, the Group irrevocably classifies its equity investments as equity instruments measured at fair value through OCI when the Group does not have significant influence and the assets are not held for trading. This classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case any such gains are recorded in OCI. Equity instruments measured at fair value through OCI are not subject to impairment assessment.

The Group has elected to irrevocably classify non-listed equity investments over which the Group does not have significant influence in this category.

Financial assets measured at fair value through profit and loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its debt instruments. See Note 8.1, 'Credit risk', for a detailed description of the approach.

3.3.9. Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group sometimes uses derivative financial instruments to hedge its exposure to foreign-exchange and interest-rate risks arising from operating, financing and investment activities. In accordance with its treasury policy, the Group neither holds nor issues derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as instruments held for trading purposes.

Derivative financial instruments are initially recognised at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the income statement. Where derivative financial instruments qualify for hedge accounting, the reflection of any resulting gain or loss depends on the nature of the item being hedged.

The fair value of interest-rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties and the Group. The fair value of forward exchange contracts is their quoted market price at the end of the reporting period, i.e. the present value of the quoted forward price.

Derivatives used as hedging instruments

Cash-flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash-flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

The Group designates only the spot element of forward contracts as a hedged risk. The forward element is considered as cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is prospectively discontinued. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred, where justified, to the carrying amount of the asset. In other cases, the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.

When a derivative or hedge relationship is terminated, cumulative gains or losses still remain in OCI provided that the hedged transaction is still expected to occur. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is removed from OCI and is immediately recognised in profit or loss.

Hedging of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign-currency gains and losses.

3.3.10. Equity

Share capital – transaction costs

Transaction costs in respect of the issuing of capital are deducted from the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

3.3.11. Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the Group. They are initially recognised at fair value, less related transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost price with any difference between amount at initial recognition and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

3.3.12. Employee benefits

Defined-contribution plans

In Belgium, contribution-based promises, called defined-contribution pension plans under Belgian pension legislation, are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer.

Before 01/01/2016, the legal minimum return was 3.75% on the employee contributions, 3.25% on the employer contributions and 0% for the deferreds.

As from 01/01/2016, the legal minimum return is a variable rate between 1.75% and 3.75%. The interest rate is automatically adapted on January 1st of each year based on the average return OLO 10 years over 24 months, with 1.75% as a minimum. As from 01/01/2016, the legal minimum return is 1.75% on employee and employer contributions and 0% for the deferreds.

As the plans are funded via a pension fund, the vertical approach is applied, meaning that 1.75% is applied on all the reserves (even before 2016).

The employer needs to finance the deficits related to the LSP (“Law on Supplementary Pensions) guarantee at any time for the employee contract and at the moment the vested reserves are transferred in case of departure, retirement or liquidation of the pension for the employer contract.

For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).

The Defined-Benefit Obligation (DBO) was determined following the Projected Unit credit (PUC) method. Depending on the plan formula (if the plan is backloaded or not), the premiums are projected or not.

The calculation is performed by an accredited actuary.

Defined-benefit plans

For defined-benefit plans, the pension expenses for each plan are assessed separately on an annual basis by accredited actuaries using the projected unit credit method. The estimated future benefit that employees have earned in return for their service in the current and previous periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate, at the end of the reporting period on high-quality bonds that have maturity dates approximately equivalent to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss at the earlier of the following dates:

- when the plan amendment or curtailment occurs; or
- when the entity recognises related restructuring costs under IAS 37 or termination benefits.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements – comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) – are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reimbursement rights

Reimbursement rights are recognised as a separate asset when, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle the corresponding benefit obligation. Reimbursement rights are presented as non-current assets under other financial assets and are measured at fair value. These rights are handled the same as the corresponding defined-benefit obligation. When the changes in the period result from changes in financial assumptions or from experience adjustments or changes in demographic assumptions, then the asset is adjusted through OCI. The components of the defined-benefit cost are recognised net of amounts relating to changes in the carrying amount of the rights to reimbursement.

Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits other than pension plans is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the projected unit credit method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield, at the end of the reporting period, on high-quality bonds that have maturity dates approximately equivalent to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid out under a short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be reliably estimated.

3.3.13. Provisions

A provision is recognised in the balance sheet when the Group has a current legal or constructive obligation as a result of a past event and it is likely that an outflow of economic benefits – of which a reliable estimate can be made – will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.

The total estimated cost of dismantling and disposal of an asset is, if applicable, recognised as property, plant and equipment and depreciated over the asset's entire useful life. The total estimated cost of dismantling and of disposal of the asset is posted as provisions for the discounted current value. If the amount is discounted, the increase in the provision due to the passage of time is classified as finance expenses.

3.3.14. Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as TSO, Elia is subject to various public service obligations imposed by Government and/or regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as promotion of renewable energy, social support, fees for the use of the public domain, offshore liability) to be executed by TSOs. Costs incurred by grid operators in respect of those obligations are fully covered by tariff 'levies' as approved by the regulator. The amounts outstanding are reported as a trade and other receivable. See also note 9.1.14

3.3.15. Other non-current liabilities

Government grants

Government grants are recognised when it is reasonably certain that the Group will receive the grant and that all underlying conditions will be met. Grants related to an asset are presented under other liabilities and will be recognised in the income statement on a systematic basis over the expected useful life of the related asset. Grants related to expense items are recognised in the income statement in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the income statement.

Contract liabilities – Last mile connection

The consideration of the last mile connection is paid upfront, whilst the revenues are recogniased over the life time of the underlying asset. The amounts to be released in future are reflected in this section. See also note 3.4.1.

3.3.16. Leases (applicable from 1 January 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis anddiscounted using the Group's best estimate for the weighted average incremental borrowing rate, in case the rate implicit in the lease cannot be readily determined. The Group applies a single discount rate per group of similar contracts, summarised per their duration.
Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments are expensed as incurred. As practical expedient, no distinction is made between lease and non-lease components. Components that do not transfer any goods or service (initial direct costs, prepayments) are excluded from the lease price.

The right of use assets is subsequently reduced by accumulated depreciation, impairment losses and any adjustments resulting from the remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option not to be exercised.

The Group presents right-of-use assets within "property, plant and equipment" and lease liabilities within "loans and borrowings" (current and non-current) in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

Leases that substantially transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as finance leases. All other leases that do not transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as operating leases. The Group as a lessor has only operating lease contracts. These lease payments received are recognised as other income on a straight-line basis over the lease term.

3.3.17. Regulatory deferral accounts

The Group operates in a regulated environment in which tariffs are meant to realise total revenue/income consisting of:

1. a reasonable return on invested capital;
2. all reasonable costs which are incurred by the Group.

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers/the general public should have been respectively lower or higher (and vice versa). This surplus or deficit is therefore reported in the regulatory deferral account.

The release of the regulatory deferral account will impact future tariffs: incurred regulatory liabilities will decrease future tariffs, incurred regulatory assets will increase future tariffs.

In the absence of an IFRS specifically applying to the treatment these regulatory deferral accounts, Elia management referred to the requirements of IFRS 14 and the Conceptual Framework for Financial Reporting alongside the latest evolutions of the IASB project on Rate-regulated Activities to develop the following accounting policy in that respect:

- a liability is recognized in the statement of financial position and presented as part of "accruals and deferred income" " in respect of the Group's obligation to deduct an amount from the tariffs to be charged to customers in future periods because the total allowed compensation for goods or services already supplied is lower than the amount already charged to customers, or excess revenues has been generated due to higher volumes than initially estimated. (regulatory liability);
- an asset is recognized in the statement of financial position in respect of the Group's right to add an amount to the tariffs to be charged to customers in future periods because the total allowed compensation for the goods or services already supplied exceeds the amount already charged to customers or shortage in revenues has been occurred due to lower volumes than initially estimated (regulatory asset); and
- the net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line item "net regulatory income (expense)".

The amount in the regulatory deferral accounts is yearly reported and assessed by the regulator.

The sum of revenue from contracts with customers (as defined in IFRS 15) other income and the net income (expense) from settlement mechanism is also presented as a subtotal headed "Revenue, other income and net income (expense) from settlement mechanism " as in substance it represents the revenue that is economically earned during the period taking into account the regulated environment in which the Elia Transmission Belgium Group operates. The effect of discounting is reflected in the financial result. See note 9.

3.4. Income-statement items

3.4.1. Income

Revenues

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. These are the five steps to consider for each customer contract:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract(s);
3. Determine the transaction price;

4. Allocate the transaction price to the performance obligations;
5. Recognise revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

The Group's main revenues are realised by Transmission System Operators (TSOs), acting under a regulatory framework and having a factual / legal monopoly. The applicable frameworks in the main countries are detailed in Note 9 *Regulatory framework and tariffs.*

For the regulated business, each service is based on a standard contract with the customer, with mostly a predefined regulated tariff (unit price multiplied with the volume (injection or offtake) or the reserved capacity (depending on the type of service), so pricing is not variable. Hence, the allocation of the transaction price over the different performance obligations is straight forward (one-to-one relationship). Most of these contracts are concluded for an indefinite period with general payment terms of 15-30 days.

Considering the business of the Elia Group, there are no relevant right-of-returns and warranty obligations.

For all services provided by the Group, Elia is the solely and primary party responsible for executing the service and so the principal.

However, Elia in its role as TSO, some public service obligations are imposed by Government/regulation mechanism These obligations are mainly related to financial support for the development of renewable energy. For these activities, the TSO's are acting as an agent and as the expense/income streams are fully covered by tariffs there is no impact in the statement of profit and loss. We refer to 3.3.14 for more information on the accounting treatment.

The Group's main performance obligations / type of contracts, their pricing and revenue recognition method for 2019 can be summarised as follows:

Revenue by category for Elia Transmission:

Revenue stream	Nature, customer and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Grid connection	**Technical studies** conducted at the request of grid users, directly connected to the grid, to get a new or an alteration of an existing connection. Revenue is recognised at the point in time when the study is delivered.	Contract and tariff approved by Regulator. Fixed amount per type of study
	Last mile connection (Transfer of assets from customers) is a component of the grid connection contract. At the request of a future grid user, Elia constructs/adjusts a dedicated/ physical connection, a so called last-mile connection, to connect the customers' facility to Elia's grid. Although the control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high voltage grid. This access right transferred by Elia is valuable to the grid user, which is the reason why the grid user is compensating Elia in cash. As the grid user enters simultaneously into a grid connection contract both activities (access right and the grid connection services) are not distinct and constitute a single performance obligation and interdependence between these contracts. The total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, as the contract has no specific end date. This component of the grid connection/ grid user contract is presented separately (not part of the grid connection/ revenues from revenue cap) as from regulatory perspective the tariff setting is very specific.	Standard contract approved by regulator, but the price setting is based on the budget of realisation of the connection.
	Fees charged to grid users/ DSOs cover the m**aintenance and operating** costs related to the **dedicated connection facilities** Revenue is recognised over time as this service is a continuous performance throughout the contractual term.	Contract and tariff approved by Regulator. Tariff is set per type of asset (bay, km cable, ..)
Management and development of grid infrastructure	This component of the access contract signed with access holders/DSOs, covers the development and management of the grid with a view to meeting capacity needs and satisfying demand for electricity transmission.. Revenue is recognised over time as providing sufficient capacity and a resilient grid is a service performed continuously throughout the contractual term.	Contract and tariff approved by Regulator. EUR per kW/KVA for yearly/monthly peak and power available at access point
Management of the electrical system	This component of the access contract signed with access holders/DSO, covers the management and operation of the electricity system and the offtake of additional reactive energy related to Elia's grid (different from the connection assets). Revenue is recognised over time as these services are performed continuously throughout the contractual term.	Contract and tariff approved by Regulator. EUR per kW/ kVArh at access point
Market integration	This component is part of the access contract signed with access holders/DSOs, covering (i) services to facilitate the energy market: to (ii) develop and enhance integration of an effective and efficient electricity market, (iii) the management of interconnections and the coordination with neighbouring countries and the European authorities, and (iv) the publication of data as required by transparency obligations.	Contract and tariff approved by Regulator. EUR per kW at access point

	Revenue is recognised over time as these services are performed continuously throughout the contractual term.	
Compensation of imbalances	As defined in the BRP contract, the BRP (Balance Responsible Party) has a commitment to ensure a perfect balance between offtake and injection in the grid. In the event of an imbalance by the BRP, Elia has to activate the ancillary services which are to be invoiced to the BRP. Revenue is recognised at the point in time when an imbalance occurs.	Contract and tariff/mechanism approved by Regulator. Based on market prices,EUR per kW imbalance at access point
International revenues	The use of the grid on individual borders is organised through, half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and Regulators decide which auctions are conducted on individual borders. Auctions are organised via an auction office, which acts as an agent. The auction office collects the revenues paid by the European energy traders, which are finally shared between neighbouring TSOs based on the volumes imported/exported on the border. The revenue is recognised at the point in time when an import/export activity occurs.	Framework agreement with parties and auction office. Price setting is based on price difference in cross border market prices.

Other revenues

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting -
Other revenues		
Others	Principally includes other services (than described here above) Revenue is recognised at the point in time the service is complete.	

Consequently, all revenue components contain revenue from contracts with customers, i.e. parties that have contracted with Elia to obtain services resulting from Elia's ordinary activities in exchange for a consideration.

Other income

Other income is recognised when the related service is performed and no further performance obligations will arise.

Net regulatory income (expense)

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been respectively lower or higher (and vice versa). This surplus or deficit is therefore reported in the deferral account from settlement mechanism.

The release of this deferral account will impact future tariffs, incurred regulatory liabilities will decrease future tariffs, incurred regulatory assets, will increase future tariffs. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line "net income (expense) from settlement mechanism". We also refer to note 3.3.17.

3.4.2. Expenses

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally as of 1 January of the year in question). However, these costs, qualified as non-controllable costs in the regulatory framework, are recorded as revenue through the settlement mechanism for the same amount, resulting in zero impact in terms of profit or loss.

Finance income and expenses

Finance expenses comprise interest payable on borrowings (calculated using the effective interest rate method), interest on lease liabilities, foreign-exchange losses, gains on currency hedging instruments offsetting currency losses, results on interest-rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as for trading purposes and impairment losses on financial assets as well as any losses from hedge ineffectiveness.

Finance income includes interest receivables on bank deposits, which are recognised in profit or loss using the effective interest rate method as they accrue.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income taxes

Income taxes comprise current and deferred tax. Income-tax expense is recognised in profit or loss, except where it relates to items recognised directly in equity. Taxes on hybrid coupon is recognized in the statement of profit or loss as it is a tax on profits whereas the hybrid copon itself is recognized directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised, using the balance-sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures where these will probably not be reversed in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred items relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5. Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income presents an overview of all revenues and expenses recognised in the consolidated statement of profit or loss and in the consolidated statement of changes in equity. The Group has elected to present comprehensive income using the two-statement approach, i.e. the statement of profit or loss immediately followed by the statement of other comprehensive income. As a result of this presentation, the content of the statement of changes in equity is restricted to owner-related changes.

4. Segment reporting

4.1. Basis for segment reporting

The Group has opted for a segment reporting in conformity with the Group's internal reporting to the Chief Operating Decision Maker (CODM) and closely reflects the Group's operational activities. This reporting approach closely reflects Elia's operational activities and is also in line with Elia's internal reporting to the Chief Operating Decision Maker (CODM), enabling the CODM to better evaluate and assess Elia's performance and activities in a transparent way. The segment reporting enables the CODM to better evaluate and asses the Group's performance and activities in a transparent way.

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

- Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA, Ampacimon SA and Enervalis NV, whose activities are directly linked to the role of Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- Nemo Link & non-regulated activities comprising:
    - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up. See Section 9.3 for more details
    - the non-regulated activities of the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the role of TSO (see Section 9.1), but linked to the activities to following companies:
        - Eurogrid International NV/SA;
        - EGI (Elia Grid International NV/SA, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore and Elia Grid International LLC Qatar), companies supplying specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments.
        - Re.Alto-Energy BV/SRL, a start-up company founded in August 2019 that is building a platform to facilitate users to exchange energy data and services.

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

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

4.2. Elia Transmission (Belgium)

The table below shows the 2019 consolidated results of Elia Transmission (Belgium)

Elia Transmission key figures (in million EUR) - Year ended 31 December	2019
Revenue, other income and net income (expense) from settlement mechanism	0.0
Revenues	0.0
Other income	0.0
Net income (expense) from settlement mechanism	0.0
Depreciation, amortization, impairment and changes in provisions	0.0
Results from operating activities	(0.1)
Equity accounted investees	0.0
EBIT	(0.1)
Adjusted items	0.0
Adjusted EBIT	(0.1)
EBITDA	(0.1)
Finance income	0.0
Finance costs	0.0
Income tax expenses	0.0
Net profit	**(0.1)**
Adjusted items	0.0
Adjusted net profit	(0.1)
Consolidated statement of financial position (in million EUR)	**31 December 2019**
Total assets	6,384.4
Capital expenditures	0.0
Net financial debt	3,024.8

See Note 9.1 for more information about the new regulated framework.

As shown in above table, the Elia Transmission (Belgium) segment did not have any revenues in 2019. The total assets is € 6,384.4 million and the net financial debt amounts to € 3,024.8 million.

4.3. Nemo Link & non-regulated activities

The table below shows the 2019 consolidated results of the ‘Nemo Link and non-regulated activities’ segment:

Nemo Link & non-regulated activities key figures (in million EUR)	2019
Total revenue and other income	0.0
Depreciation, amortization, impairment and changes in provisions	0.0
Results from operating activities	0.0
Share of profit of equity accounted investees (net of income tax)	0.0
EBIT	0.0
Adjusted items	0.0
Adjusted EBIT	0.0
EBITDA	0.0
Finance income	0.0
Finance costs	0.0

Income tax expenses	0.00
Net profit	**0.0**
Of which attributable to Elia Group	***0.0***
Adjusted items	*0.0*
Adjusted net profit	*0.0*
Consolidated statement of financial position (in million EUR)	**31 December 2019**
Total assets	312.2
Capital expenditures	0.0
Net financial debt	230.8

As shown in above table, the ‘Nemo Link & non-regulated activities’ segment did not have any revenues in 2019. The total assets is € 312.2 million and the net financial debt € 230.8 million.

As there are no adjusted items, there is no reconicaltion table included in the annual report

4.4. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in million EUR) - Year ended 31 December	**2019** Elia Transmission (a)	**2019** Nemo Link & non-regulated activities (b)	**2019** Elia Transmission Belgium Group (a) + (b)
Total revenue	0.0	0.0	0.0
Other income	0.0	0.0	0.0
Net income (expense) from settlement mechanism	0.0	0.0	0.0
Depreciation, amortization, impairment and changes in provisions	0.0	0.0	0.0
Results from operating activities	(0.1)	0.0	(0.1)
Share of profit of equity accounted investees, net of tax	0.0	0.0	0.0
Earnings before interest and tax (EBIT)	(0.1)	0.0	(0.1)
Earnings before depreciations, amortizations, interest and tax (EBITDA)	(0.1)	0.0	(0.1)
Finance income	0.0	0.0	0.0
Finance costs	0.0	0.0	0.0
Income tax expenses	0.0	0.0	0.0
Loss attributable to the owners of the company	**(0.1)**	**0.0**	**(0.1)**
Consolidated statement of financial position (in million EUR)	**31 Dec 2019**	**31 Dec 2019**	**31 Dec 2019**
Total assets	6,384.4	312.2	6,696.6
Capital expenditures	0.0	0.0	0.0
Net financial debt	3,024.8	230.8	3,255.6

There are no significant intersegment transactions.

The Group has no concentration of customers in either of the operating segments.

5. Items in the consolidated statement of profit or loss and other comprehensive income

5.1. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2019
Services and other goods	0.1
Total	**0.1**

The Group had €0.1 million of legal fees related to the establishment of Elia Transmission Belgium NV/SA.

5.2. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (-€0.1 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2019
Ordinary shares outstanding at 1 January 2019	0.0
Ordinary shares issued in July 2019	8,384
Incorporation of Elia System Operator (31 December 2019)	0.0
Weighted average number of shares on 31 December	**8,384**

DILUTED EPS

Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and convertible bonds.

Diluted earnings per share are equal to basic earnings per share, since there are no share options or convertible bonds.

Share capital and reserves per share

Share capital and reserves per share, calculated as equity divided by shares outstanding at the end of the period, totalled €10,7 per share on 31 December 2019.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in million EUR)	Land and buildings	Machinery and equipment	Furniture and vehicles	Leasing and similar rights	Other tangible assets	Assets under construction	Total
ACQUISITION VALUE							
Balance at 31 July 2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition business combinations under common control	211.3	6,179.1	191.2	50.7	26,9	686.2	7,345.5
Balance at 31 December 2019	**211.3**	**6,179.1**	**191.2**	**50.7**	**26.9**	**686.2**	**7,345.5**
DEPRECIATION AND IMPAIRMENT							
Balance at 31 July 2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition business combinations under common control	(27.1)	(2,864.3)	(149.3)	(11.9)	(24.5)	0.0	(3,077.1)
Balance at 31 December 2019	**(27.1)**	**(2,864.3)**	**(149.3)**	**(11.9)**	**(24.5)**	**0.0**	**(3,077.1)**
CARRYING AMOUNT							
Balance at 31 July 2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 December 2019	184.2	3,314.8	41.9	38.8	2.5	686.2	4,268.4

All items in property, plant and equipment were transferred on 31 December 2019, hence no movements occurred. The vast majority of property, plant and equipment relates to machinery and equipment, which mainly consists of all high-voltage lines and transformators needed to manage the electricity grid.

There were no mortgages, pledges or similar securities on PP&E relating to loans.

Outstanding capital expenditure commitments are described in Note 8.2.

6.2. Intangible assets

(in million EUR)	Development costs of software	Licences/ concessions	Total
ACQUISITION VALUE			
Balance at 31 July 2019	0.0	0.0	0.0
Acquisition business combinations under common control	122.2	4.3	126.5
Balance at 31 December 2019	**122.2**	**4.3**	**126.5**
DEPRECIATION AND IMPAIRMENT			
Balance at 31 July 2019	0.0	0.0	0.0
Acquisition business combinations under common control	(88.4)	(3.0)	(91.4)
Balance at 31 December 2019	**(88.4)**	**(3.0)**	**(91.4)**
CARRYING AMOUNT			
Balance at 31 July 2019	0.0	0.0	0.0
Balance at 31 December 2019	33.8	1.3	35.1

All intangible assets were transferred on 31 December 2019, hence no movements occurred. Software comprises both IT applications developed by the Company for operating the grid and software for the Group's normal business operations.

6.3. Goodwill

(in million EUR)	Goodwill
ACQUISITION VALUE	
Balance at 31 July 2019	**0.0**
Acquisition business combinations under common control	1,707.8
Balance at 31 December 2019	**1,707.8**
CARRYING AMOUNT	
Balance at 31 July 2019	0.0
Balance at 31 December 2019	1,707.8

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

According to IFRS rules, goodwill should be tested for impairment at least on an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the cash generating unit (CGU) Elia Transmission for impairment testing. The cash-generating unit to which goodwill has been allocated is tested for impairment at least annually as the higher of their fair value less costs to sell.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by Elia System Operator for €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of various aspects such as the fact that (i) Elia was appointed as a TSO for a period of 20 years (ii) Elia had unique resources in Belgium as Elia owns the whole of the very-high-voltage grid and owns 94% of the high-voltage grid (or has the right to use this), and hence only Elia is entitled to put forward a development plan and (iii) Elia had the relevant TSO know-how.

At the date of acquisition, the description or the quantification in euros of these aspects could not be performed on an objective, transparent and reliable basis and therefore, the difference could not be allocated to specific assets and was considered unallocated. This difference has therefore been recognised as goodwill since the initial adoption of IFRS in 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable from 2008 onwards, did not have an impact on this accounting treatment. The goodwill described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically 'regulated activity in Belgium', which will also be considered to be one cash-generating unit.

As a result, Elia System Operator assigned the carrying amount of the goodwill to one unit, the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in recognition of any impairment losses.

ETB took over the regulated activities and hence this goodwill from ESO at accounting value on 31 december 2019.

The impairment test was conducted by an independent expert. This impairment test is based on fair value less costs to sell and uses two main valuation methods to estimate the recoverable amount, 1) a discounted cash flows method (DCF) and 2) a dividend discount model (DDM), both of which are further detached in valuation variants depending on the terminal value calculation. Costs to sell were considered negligible in the exercise.

Future cash flows and future dividends are based on a business plan for the period 2019-2028 (two regulatory periods). As the asset base of the Group consists of assets with long useful lifes, the business plan’s projection period has been set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around 1) a fair remuneration of the regulatory asset base and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulatory asset base consistent with market expectations, the estimated regulatory asset base for the last forecast year can be considered an indication of the terminal value. This approach does not capture potential cash flows from meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, most importantly:

1) Discounting of future cash flows (DCF-models):
   - Discount rate:
     - Cost of Equity of 7.1%;
       - Risk-free-rate: -0.3%
       - Beta 0.9
       - Equity market risk premium 5.5%
       - Country risk premium 0.5%
       - Small firm premium 1.8%
     - Pre-tax Cost of Debt of 1.1%;
     - Corporate tax rate of 25%;
     - Target gearing (D/(D+E)): 60%;
     - Post-tax WACC: 3.3%.
   - Terminal value based on three variants:
     - Terminal value based on a 1.1x RAB multiple in 2028
       NB: as such, the RAB itself does not capture the contribution of the incentive remuneration to the value creation process.
     - Terminal value based on a value driver approach, assuming any new CAPEX after 2028 will generate a return equal to the WACC of 3.3%. This means that CAPEX in the terminal value will neither create nor destroy value.

- Terminal value based on a perpetual growth rate of 1.5% reflecting the long-term inflation expectation reported by the International Monetary Fund (IMF).

2) Discounting of future dividends (DDM-models):
   - Discount rate:
     - Cost of Equity of 7.1%
   - Terminal value based on two variants:
     - Terminal value based on 1.1x RAB multiple in 2028.
       NB: as such, the RAB itself does not capture the contribution of the incentive remuneration to the value creation process.
     - Terminal value based on a perpetual growth rate of 1.5%. This approach assumes that the residual value consists of profit after tax less investments and considers net borrowings (in relation to the investments). However, profit and thus dividend payments in FY28 is most likely not yet capturing the (positive) impact of the investments planned in FY23-FY28.

The independent analysis, based on a (€2,640 million) midpoint of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2019. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

As the median and the average of the different methods presented above were relatively far apart (€2.487 million and €3.121 million respectively), mainly due to differences in assumptions in the terminal value, the expert based its mid-point on 75% of the median and 25% of the average, bearing in mind, among other factors, that the median alone might not appropriately reflect the impact of the incentive remuneration in the terminal value (see above for more details).

The independent analysis, based on a median of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2019.

6.4. Non-current trade and other receivables

(in million EUR)	2019
Loans to third parties	2.3
Total	**2.3**

The Group has a receivable outstanding to a third party for an amount of €2.3 million. This receivable was granted for the financing of a joint project with Elia.

6.5. Equity-accounted investees

6.5.1. Joint ventures

Nemo Link Ltd

On 27 February 2015, Elia System Operator and National Grid signed a joint venture agreement to build the Nemo Link Interconnector between Belgium and the UK. This project consists of subsea and underground cables connected to a converter station and an electricity substation in each country, allows electricity to flow in either direction between the two countries and give the UK and Belgium improved reliability and access to electricity and sustainable generation. Each shareholder holds a 50% stake in Nemo Link Ltd, a UK company. The interconnection was commissioned in late January 2019.

As the joint venture agreement was only transferred to Elia Transmission Belgium with the contribution of the regulated activities of Elia System Operator NV/SA on 31 December 2019, there was no profit and loss.

The following table summarises the financial information of the joint venture, based on its IFRS financial statements and reconciliation with the carrying amount for the Group's interest in the consolidated financial statements.

(in million EUR)	2019
Percentage ownership interest	**50.0%**
Non-current assets	660.8
Current assets	33.9
Non-current liabilities	30.9
Current liabilities	14.8
Equity	649.0
Group's carrying amount for the interest	**324.5**

6.5.2. Associates

The Group has four associates, all of which are equity-accounted investees.

The Group has a 17.4% interest in Enervalis NV, a start-up that develops innovative software-as-a-service solutions that will allow market players to optimise their energy bills while helping to meet the growing need for flexibility in the electricity system. A representative of the Group has been appointed a member of Enervalis's Board of Directors. The Group therefore considers itself as having a significant influence and Enervalis is, as such, accounted for using the equity method.

The Group has a 20.5% interest in Ampacimon SA, a Belgian company working on developing innovative monitoring systems for TSOs and distribution system operators (DSOs) so that they can more quickly anticipate on changes in energy supply and demand.

The Group has a 15.8% interest in Coreso NV/SA, a company which provides coordination services aimed at facilitating the secure operation of the high-voltage electricity system in several European countries.

HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. The Group itself holds a 17.0% stake in HGRT. As one of the founding partners of HGRT, the Group has a 'golden share', enabling the Group to have a minimum number of representatives on the Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method.

None of these companies are listed on any public exchange.

The following table illustrates the summarised financial information of the Group's investment in these companies, based on their respective financial statements prepared in accordance with IFRS.

(in million EUR)	Enervalis 2019	Ampacimon 2019	Coreso 2019	HGRT 2019
Percentage ownership interest	**17.4%**	**20.5%**	**15,8%**	**17.0%**
Non-current assets	0.0	0.0	7.9	93.3
Current assets	6.0	2.6	3.6	1.0
Non-current liabilities	0.0	0.0	0.0	0.0
Current liabilities	0.0	0.0	8.4	0.0
Equity	6.0	2.6	3.2	94.3
Group's carrying amount for the interest	**1.0**	**0.5**	**0.5**	**16.0**

As the shares of these associates were only transferred to Elia Transmission Belgium with the contribution of the regulated activities of Elia System Operator NV/SA on 31 December 2019, there was no profit and loss.

6.6. Other financial assets

(in million EUR)	2019
Immediately claimable deposits	7.0
Other shareholdings	0.2
Reimbursement rights	53.1
Total	**60.3**

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.1.

Other shareholdings consist of the shareholding in JAO, a Luxembourg based company that facilitates the electricity market by organizing auctions for cross border transmission capacity, in which Elia Transmission Belgium Group holds a 4.0% stake. See also note 7.1 for more details.

The reimbursement rights are linked to the obligations for (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan) and for (ii) the medical plan and plan for tariff benefits for retired staff members. See Note 6.14: 'Employee benefits'. The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for 'Scheme B' retired employees and the costs linked to healthcare and tariff benefits for retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The increase in the carrying value of this asset is disclosed in Note 6.14: 'Employee benefits'.

6.7. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2019	
	Assets	Liabilities
Intangible assets	0.0	(8.6)
Interest-bearing loans and other non-current financial liabilities	10.9	(2.4)
Employee benefits	22.1	(13.3)
Provisions	5.1	0.0
Deferred revenue	21.8	0.0
Losses carried forward	0.0	(0.1)
Deferred taks on investment grants	0.0	(1.1)
Other items	0.2	(7.4)
Property, plant and equipment	1.4	(50.8)
Tax asset / liability before set off	**61.5**	**(83.7)**
Offsetting of tax	(60.9)	60.9
Net tax asset / (liability)	**0.6**	**(22.8)**

There were no changes in deferred tax assets and liabilities, as they were only incorporated on 31 December 2019 with the contribution of the regulated activities of Elia System Operator NV/SA in Elia Transmissin Belgium NV/SA.
There are no unrecognized deferred tax assets or liabilities on 31 December 2019.

6.8. Inventories

(in million EUR)	2019
Raw materials and consumables	29.9
Write-downs	(15.2)
Total	14.6

The warehouse primarily stores replacement and spare parts for maintenance and repair work on the Group's high-voltage substations, overhead lines and underground cables. It also included work-in-progress balances.

Write-downs were recorded following the non-utilisation of stock items based on their underlying rotation by ESO.

6.9. Current trade and other receivables, deferred charges and accrued revenues

(in million EUR)	2019
Contract assets	1.1
Trade and other receivables and advance payments	158.0
Levies	2.3
VAT and other taxes	3.2
Other	49.3
Deferred charges and accrued revenues	6.4
Total	**220.3**

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days.

Other consists of current amount with Elia Group SA/NV … The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.1.

At 31 December, the ageing analysis of trade and other receivables and advance payments is as follows:

(in million EUR)	2019
Not past due	147.0
Past due 0-30 days	12.0
Past due 31-60 days	0.2
Past due 61 days - one year	1.7
More than one year	0.3
Total (excl. impairment)	**161.2**
Doubtful amounts	1.0
Amounts of write-offs	(3.4)
Provision for expected credit losses	(0.8)
Total	**158.0**

See Note 8.1 for a detailed analysis of the credit risk incurred in connection with these trade receivables.

6.10. Current tax assets and liabilities

(in million EUR)	2019
Tax receivables	2.6
Tax liabilities	(1.6)
Net tax asset / (liability)	**1.0**

The outstanding income tax receivable of €2.6 million at 31 December 2019 mainly relates to advances on corporation tax to be recovered in the financial year 2020.

6.11. Cash and cash equivalents

(in million EUR)	2019
Short-term deposits	20.5
Balance at bank	21.5
Total	**42.0**

Short-term deposits relate to deposits held at Elia Re and are invested for periods varying from a few days and a few weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for the short-term deposits.

Bank-account balances earn or pay interest in line with the variable rates of interest on the basis of daily bank deposit interest rates. The Group's interest-rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 8.2.

The cash and cash equivalents disclosed above and in the statement of cash flows include €30.8 million held by Elia RE.

6.12. Shareholders' equity

6.12.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2019
Outstanding on 31 July	0
Issued against cash payment	20,000
Acquisition business combinations under common control	205,552,291
Number of shares (end of period)	**205,572,291**

Elia Transmission Belgium NV/SA was established on 31 July 2019 with a share capital of €0.2 million for 20,000 shares, fully paid in cash.

On 31 December 2019, Elia Transmission Belgium NV/SA incorporated the regulated activities of Elia System Operator NV/SA. With this transaction 205,552,291 new shares were created to reflect the equity transfer from Elia System Operator NV/SA to Elia Transmission Belgium NV/SA. There was no cash consideration.

6.13. Interest-bearing loans, borrowings and lease liabilities

(in million EUR)	2019
Non-current borrowings	2,674.1
Finance lease liabilities – non current	30.5
Subtotal non-current borrowings	**2,704.6**
Current borrowings	542.6
Finance lease liabilities – current	8.6
Accrued interest	41.8
Subtotal current loans and borrowings	**593.0**
Total	**3,297.6**

Information on the terms and conditions of the outstanding interest-bearing loans and borrowings is given below:

(in million EUR)	Maturity	Amount	Interest rate before hedging	Interest rate after hedging	Current proportion - fixed	Current proportion - variable
Eurobond issues 2013/15 years	2028	546.9	3.25%	3.25%	100.00%	0.00%
Eurobond issues 2013/20 years	2033	199.1	3.50%	3.50%	100.00%	0.00%
Eurobond issues 2014/15 years	2029	346.5	3.00%	3.00%	100.00%	0.00%
Eurobond issues 2015/8.5 years	2024	498.2	1.38%	1.38%	100.00%	0.00%
Eurobond issues 2017/10 years	2027	247.6	1.38%	1.38%	100.00%	0.00%
Eurobond issues 2019/7 years	2026	498.0	1.38%	1.38%	100.00%	0.00%
Other loans	2020	453.6	Euribor 6M + 1,15%	0.97%	60.51%	39.49%
Loan with Publi-Part	2022	42.1	Euribor 6M + 1,15%	0.97%	60.51%	39.49%
Amortized term loan	2033	209.7	1.80%	1.80%	100.00%	0.00%

European Investment Bank	2025	100.0	1.08%	1.08%	100.00%	0.00%
Credit line facility	2019	75.0	0.275%	0.275%	100.00%	0.00%
Total		**3,216.7**			**93.91%**	**6.09%**

The above €3,216.7 million is to be increased with €41.8 million of interest accruals and €39.1 million of finance lease liabilities to reconstitute the overall debt of €3,297,6 million.

The borrowings and undrawn facilities have no financial covenants and there have been no breaches or defaults on any interest-bearing loans and borrowings.

Information on the maturity profile of the Group's financial liabilities based on contractual undiscounted payments is given in Note 8.1 ‘Liquidity risk’.

6.14. Employee benefits

The Group has various legal and constructive defined benefit obligations linked to its Belgian and German operations.

The total net liability for employee-benefit obligations is as follows:

(in million EUR)	**2019 Belgium**
Defined-benefit plans	20.5
Post-employment benefits other than pensions	67.0
Total provisions for employee benefits	**87.5**

BELGIUM

DEFINED-CONTRIBUTION PLANS

Employees remunerated based on a salary scale and recruited after 1 June 2002, as well as management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel):

The Enerbel plan is a plan for salaried employees hired after 1 June 2002, to which the employee and the employer contribute based on predefined formula.

The Powerbel plan is a plan for managers hired after 1 May 1999. The contributions of the employee and employer are based on a fixed percentage of the employee’s salary.

The new law on occupational pension plans, published at the end of 2015, made various changes to the guaranteed return on defined-contribution plans. For payments made after 1 January 2016, the law requires employers to guarantee an average annual return of at least 1.75% (up to 3.75% depending on who contributes) over the course of the career.

For insured plans the minimum guaranteed return until 31 December 2015 still needs to be equivalent to at least 3.25% for the employer’s contribution and 3.75% for the employee's contribution, with any shortfall being covered by the employer.

As a result of the above change and as mentioned in the accounting policies, all defined-contribution pension plans under Belgian pension legislation are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer, which represents a plan amendment. They are accounted for with the Projected Unit Credit method (PUC-method). For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any), hence no application of IAS 19 § 115. In addition, with the exception of Enerbel, the DC plans are not backloaded, as such these plans are valued without projection of future contributions. The Enerbel DC plan is backloaded and this plan is valued with projection of future contributions.

Elia has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. The main objective of these plans is to guarantee for every subscriber a minimum guaranteed return of 3.25% on the acquired reserves until retirement age.

Both employee' and employer' contributions are paid on a monthly basis for the base plans. The employee' contribution is deducted from the salary and paid to the insurer by the employer. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

For a closed population, collective agreements in the electricity and gas industries provide ‘pension supplements’ based on the annual salary and an employee’s career within a company (partially revertible to the inheritor in case of early death of the employee).The benefits granted are linked to Elia’s operating result. There is no external pension fund or group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are classified as a defined benefit.

The collective agreement determines that active staff hired between 1 January 1993 and 31 December 2001 and all managerial/executive staff hired prior to 1 May 1999 will be granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). Obligations under these defined-benefit pension plans are funded by a number of pension funds for the electricity and gas industries and by insurance companies.

As mentioned above, Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. As this guarantee is an obligation by the employer, these plans represent defined-benefit plans.

Both employees' and employers' contributions are paid on a monthly basis for the base plans. The employee's contribution is deducted from the salary and paid to the insurer by the employer.

OTHER PERSONNEL OBLIGATIONS

Elia Transmission (Belgium) has also granted staff certain early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and a contribution to energy prices, as well as other long-term benefits (seniority payments). Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

The Group's net liability for employee benefit obligations is as follows:

(in million EUR)	Pensions 2019	Other 2019
Present value of funded defined-benefit obligation	(249.7)	(71.2)
Fair value of plan assets	229.3	4.1
Net employee benefit liability	**(20.4)**	**(67.1)**

As the incorporation of the regulated activities of Elia System Operator NV/SA only took place on 31 December 2019, there were no movements during the year and thus no impact on the income statement.

The breakdown of the defined-benefit obligation by type of plan participants is shown in below table:

(in million EUR)	2019
Breakdown of defined-benefit obligation by type of plan participants	**(320.9)**
Active plan participants	(248.8)
Terminated plan participants with def.-benefit entitlements	(18.1)
Retired plan participants and beneficiaries	(54.0)
Breakdown of defined-benefit obligation by type of benefits	**(320.9)**
Retirement and death benefits	(262.7)
Other post-employment benefits (medical and tariff reductions)	(44.5)
Seniority payments	(13.8)

When determining the appropriate discount rate, the Group considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined-benefit obligation.

A stress test is performed annually. This test verifies that the minimum funding requirements are covered to deal with 'shocks' with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution.

The annual balance of the defined-benefit lump sum is financed by the employer through a recurrent allowance expressed as a percentage of the total payroll of the participants. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing involves smoothing future costs over the remaining period of the plan. The costs are estimated on a projected basis (taking into account salary growth and inflation). The assumptions related to salary increase, inflation, employee turnover and age term are defined on the basis of historical data from the Company. The mortality tables used are those corresponding to the observed experience within the financing vehicle and take into consideration expected changes in mortality. The Group calculates the net interest on the net defined-benefit liability (asset) using the same high-quality bond discount rate (see above) used to measure the defined-benefit obligation (net interest approach). These assumptions are challenged on a regular basis.
Exceptional events (such as modification of the plan, change of assumptions and overly short coverage terms) can eventually lead to outstanding payments from the sponsor.

The defined-benefit plans expose the Company to actuarial risks such as investment risk, interest-rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined-benefit plan liability is calculated using a discount rate determined based on high-quality corporate bonds. The difference between the actual return on assets and the interest income on plan assets is included in the remeasurements component (OCI). Currently the plan has a relatively balanced range of investments, as shown below:

Fair value of the plan assets per major category	2019
Investments quoted in an active market	**79.97%**
Shares - Eurozone	14.90%
Shares - outside Eurozone	20.87%
Government bonds - Eurozone	1.59%
Other bonds - Eurozone	28.43%

Other bonds – outside Eurozone	14.17%
Unquoted investments	**20.03%**
Qualifying insurance contracts	0.00%
Property	2.56%
Cash and cash equivalents	3.39%
Other	14.0%
Total (in %)	**100.00%**

Due to the long-term nature of the plan liabilities, it is considered appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund.

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's assets, of which approximately 95% is now invested in pension funds with an expected return of 3.3%.

Longevity risk

The present value of the defined-benefit plan liability is calculated based on the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE have been used in Belgium.

Salary risk

The present value of the defined-benefit plan liability is calculated based on the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

ACTUARIAL ASSUMPTIONS

(in % and years)	2019 Belgium
Discount rate	
- Pensions - defined-benefit plans and cash balance - best off plans	0.64%
- Pensions - defined-contribution plans	1.02%
- Other	1.04%
Expected average salary increase (excluding inflation)	1.00%
Expected inflation	1.75%
Expected increase in health benefits (including inflation)	2.75%
Expected increase in tariff advantages	1.75%
Average assumed retirement age	
- Employee	63
- Manager	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*	
Life expectancy for a 65-year-old male	19.9
Life expectancy for a 65-year-old female	23.6

**Mortality tables used: IABE in Belgium*

(in years)	2019 Belgium
Weighted average duration of the defined-benefit obligation	9.0
Weighted average duration of the defined-contribution plans	9.7
Weighted average duration of the post-employment benefits other than pensions	13.5

The actual return on plan assets in % for 2019 was in the range of 3.0% to 19.0%.

Below is an overview of the expected cash outflows for the DB plans:

Future expected cash outflows (per bucket)	< 12 months	1-5 years	6-10 years
- Pensions	(3.4)	(16.3)	(18.5)
- Other	(3.0)	(12.7)	(12.8)
Total (in million EUR)	**(6.4)**	**(29.0)**	**(31.3)**

There is some degree of uncertainty linked to the above expected cash outflows which can be explained by the following factors:

- Differences between assumptions and actual data can occur, e.g. retirement age and future salary increase;
- The expected cash outflows shown above are based on a closed population and therefore do not incorporate future new hires;
- Future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies depending on the return on plan assets, the actual salary increase as opposed to the assumptions, and unexpected changes in the population.

SENSITIVITY ANALYSIS

Effect on defined benefit obligation (in million EUR)	Belgium Increase (-) / decrease (+)
Impact on the net defined-benefit obligation of an increase in:	
Discount rate (0.5% movement)	15.2
Average salary increase - excl. inflation (0.5% movement)	(8.0)
Inflation (0.25% movement)	(4.7)
Increase in healthcare benefits (1.0% movement)	(4.4)
Increase in tariff advantages (0.5% movement)	(0.0)
Life expectancy of pensions (1 year)	(3.0)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2019
Cumulative amount at 31 July	0.0
Recognised when acquisition business combinations under common control	(24.9)
Cumulative amount at 31 December	**(24.9)**

The above remeasurements of post-employment benefits are gross amounts. The related tax on the remeasurements of post-employment benefits is €5.0 million, resulting in remeasurements of post-employment benefits net of tax of -€19.9 million.

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.6, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined-benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

As the contribution of the regulated activities of Elia System Operator NV/SA only took place on 31 December 2019, there were no movements during the year in reimbursement rights.

The present value of the reimbursement rights at the time of incorporation is presented below:

Present value of reimbursement rights (in million EUR)	Pensions 2019	Other 2019
At the beginning of the period	**0.0**	**0.0**
Acquisition business combinations under common control	(23.1)	3.3
At the end of the period	**(23.1)**	**(30.0)**

The sum of Pensions (€23.1 million) and Other (€30.0 million) reimbursement rights amounted to €53.1 million which reconciles with the reimbursement rights listed in Note 6.6.

6.15. Provisions

(in million EUR)	Environment	Elia Re	Dismantling obligations	Other	Total
Balance at 31 July 2019	0.0	0.0	0.0	0.0	0.0
Acquisition business combinations under common control	9.6	3.3	20.5	2.2	35.5
Balance at 31 December 2019	**9.6**	**3.3**	**20.5**	**2.2**	**35.5**
Long-term portion	7.1	3.3	20.5	2.2	33.0
Short-term portion	2.5	0.0	0.0	0.0	2.5

The Group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination.

The Group has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on a number of sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.). In the Brussels-Capital and Walloon Regions, the Group also carried out analyses and studies to detect contamination at a number of substations and a number of plots occupied by pylons for overhead power lines. Based on the analyses and studies it conducted, the Group has made provisions for possible future soil remediation costs in line with the relevant legislation.

Environmental provisions are recognised and measured based on an expert appraisal bearing in mind BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. The timing of the settlement is unclear but for the premises where utilisations occur, the underlying provision is classified as a short-term provision.

Elia Re: An amount of €3.3 million is included at year-end for Elia Re, a captive reinsurance company. €2.1 million of this is linked to claims for overhead lines, and €1.2 million to electrical installations. The expected timing of the related cash outflow depends on the progress and duration of the respective procedures.

Dismantling provisions: As part of the Group's CAPEX programme, the Group is exposed to decommissioning obligations related to offshore projects. These provisions take into account the effect of discounting and the expected cost of dismantling and removing the equipment from sites or from the sea. The carrying amount of the provision as at 31 December 2019 was €20.5 million.The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

'**Other**' consists of various provisions for litigation to cover likely payment where legal proceedings have been instituted against the Group by a third party or where the Group is involved in legal proceedings. These estimates are based on the value of claims filed or on the estimated level of risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated proceedings.

No assets have been recognised in connection with the recovery of certain provisions.

6.16. Other non-current liabilities

(in million EUR)	2019
Investment grants	3.6
Non-current deferred income	87.3
Total	**90.9**

The investment grants are released in profit and loss when entitlement to them is acquired.

The non-current deferred income relates to received customer contributions, which are recognised in profit or loss in accordance with the useful life of the respective asset.

6.17. Trade and other payables

(in million EUR)	2019
Trade debts	279.2
VAT and other taxes	3.0
Remuneration and social security	31.9
Levies	57.2
Other	13.0
Total	**384.3**

The levies include federal levies (€41.3 million), federal green certificates (€12.3 million) and strategic reserves (€5.5 million).

6.18. Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair-value hierarchy.

(in million EUR)	Carrying amount					Fair value			
	Fair Value through P&L	Fair Value through OCI	Financial assets at amortised Cost	Financial liabilities at amortised Cost	Total	Level 1	Level 2	Level 3	Total
31 December 2019									
Other financial assets	7.0	0.2			7.2	7.0	0.2		7.2
Trade and other receivables			216.2		216.2				
Cash and cash equivalents			42.0		42.0				
Assets held to hedge long-term borrowings		(4.4)			(4.4)		(4.4)		(4.4)
Unsecured financial bank loans and other loans				(880.5)	(880.5)		(880.5)		(880.5)
Unsecured bond issues				(2,336.2)	(2,336.2)		(2,689.8)		(2,689.8)
Trade and other payables				(384.3)	(384.3)				
Total	**7.0**	**(4.2)**	**258.2**	**(3,601.0)**	**(3,340.1)**	n.r	n.r	n.r	n.r

The above tables do not include fair-value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, trade and other receivables, and trade and other payables, as their carrying amount is a reasonable approximation of fair value. The fair value of finance lease liabilities is not required to be disclosed.

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's-length transaction. IFRS 7 requires, for financial instruments that are measured in the balance sheet at fair value and for financial instruments measured at amortized cost for which the fair value has been disclosed, the disclosure of fair-value measurements by level in the following fair value measurement hierarchy:

Level 1: The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), the instrument is included in level 2.
Level 3: If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in level 3. The fair value amount included under 'Other financial assets' has been determined by referring to either (i) recent transaction prices, known by the Group, for similar financial assets or (ii) valuation reports issued by third parties.

The fair value of financial assets and liabilities, other than those presented in the above table, approximates to their carrying amounts largely due to the short-term maturities of these instruments.

FAIR-VALUE HIERARCHY

The fair value of 'sicavs' falls into level 1, i.e. valuation is based on the listed market price on an active market for identical instruments.

The fair value of interest-rate swaps, loans and bond issues falls into level 2, which entails valuation being based on input from other prices than the stated prices, where these other prices can be observed for assets or liabilities. This category includes instruments valued on the basis of listed market prices on active markets for such instruments; listed prices for identical or similar instruments on markets that are deemed less than active; or other valuation techniques arising directly or indirectly from observable market data.

ESTIMATE OF FAIR VALUE

Derivatives

Brokers' statements are used for valuations of the interest-rate and foreign-currency rate swaps. The statements are controlled using valuation models or techniques based on discounted cash flows. The models incorporate various inputs including the credit quality of counterparties and interest-rate curves at the end of the reporting period. As at 31 December 2019, the counterparty risk is considered close to zero as a result of the negative market value of the IRS. The Group's own non-performance risk has been estimated to be close to zero as well.

Interest-bearing loans

The fair value is calculated on the basis of the discounted future redemptions and interest payments.

6.19. Leasing

THE GROUP AS A LESSEE

The Group mainly leases buildings, cars and optical fibers. It has also some rights to use (portions) of land and overhead lines. The valuation period used is according to the contractual term. Where no fixed term has been set and an ongoing extension is subject to the contract, the relevant department has assumed a termination date. In the event that the lease contract contains a lease extension option, the Group assesses whether it is reasonably certain of exercising the option and makes its best estimate of the termination date.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets are presented separately within 'Property, plant and equipment and break down as follows, with the discounted lease liability for comparison. Additionally, the split between current and non-current lease liabilities is given:

(in million EUR)	Use of land and overhead lines	Building / office rentals	Cars	Optical fibers	Other	Total
At 31 July	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition business combinations under common control	2.0	23.0	7.7	6.0	0.1	38.8
At 31 December	2.0	23.0	7.7	6.0	0.1	38.8

The right-of-use assets are briefly described below:

- The use (portions) of land and overhead lines constitutes a right for the Group to use a well identified piece of land to construct on someone's property. Only the contracts where the Group has the full right to control the use of the identified asset are in scope.
- The Group leases buildings and offices in which corporate functions are performed.
- The Group has car leasing contracts which are used by the employees for business and private activities.
- The Group leases optical fibres to transmit data. Only cables that are well identified are in scope.
- Other lease contracts: printer lease contracts.

The Group has only lease contracts with fixed lease payments and assesses whether it is reasonable that a lease contract will be extended. If so, the lease contract is valued as if the extension would be exercised.

Lease liabilities

Information concerning the maturity of the contractual undiscounted cash flows is given below:

Maturity analysis - contractual undiscounted cash flows (in million EUR)	2019
< 1 year	9.0
1-5 years	17.2
> 5 years	16.9
Total undiscounted lease liabilities at 31 December	43.1
Lease liabilities in the statement of financial position at 31 December	39.1
Current	8.6
Non-current	30.5

There were no amounts recognized in the income statement nor was there any cash ouflow related to leases as the contribution only took place on 31 December 2019.

THE GROUP AS A LESSOR

The Group leases out optical fibers, land and buildings presented as part of 'Property, plant and equipment'. Leasing is only an ancillary business. Rental income is presented under 'Other income'.

Contracts that do not relate to separately identifiable assets or under which the customer cannot directly the use of the asset or does not obtain substantially all the economic benefits associated with the use of the asset do not constitute a lease. The new lease definition led to the exclusion of some telecommunication equipment.

The Group has classified these leases as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date and considering the best estimate of the contractual term:

(in million EUR)	< 1 year	1–5 years	> 5 years
Telecom	14.5	1.3	0.0
Balance at 31 December 2019	**14.5**	**1.3**	**0.0**

The Group leases out optical fibres to telecom operators.There were no amounts recognized in the income statement as the contribution only took place on 31 December 2019.

6.20. Accruals and deferred income

(in million EUR)	2019
Accruals and deferred income	14.6
Deferral account from settlement mechanism Belgian regulatory framework	559.3
Total	**573.9**

There were no movements as the contribution of the accruals and deferred income took place on 31 December 2019.

The future release of deferral account from settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2019):

(in million EUR)	Belgian regulatory framework
To be refunded to the tariffs in the current regulatory period*	431.4
To be refunded to the tariffs in the next regulatory period (or after)	127.9
Total regulatory deferral account	**559.3**

** from 2020 to 2023*

7. Group structure

7.1. Business combination involving entities under common control– Intragroup restructuring by major shareholder

As described under section 1.1., on 31st December 2019, Elia Transmisison Belgium SA/NV has taken over the role as Transmisison System Operator from Elia System Operator NV/SA. The reorganisation was structured as follows :

(a) The transfer by Elia Group of all its shares in Elia Asset to Elia Transmission Belgium through:

(i) on the one hand, a sale by Elia Group of part of its shares in Elia Asset to Elia Transmission Belgium against a vendor loan on the part of Elia Group (€2,056 million); and

(ii) on the other hand, a contribution of the remainder of the shares in Elia Asset to the capital of Elia Transmission Belgium in exchange for shares newly issued by Elia Transmission Belgium.

(b) The payment by Elia Transmission Belgium of the vendor loan resulting from the purchase of the shares in Elia Asset (step (b)(i)) by taking over the debt related to Elia Group's Belgian regulated activities for an amount equivalent to the sale price of the Elia Asset shares and

(c) The contribution by Elia Group of its business division (branche d'activité / bedrijfstak) to Elia Transmission Belgium's capital, which consists of all the assets and liabilities dedicated to its Belgian regulated activities1, excluding the Elia Asset shares which are the subject of a separate transfer (step (b)) and excluding the debt related to the Belgian regulated activities of Elia Group which has been the subject of a separate transfer (see step (b) above). This operation resulted in an increase in the capital of Elia Transmission Belgium and the issue of new shares of Elia Transmission Belgium to Elia Group.

Steps (a) to (c) included constitute the "Reorganisation" effect as from 31 December 2019 just prior to midnight.

The transaction has been realised without any cash consideration and is accounted for as a business combination under common control.

The table below summarises the recognised amount of assets and liabilities assumed at the date of of the transfer of the business division.

(in € million)	Value recognised on acquisition
NON CURRENT ASSETS	**6,417.1**
Intangible assets	35.1
Goodwill	1,707.8
Property, plant and equipment	4,268.4
Other non-current assets	405.8
CURRENT ASSETS	**277.7**
Trade and other receivables (current)	213.9
Cash and cash equivalents	41.8
Other current assets	22.0
NON CURRENT LIABILITIES	**2,938.8**
Long-term borrowings	2,704.6
Provisions for liabilities and charges	120.5
Deferred tax liabilities	22.8
Other non-current liabilities	90.9
CURRENT LIABILITIES	**1,553.6**
Loans and borrowings	593.0
Provisions	2.5
Trade and other payables	382.6
Income tax payable	1.6
Other current liabilities	573.9
Total identifiable net assets acquired	**2,202.4**

The delta between the value of € 2,056 Million and the net assets acquired consists mainly of the reserves located in the affialiates.

[1] This contribution includes in particular all employees, commercial contracts relating to access to the electricity system, receivables and debts directly related to the said activity. This contribution is fully remunerated in shares newly issued by Elia Transmission Belgium. This contribution constitutes a contribution of a business division (*branche d'activité*/ *bedrijfstak*) within the meaning of Article 679 of the Belgian Company Code.

The most important assets and liabilities transferred to Elia transmission Belgium NV/SA are disclosed here below :

	Description
Assets	
Intangible assets.	The software developed/purchased and the licenses used by ETB in the execution of its role as TSO
Goodwil	The goodwill historically recoginised by ESO as result of the business combination Acquisition of Elia Asset and Elia Engineering respectively in 2002 and 2004. This amount was yearly tested on potential impairment. The amount transferred is the book value at 31.12.2019

(in million EUR)	2019
Acquisition Elia Asset - 2002	1,700.1
Acquisition Elia Engineering - 2004	7.7
Total	**1.707,8**

We refer to note 6.3. for further detaills

Property, plant and equipment	The plots, the technical buildings, the HS voltage stations, overhead lines, underground cables, administrative buidlings, offshore assets of which Elia Asset is the owner. In the regulated business, ESO made use of lease contracts which has been transferred to ETB, so the recognized underlying assets in compliance with IFRS 16, are also included in this section.
Other non current assets : Equity accounted investees and other investments	The following participations directly /indirectly owned by ESO have been transferred to ETB at their book value at 31st December 2019:

(in million EUR)	2019
Nemo Link (Joint venture)	324.5
HGRT	16.0
Coreso	0.5
Enervalis	1.0
Ampacimon	0.5
Total	**342.6**

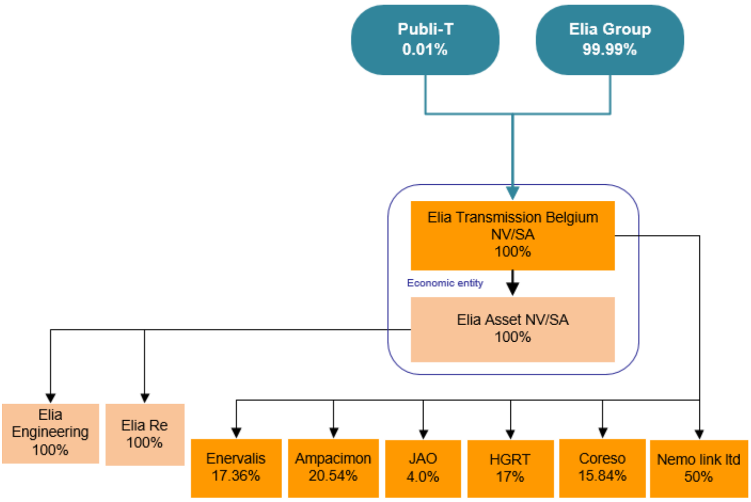
The amount of other financial assets are disclosed in note 6.6., and 6.7

Current trade and other receivables, deferred charges and accrued revenues	Mostly trade receivables related to the regulated business in Belgium (€ 158 million) and to a intragroup current account with Elia Group NV/SA for € 37.7 million
Cash & cash equivalents	This consist of the cash available in subsidiaries Elia Asset, Elia Engineering and Elia RE
Liabilities	
Loans and borrowings incl. long term borrowings	The loans (Eurobond, loan with European investment bank, other loan, shareholders loan, …) , the accrued intrest are fully linked to the regulated business , and have been transferred to the legal entity ETB We refer to the note 6.13 for more information
Provisions for liabilities and charges	This section contains the provision for the Employee benefits for the employees contributed to the regulated business and the provisions incurred for litigations, environmental obligation and dismantling of the offshore assets (further details can be found in note 6.14, 6.15)
Trade and other payables	The outstanding items with suppliers related to the regulated business and balance for the levies which are linked to the public obligations activities as TSO . we refer to note 6.17.
Accruals and deferred income	This covers mainly the deferral account from settlement mechanism which has been tradsferred to ETB as TSO. These amount are linked to the regulatory framrwork in which ETB will function as from 01.01.2020. See note 6.20 for more information

Beside the elements mentioned here above, some contingencies and commentents has been transferred to Elia Transmission Belgium. These elements are disclosed in section 8.2.

7.2. Subsidiaries, joint ventures and associates

OVERVIEW OF THE GROUP STRUCTURE



SUBSIDIARIES

Elia Transmission Belgium NV/SA, via the contribution of the BE regulated business from Elia Group NV/SA has direct and indirect control of the subsidiaries listed below.

All the entities keep their accounts in euros and have the same reporting date as Elia Transmission Belgium NV/SA

Name	Country of establishment	Headquarters	Stake % 2019
Subsidiaries			
Elia Asset NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99
Elia Engineering NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00
Investments accounted for using the equity-method – Joint Venture			
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00
Investments accounted for using the equity-method – Associates			
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	15.84
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	17.36
Other shareholdings			
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	4.00

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and set out strategies to control the economic impact on the Group's results.
The Risk Management Department defines the risk-management strategy, monitors the risk analysis and reports to management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures. Selected derivative hedging instruments are used depending on the assessment of the risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates significantly restricts their effects on profit or loss (see the section 'Regulatory framework and tariffs'). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities. As regards its operating activities, the Group has a credit policy in place, which takes into account customer’s risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank guaranties from the counterparty for some major contracts.

At the end of the reporting period there were no significant concentrations of credit risks. The maximum credit risk is the carrying amount for each financial asset, including derivative financial instruments.

(in million EUR)	2019
Loans and receivables – long term	2.3
Loans and receivables – short term	213.9
Cash and cash equivalents	42.0
Immediately claimable deposits	7.0
Interest-rate swaps used for hedging:	
Liabilities	(4.4)
Total	**260.8**

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

(in million EUR)	Bad debtors	Impairment losses	Remaining balance
Opening balance	0.0	0.0	0.0
Acquisition business combinations under common control	1.0	(3.4)	(2.4)
Balance at 31 December 2019	**1.0**	**(3.4)**	**(2.4)**

The Group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy.

IFRS 9 requires the Group to impair financial assets based on a forward-looking expected credit loss (ECL) approach.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers. No segmentation of customers is performed as all customers show similar loss patterns. Intercompany trade receivables are excluded as there is no credit risk. In addition, trade receivables connected with a pending commercial dispute are excluded to avoid double provisioning (provision for risks and charges).

The provision rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. Because the incorporation only took place on 31 December 2019, the Group has used the data of the Belgian segment of the Elia Group figures (regulated activities of the former Elia System Operator NV/SA). As the sales and payment profile of the Group’s customers has remained very stable over the years, the Group considers historical credit losses to be a good proxy for future (expected) credit losses.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. This percentage is multiplied by the outstanding trade receivables.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

31 December 2019	Not past due	0-30 days past due	31-60 days past due	61 days - 1 year past	1 year - 2 years	> 2 year	Total
Expected loss rate	0.0%	0.6%	8.2%	12.3%	67.9%	100.0%	
Carrying amount - trade receivables	195.9	14.9	1.1	3.5	0.6	0.2	216.2
Loss given default	92.2%	92.2%	92.2%	92.2%	92.2%	92.2%	
Loss allowance	**0.0**	**0.0**	**0.0**	**0.1**	**0.4**	**0.2**	**0.8**

CURRENCY RISK

The Group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than the euro.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may be unable to meet its financial obligations. The Group limits this risk by constantly monitoring cash flows and ensuring that there are always sufficient credit-line facilities available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, confirmed and unconfirmed credit facilities, commercial paper programs, etc. For medium- to long-term funding, the Group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Elia Transmission Belgium as a subsidiary of Elia group NV/SA can benefit from it's positive perception in the financial market. The company did not issue debt directly but the for contribution of the debt instruments from Elia Group NV/SA, the bonds and other financial instruments were subject to consent of bondholders/borrowers. This consent was received from all the debtholders.

(in million EUR)	Face Value	Closing balance	Expec-ted cash out-flows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**3,615.1**	**3,681.8**	**(4,039.6)**	**(892.6)**	**(5.0)**	**(57.8)**	**(710.6)**	**(2,373.6)**
Unsecured bond issues	2,350.0	2,336.0	(2,787.0)	(52.6)	0.0	(52.6)	(653.6)	(2,028.3)
Unsecured financial bank loans and interest	880.8	961.6	(868.3)	(455.7)	(5.0)	(5.2)	(57.0)	(345.3)
Trade and other payables	384.3	384.3	(384.3)	(384.3)	0.0	0.0	0.0	0.0
Derivative financial liabilities	**n.r.**	**4.4**	**(4.4)**	**(4.4)**	**0.0**	**0.0**	**0.0**	**0.0**
Interest-rate swaps used for hedging	n.r.	4.4	**(4.4)**	**(4.4)**	0.0	0.0	0.0	0.0
Total at 31 December 2019	**3,615.1**	**3,686.2**	**(4,044.0)**	**(897.0)**	**(5.0)**	**(57.8)**	**(710.6)**	**(2,373.6)**

Details of the used and unused back-up credit facilities are set out below:

(in million EUR)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	75.0	35.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	100.0	Euribor + 0.30%	0,0	100.0
Total		**650.0**		**75.0**	**575.0**

INTEREST-RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.
The Group manages its interest rate risk by having a balanced portfolio of fixed- and variable-rate loans and borrowings. To manage this, the Group could engage in interest-rate swaps, which would entail the Group agreeing to exchange, at specified intervals, the difference between fixed- and variable-rate interest amounts calculated based on an agreed notional principal amount. These swaps are allocated to hedge underlying debt obligations. As at 31 December 2019, interest-rate swaps, transferred from Elia group NV/SA to Elia Transmission Belgium, were outstanding to cover a nominal debt amount of € 300 million.

The table (see Note 6.13) shows the average interest rate..

SENSITIVITY ANALYSIS

Changes in interest rates will not affect the consolidated result in the short or long term as the Group operates within a regulatory framework where the consequences of fluctuations in financial expenses are mainly recovered in tariffs, except for the items which are directly recognised through OCI.

FAIR VALUE SENSITIVITY ANALYSIS FOR INTEREST RATE SWAPS

A change of 100 basis points in interest rates would have increased (decreased) other comprehensive income by the amounts shown below:

(in million EUR)	100 bp increase	100 bp decrease
Interest rate swaps - Impact in equity	7.1	(6.8)

HEDGING ACTIVITIES AND DERIVATIVES

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

All financial derivatives entered into by the Group relate to an underlying transaction or forecast exposure, depending on the expected impact on the income statement, and if the IFRS 9 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied.

Derivatives not designated as hedging instruments

The Group had no derivatives not designated as hedging instruments.

Derivatives designated as hedging instruments

Three interest rates swaps for a total nominal value of €300 million have been concluded for the loan with Publi-Part (€42.1 million) and for loans with third parties ("Other loans" , €453.6 million) to hedge the Euribor interest rate risk on these loans. All three interest-rate swaps are designated as cash flow hedges under IFRS 9. The negative net fair value of these interest rate swaps at 31 December 2019 is €4.4 million.

CAPITAL RISK MANAGEMENT

The purpose of the Group's capital-structure management is to maintain the debt and equity ratios related to the regulated activities as close as possible to the recommended level set by the relevant regulatory frameworks.

The Company's dividend guidelines involve optimising dividend payments while bearing in mind that self-financing capacity is needed to carry out its legal mission as transmission system operator, finance future CAPEX projects and, more generally, implement the Group's strategy.

The Company offers its employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

8.2. Commitments and contingencies

The elements mentioned here below were transferred from Elia Group SA/NV to Elia Transmission Belgium

CONTINGENT RENTS, PURCHASE OPTIONS AND RESTRICTIONS

The Group has no contracts which include contingent rental payments, and no purchase options were agreed in the significant lease contracts. Furthermore, these significant lease contracts do not include any escalation clauses or restrictions that are significant to the use of the respective asset.

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2019, the Group had a commitment of €433.3 million relating to the purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2019, the Group had a commitment of €171.5 million relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million, of which €221 million was settled in 2015 and a total of €48 million was settled in 2016. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest realised in September 2019 an auctioning and 615.400 green certifictes were sold to different marketparticipants, resulting in a revenue of € 40 million. At the end of each period (30 June 2020, 30 June 2021 and 30 June 2022 respectively), any unsold certificates will be bought back by Elia. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost and any expense for repurchase of non-marketable certificates may be recovered fully through the tariffs for levies, and as a consequence the potential repurchase by Elia will have no impact on the Company's financial performance.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €176.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by AwAC as from 2022, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies.

In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) which resulted in a net cash inflow of €43.3 million. Similarly as for the transaction in September 2017, Elia might be required to buy back a portion of the certificates sold as from 2023. Any repurchase will be covered through the tariffs for levies. There have been no transaction with the AwAC in 2019.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Transmission Belgium is Elia Group NV/SA There has been no material transactions between both entities The current account will be settled in 2020. The contract was put in place at market conditions.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia Transmission Belgium's Board of Directors and its Management Committee. Both have a significant influence across the entire Elia Group.

The members of Elia Transmission Belgiums' Board of Directors are not employees of the Group. The remuneration for their mandate is detailed in the Corporate Governance Statement forming part of the annual report of Elia Group nv (where amounts for Elia Asset are reported separately).

The other members of key management personnel are hired as employees. Their remuneration in company Elia Asset can also be found in he annual report of Elia Group nv.

TRANSACTIONS WITH RELATED PARTIES

In addition, Elia's Management Committee also assessed whether transactions occurred with entities in which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-presidents of the Management Committee, etc.).

There were no significant transactions in 2019.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions between the Company and subsidiaries that are related parties were eliminated during consolidation and therefore not recognised in this note.

As the contribution of the regulated activities of Elia System Operator NV/SA into Elia Transmission Belgium NV/SA only took place on 31 December 2019, there were no transactions with joint ventures and associates. The outstanding balances with joint ventures and associates (see note 7.1 for a list of the joint ventures and associates) are shown below:

(in million EUR)	2019
Outstanding balances with joint ventures and associates	**0.6**
Trade debtors	0.7
Trade debts	(0.1)

At 31 December 2019, there was an outstanding receivable of €0.5 million to Nemo Link and €0.2 million to Coreso. There was a trade debt of €0.1 million to Coreso.

TRANSACTIONS WITH SHAREHOLDERS

The Group also has an outstanding loan with its shareholder PubliPart for an amount of €42.1 million. We refer to Note 6.13 for more details.

8.4. Subsequent events

Covid-19 crisis

In the context of the Covid-19 crisis, Elia, as a TSO, has an important societal role. Elia closely works with the authorities to ensure the continuation of its activities, keeping the lights on and providing business continuity for all its customers.

At the date of the approval of the annual accounts and the annual report by the Board of Directors, it is too early to provide an accurate assessment of the impact of Covid-19 on the Group's operations, the financial results and the liquidity position in 2020.

In general, most part of Elia's cash flows and financial performance are ensured though a regulated framework. This prevents that Covid-19 has a major impact on Elia. Potential drops in revenues could temporally affect the liquidity needs, but these are being closely monitored. Moreover, such drops in revenue are in general 100% recoverable through future tariffs. Therefore, Elia currently does not anticipate a material impact on the 2020 financial performance. However, other impacts, for example in terms of delays in the execution of investment projects, are likely, although to date these delays have not been evaluated as having a significant impact on profitability. For 2019, as the impairment test of the goodwill in section 6.3 of the annual report is based on long term forecasted figures and cash flows, Elia currently considers that the potential consequences of this crisis would not lead to other conclusions.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

The Group has conducted an analysis of the potential impact on the Group's financial statements in the event of a hard or a soft Brexit. The most significant risk identified related to its joint venture Nemo Link Ltd.

The Group's analysis concluded that Nemo Link Ltd is prepared for both a soft and a hard Brexit scenario. A soft Brexit would see the UK remain in the Internal Energy Market (IEM), whereas a hard Brexit would see it leave the IEM.

The Group has successfully completed a consultation resulting in the approval by both regulators of the IEM access rules for the event that a soft Brexit occurs. Similarly, non-IEM access rules have been sent out for consultation for the event that a hard Brexit occurs. Although an approved Brexit deal was concluded between UK and the EU, effective 31 January 2020, a hard Brexit may still occur if the two parties do not reach an agreement by the end of 2020.

Based on the feedback obtained and the analysis performed, the overall conclusion is that Nemo Link would remain operational under both a soft and a hard Brexit. Profitability on the investment would also remain largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company's cash flows over a 25-year span.

Other than the risk identified above, the Group expects Brexit to have a very limited effect on the consolidated financial statements.

8.6. Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors KPMG Bedrijfsrevisoren CVBA (represented by Mr. Alexis Palm) and Ernst & Young Bedrijfsrevisoren BCVBA (represented by Mr. Patrick Rottiers) for the audit of the consolidated financial statements of Elia Transmission Belgium NV/SA.

The following table sets out the fees of the joint auditors and their associates in connection with services delivered with respect to the financial year 2019:

in EUR	Belgium
Statutory audit	175,883
Audit related	11,875
Income tax	4,260
Indirect tax	2,953
Other advisory	45,236
Total	**240,207**

9. REGULATORY FRAMEWORK AND TARIFFS

9.1. Regulatory framework in Belgium

9.1.1. Federal legislation

The Electricity Act, which forms the general basis, lays down the core principles of the regulatory framework governing Elia's activities as a transmission system operator in Belgium.

This Act was heavily amended on 8 January 2012 by the transposition at federal level of the 3rd package of European directives. These changes ensure that the Electricity Act:

- sets out the unbundling of transmission operations from generation, distribution and supply activities;
- sets out in greater detail the rules for operating and accessing the transmission system;
- redefines the transmission system operator's legal mission, mainly by expanding it to the offshore areas over which Belgium has jurisdiction; and
- strengthens the role of the regulatory authority, particularly as regards determining transmission tariffs.

A number of royal decrees provide more details of the regulatory framework applying to the transmission system operator, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the Commission for Electricity and Gas Regulation (CREG) supplement these provisions to form the regulatory framework within which Elia operates at federal level.

9.1.2. Regional legislation

Belgium's three regions are primarily responsible for the local transmission of electricity through grids with a voltage of 70 kV or less on their respective territory. The regional regulators are in charge of the non-tariff aspects of local transmission-system regulation, while setting and monitoring tariffs falls under federal jurisdiction.

The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative framework the provisions of the 3rd European package applying to them. The regional decrees have been supplemented by various other rules and regulations on matters such as public service obligations, renewable energy and authorisation procedures for suppliers.

9.1.3. Regulatory agencies

As required by EU law, the Belgian electricity market is monitored and controlled by independent regulators.

FEDERAL REGULATOR

The CREG is the federal regulator, and its powers with regard to Elia include:

- approving the standardised terms in the three main contracts used by the company at the federal level: the connection contract, the access contract and the ARP contract;
- approving the capacity allocation system at the borders between Belgium and neighbouring countries;
- approving the appointment of the independent members of the Board of Directors;
- determining the tariff methodology to be observed by the grid operator when calculating the various tariffs applying to grid users;
- certifying that the grid operator actually owns the infrastructure it operates and that it meets the regulatory requirements for independence from generators and suppliers.

REGIONAL REGULATORS

Operation of electricity grids with voltages of 70 kV and less falls under the jurisdiction of the respective regional regulators. Each of them may require any operator (including Elia if it operates such grids) to abide by any specific provision of the regional electricity rules on pain of administrative fines or other sanctions. However, the regional regulators do not have the power to set tariffs for electricity transmission systems, as tariff setting falls within the exclusive remit of the CREG for these grids.

9.1.4. Tariff setting

TARIFF REGULATIONS

On 18 December 2014, the CREG adopted a decree setting out the calculation methods used to establish tariffs applying to users of electricity grids performing a transmission function. Elia used this methodology as a basis for its tariff proposal for 2016-2019, which was submitted on 30 June 2015. This tariff proposal, adjusted following the discussions between Elia and the CREG in the course of the second half of 2015, was approved by the regulator on 3 December 2015.

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of grids performing a transmission function (covering the transmission grid and the local and regional transmission grids in Belgium), Elia makes most of its income from the regulated tariffs charged for use of these grids (tariff income), which are approved in advance by CREG. As of 1 January 2008, the prevailing tariff regulation mechanisms have provided for approved tariffs being set for four-year periods, barring specific circumstances. 2017 was therefore the second year of the third four-year regulatory period.

The tariff mechanism is based on amounts recognised in accordance with Belgian accounting regulations (BE GAAP). The tariffs are based on budgeted costs minus a number of sources of non-tariff income. These costs are then divided based on an estimate of the volumes of electricity taken off the grid and, in the case of some costs, based on estimated volumes of electricity injected into the grid, in accordance with the terms of the tariff methodology drawn up by the CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia in the form of performance incentives and the predicted values of various cost categories. These costs are subdivided into three groups: controllable costs, for which Elia is offered a financial incentive to improve its efficiency levels; non-controllable costs, over which Elia has no influence and for which the deviations from the budget are completely allocated to the calculation of future tariffs; and influenceable costs, to which a hybrid rule applies (see the information provided below with regard to controllable and non-controllable costs and income and influenceable costs).

FAIR REMUNERATION

Fair remuneration is the return on capital invested in the grid. It is based on the average annual value of the regulatory asset base (RAB), which is calculated annually, taking into account new investments, divestments, depreciations and changes in working capital.

In this context, fair remuneration is calculated based on a formula that allocates a different return to equity accounting for up to 33% of the RAB (Part A) and to equity exceeding this ratio (Part B).
This formula is as follows:

Fair remuneration = A + B where:

- A = [33% x average RAB of the year n x [(OLO n) + (beta x risk premium)] x illiquidity premium]; plus
- B = [(S – 33%) x average RAB x (OLO n + 70 base points)]; where:
- OLO n is the interest rate for Belgian 10-year linear bonds for the year in question;
- S = consolidated capital and reserves/average RAB, in accordance with Belgian accounting standards (BE GAAP);
- beta (β) is calculated based on Elia share prices, compared with the BEL 20 index, over a three-year period; the value of beta cannot be lower than 0.53:
- the risk premium is fixed at 3.5%;
- the illiquidity premium is fixed at 1.10.

PART A

The rate of remuneration (in %) 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 10-year linear bonds and a premium for share-market risk, weighted using the applicable beta factor.

The reference ratio of 33% is applied to Elia's average regulatory asset base (RAB) to calculate Elia's reference equity.

By means of this ratio, the CREG encourages the proportional share between equity and regulatory asset base to be as close as possible to 33%. As a consequence, Part B (applicable to the reference equity exceeding 33% of the RAB) is remunerated at a lower rate.

PART B

If the actual proportional share of Elia's actual equity exceeds the reference ratio, the surplus amount is balanced out with a rate of remuneration calculated as follows: [(OLO n + 70 base points)].

The Electricity Act also provides for the possibility of the regulator setting higher remuneration rates for capital that is invested to finance projects of national or European interest (see 'Other incentives' below).

Non-controllable costs and revenues

This category of costs and revenues over which Elia has no direct control is not subject to the incentive mechanisms offered by CREG, and is allocated in its entirety to the calculation of the revenue to be covered by tariffs. The tariffs are set on the basis of the forecast values of these costs, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

The main non-controllable costs are: 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. They also include financial charges to which the embedded debt principle applies. As a consequence, all actual and reasonable financial costs related to debt financing are included in the tariffs.
Some revenues are also non-controllable. These include cross-border congestion revenues and financial revenues.

Controllable costs and revenues

The costs and revenues over which Elia has direct control are subject to incentive regulation mechanisms, meaning that Elia is encouraged to reduce these costs and increase these revenues. Therefore, Elia's efficiency efforts (and conversely any inefficiency) are divided equally between Elia profits and future tariffs (50% each).

Influenceable costs

The reservation costs of ancillary services, except for black start, are categorised as 'influenceable costs', meaning that Elia's profits are partially affected (to the tune of 15%) by increases and reductions in these costs, within certain limits (ranging from -€2 million to €6 million).

Other incentives

The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. In case Elia would not perform on these incentives as set by the regulator, the amount of these incentives attributable to Elia will be decreased. The impact is reflected in the deferred revenues which will generate future tariff decreases – see description settlement mechanism below.

- *Market integration:* This incentive consists of three components: (i) enhancement of Belgium's import capacity; (ii) increase in social welfare generated by regional market coupling: both elements only have a positive impact on the net profit, with a maximum of €6 million for import capacity and a maximum of €11 million for social welfare (pre-tax). (iii) the profit (dividends and capital gains) resulting from Elia's financial participation in various other companies contributing to market integration (CASC, Coreso, HGRT, APX-ENDEX) - This is shared between Elia (40%) and future tariffs reductions (40%).

- *Investment program:* This incentive is linked to three objectives: (i) Elia's ex ante/ex post justification of the costs involved in each investment (this objective contributes to €2.5 million to pre-tax profits); (ii) adherence to the planned dates for commissioning of the Stevin, Brabo, ALEGrO and fourth phase-shifting transformer (PST) projects (€1 million pre-tax per project commissioned on time); and (iii) production of a list of selected strategic projects, especially investments aimed at consolidating European integration (the ''mark-up' incentive). The mark-up is calculated based on the actual cumulative amounts spent, whereby it must however be borne in mind that there are annual and project caps on amounts invested and that the incentive is calculated on the basis of the actual amounts invested. The mark-up applies in full when the OLO rate is 0.5% or less. It is reduced if the OLO rate is greater than 0.5% and decreases to 0 for an OLO rate of 2.16% or more. It should be noted that 10% of the mark-up amount obtained for each project must be repaid if the project is not completed by the stipulated deadlines or if the availability levels provided by the project after commissioning are unsatisfactory.

- *Continuity of supply*: Elia is entitled to an incentive calculated based on the Average Interruption Time (AIT) measured in the course of a year. The allocated sum is capped at €2 million (pre-tax).
- *Innovation:* This incentive is calculated based on the total costs incurred in obtaining innovation subsidies, up to a maximum sum corresponding to 50% of the amount of subsidies received or €1 million (pre-tax).
- *Discretionary incentive:* Each year, CREG sets the objectives Elia is expected to meet to receive this incentive. These mainly relate to the implementation of projects and mechanisms aimed at balancing supply and demand on the electricity market. This incentive contributes to the profit to the tune of up to €2 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

ON 29 March 2018, the CREG approved the tariff methodology to include specific rules applicable to the investment in the Modular Offshore Grid. The main features are (i) a specific premium risk to be applied to this investment, (ii) the depreciation rate applicable to MOG assets, (iii) certain costs specific to the MOG being classified differently 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.

Regulatory deferral account: deviations from budgeted values

On a yearly basis, the actual volumes of electricity transmitted may differ from the forecast volumes. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs . These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated, and will be included in the the tariff setting for the subsequent tariff period.Regardless of deviations between the forecast parameters for tariffs setting (Fair remuneration, Non-controllable elements, Controllable elements, Influencable costs, Incentive components, Cost and revenue allocation between regulated and non-regulated activities) and effective incurred costs or revenues related to these parameters, the CREG takes yearly a final decision as to whether the incurred costs/revenue are deemed reasonable to be borne by the tariffs. This decision may result in the rejection of elements incurred and, in the event that such elements incurred are rejected, the amount will not be taken into account for the setting of tariffs for the next period. Despite the fact that Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact Elia’s financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2016-2019 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that the impact on Belgian grid users of Elia's financial participation in other companies which the CREG does not consider part of the RAB (such as stakes in regulated or non-regulated activities outside Belgium, for example its shareholding in 50Hertz or EGI) is neutral.

Public service obligations

In its role as TSO, Elia is subject to various public service obligations imposed by Government and/or regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as promotion of renewable energy, social support, fees for the use of the public domain, offshore liability, green certificates , strategic reserve) to be executed by TSOs. Costs incurred by grid operators in respect of those obligations are fully covered by tariff ‘levies’ as approved by the regulator. The amounts outstanding are reported as levies (see notes 6.9 for other receivables and 6.17 for other payables).

9.2. Regulatory framework for the Nemo Link interconnector

The key features of the NemoLink Ltd. regulatory framework can be summarised as follows:

- A specific regulatory framework will be applicable to the Nemo Link interconnector 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. Any revenue earned above the cap would be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs would then reduce the grid charges for grid 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 grid 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 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 operator. Within-period adjustments will let operators 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 grid users (via grid 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.

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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Joint auditors' report to the general meeting of Elia Transmission Belgium NV/SA for the first period started 31 July 2019 and ended 31 December 2019

As required by law, we report to you as joint statutory auditors of Elia Transmission Belgium NV/SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the first period started 31 July 2019 and ended 31 December 2019 and the notes (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as joint statutory auditors by the shareholders meeting of 31 July 2019, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the workers' council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2021. The audit of the Consolidated Financial Statements of the Group was performed during respectively 1 year for KPMG Bedrijfsrevisoren CVBA and 1 year for EY Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Transmission Belgium NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the first period started 31 July 2019 and ended 31 December 2019 and the notes, which show a consolidated balance sheet total of € 6,696.6 million and of which the consolidated income statement shows a loss for the period of € 0.1 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2019, as well as its consolidated results and its consolidated cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – subsequent events – Covid-19

We draw attention to note 8.4 of the consolidated financial statements, which describes the possible effects of the Covid-19 crisis on the operations and financial situation of the Group. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Reorganisation of the Belgian regulated activities

Description

As described in note 1.1 of the Consolidation Financial Statements, Elia Group NV/SA, the holding company above Elia Transmission Belgium NV/SA, carried out an internal reorganisation at the end of 2019 with a view to separate its regulated activities in Belgium, i.e. the ownership and operation of the high- and very high-voltage transmission network in Belgium (including its stake in Nemo Link Ltd) from its non-regulated activities and its regulated activities outside Belgium.

The transfer of the Belgian regulated business (regulated assets and liabilities) and of the shares held in Elia Asset NV/SA to Elia Transmission Belgium NV/SA was completed with legal effect just before midnight on 31 December 2019 and retrospective tax effect as from 31 October 2019. In the Consolidated Financial Statements, the reorganisation was accounted for on the acquisition date, being 31 December 2019 just before midnight. The transfer is further described in note 7.1 of the Consolidated Financial Statements.

The transfer of the Belgian regulated activities included 3 transactions: (i) a contribution in kind of a part of the Elia Asset NV/SA shares by Elia Group NV/SA into Elia Transmission Belgium NV (ii) a sale of the remaining Elia Asset NV/SA shares from Elia Group NV/SA to Elia Transmission Belgium NV and (iii) a contribution in kind of the regulated activities by Elia Group NV/SA into Elia Transmission Belgium NV/SA.

The contribution in kind of the Belgian regulated activities has been accounted for in the consolidated financial statements as a common control transaction with assets acquired and liabilities assumed recognized at their respective carrying amount as of 31 December 2019.

The reorganisation of the Belgian regulated activities was important to our audit because the Company was solely incorporated for the purpose of this reorganisation and afterwards carrying out the Belgian regulated activities and the assets and liabilities transferred represent substantially all of the assets and liabilities as at 31 December 2019.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessed the competence, capabilities and objectivity of the external valuation expert engaged by management;
- Evaluated the appropriateness of the accounting treatment used by management based on the relevant accounting standards in particular, the requirements of IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements;
- Inspected the share purchase agreement for the sale of Elia Asset NV/SA shares;
- Inspected the special reports prepared by the company's board of directors in the context of (i) the contribution in kind of a part of the Elia Asset NV/SA shares and (ii) the contribution in kind of the regulated activities;
- Assessed the valuation of the shares of Elia Asset NV/SA, prepared by the external valuation expert engaged by management, in the framework of the (i) sale and (ii) contribution in kind with the assistance of our internal valuation specialists, by challenging the appropriateness of key assumptions used in the determination of the valuation and the methodology adopted;
- Challenged the identification of assets and liabilities transferred to Elia Transmission Belgium NV/SA by (i) auditing the trial balance of Elia Group NV/SA in the framework of the contribution in kind of the regulated activities of Elia Group NV/SA into Elia Transmission Belgium NV/SA, and consequently that all regulated activities were transferred to Elia Transmission Belgium NV/SA and (ii) reconciling to the share purchase agreement and the special reports prepared by the company's board of directors as mentioned above;
- Assessed notes 1.1 and 7.1 of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report.

Responsibilities of the joint auditors

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Director's report

In our opinion, based on specific work performed on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements for the same financial year and has been prepared in accordance with article 3:32 of the Code of companies and associations. (former article 119 of the Belgian Company code).

The non-financial information required by article 3:32 §2 of the Code of companies and associations is included in the chapter Sustainability reporting of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative Standards ("GRI"). In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the Global Reporting Initiative Standards mentioned in the board of directors' annual report on the consolidated financial statements.

Independence matters

We, and our respective networks, have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 3:65 of the Code of companies and associations have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Other communications

- This report is consistent with our additional report to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 15 April 2020

The joint statutory auditors

EY Bedrijfsrevisoren BV
represented by

Patrick Rottiers*
Partner
*Acting on behalf of a BV

KPMG Bedrijfsrevisoren CVBA
represented by

Alexis Palm
Partner

Alexis Palm (Authentication)

Digitally signed by Alexis Palm (Authentication)
Date: 2020.04.15 12:07:36 +02'00'

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Transmission Belgium NV/SA, drawn up in accordance with Belgian accounting standards, are given hereafter in abbreviated form.

Pursuant to Belgian company legislation, the full financial statements, the annual report and the joint auditors' report are filed with the National Bank of Belgium.

These documents will also be published on the Elia website and can be obtained on request from Elia Transmission Belgium NV/SA, Boulevard de l’Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion.

Statement of financial position after distribution of profits

ASSETS (in million EUR)	2019
NON-CURRENT ASSETS	3,635.4
Financial fixed assets	3,304.2
Affiliated companies	3,304.2
Participating interests	3,304.2
Other enterprises linked by participating interests	331.2
Participating interests	330.9
Other participating interests	0.2
CURRENT ASSETS	2,570.2
Amounts receivable after more than one year	0.0
Trade receivables	0.0
Other amounts receivable	0.0
Inventories and contracts in progress	3.3
Contracts in progress	3.3
Amounts receivable within one year	2,562.3
Trade debtors	219.3
Other amounts receivable	2,343.0
Investments	0.0
Cash at bank and in hand	0.2
Deferred charges and accrued income	4.3
TOTAL ASSETS	**6,205.5**

EQUITY AND LIABILITIES (in million EUR)	2019
CAPITAL AND RESERVES	2,111.1
Capital	2,055.7
Issued capital	2,055.7
Share premium account	0.0
Reserves	2.8
Legal reserve	2.8
Untaxed reserve	0.0
Profit carried forward	52.6
PROVISIONS, DEFERRED TAXES	0.2
Provisions for risks and charges	0.2
Other risks and charges	0.2
LIABILITIES	4,094.2
Amounts payable after one year	2,682.7
Financial debts	2,682.7
Subordinated debentures	0.0
Unsubordinated debentures	2,344.5
Credit institutions	296.0
Other loans	42.1
Amounts payable within one year	806.7
Current portion of amounts payable after more than one year	467.6
Financial debts	82.8
Credit institutions	75.0
Other loans	7.8
Trade debts	178.2
Suppliers	178.2
Advances received on contracts in progress	5.3
Amounts payable regarding taxes, remuneration and social security costs	9.3
Taxes	0.0
Remuneration and social security	9.3
Other amounts payable	63.6
Accrued charges and deferred income	604.9
TOTAL EQUITY AND LIABILITIES	**6,205.5**

Income statement

(in million EUR)	2019
OPERATING INCOME	158.2
Turnover	154.7
Increase/(decrease) in inventories of finished goods, works and contracts in progress	0.3
Other operating income	3.2
OPERATING CHARGES	(139.9)
Services and other goods	(132.2)
Remuneration, social security costs and pensions	(7.9)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	0.0
Provisions for liabilities and charges: appropriations/(uses and write-backs)	(0.2)
Other operating charges	(0.0)
OPERATING PROFIT	18.3
Financial income	**56.8**
Income from financial fixed assets	56.0
Income from current assets	0.8
Non-recurring financial income	0.1
Financial charges	**(19.8)**
Debt charges	(13.8)
Other financial charges	(6.0)
Non-recurring financial charges	0.0
PROFIT FOR THE PERIOD BEFORE TAXES	55.3
Income taxes	**0.0**
Income taxes	0.0
PROFIT FOR THE PERIOD	55.3
Transfer to untaxed reserves	0.0
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	55.3

Financial terms or Alternative Performance Measures

The Annual Report contains certain financial performance measures that are not defined by IFRS and are used by management to assess the **financial and operational performance of the Group**. The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in this document.

The following APM's appearing in the Annual Report are explained in this appendix:

- Adjusted items
- Adjusted EBIT
- Adjusted net profit
- Capex (Capital Expenditures)
- EBIT
- EBITDA
- EBITDA / gross interest
- Equity attributable to the owners of the company
- Financial Leverage
- Free cash flow
- Net debt / EBITDA
- Net finance costs
- Net financial debt
- Regulatory Asset Base (RAB)
- Return on Equity (adj) (%)
- Share capital and reserves per share

Adjusted items

Adjusted items are those items that are considered by management not to relate to items in the ordinary course of activities of the Group. They are presented separately as they are important for the understanding of users of the consolidated financial statements of the performance of the Group and this compared to the returns defined in the regulatory frameworks applicable to the Group and its subsidiaries. Adjusted items relate to:

- Income and expenses resulting from a single material transaction not linked to current business activities (e.g. change in control in a subsidiary)

Adjusted EBIT

Adjusted EBIT is defined as EBIT excluding the adjusted items.
EBIT (Earnings Before Interest and Taxes) = adjusted result from operating activities, which is used to compare the operational performance of the Group over the years.
The adjusted EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortizations and impairments, changes in provisions and other operating expense and plus the share of equity accounted investees – net and plus or minus adjusted items

Adjusted net profit

Adjusted net profit is defined as net profit excluding the adjusted items.The adjusted net profit is used to compare the performance of the Group over the years.

CAPEX (Capital Expenditures)

CAPEX (Capital Expenditures) = Acquisitions property, plant and equipment and intangible assets minus proceeds from sale of such items. Capital expenditures, or CAPEX, are investments realised by the Group to acquire, upgrade, and maintain physical assets (such as property, buildings, an industrial plant, technology, or equipment) and intangible assets. CAPEX is an important metric for the Group as it affects its Regulatory Asset Base (RAB) that serves as basis for its regulatory remuneration.

EBIT

EBIT (Earnings Before Interest and Taxes) = result from operating activities, which is used for the operational performance of the Group. The EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortizations and impairments, changes in provision and other operating expense and plus the share of equity accounted investees.

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisations) = results from operating activities plus depreciations, amortization and impairment plus changes in provisions plus share of profit of equity accounted investees. EBITDA is used as a measure for the operational performance of the Group, thereby extracting the effect of depreciations, amortization and changes in provisions of the Group. EBITDA excludes the cost of capital investments like property, plant, and equipment.

EBITDA / Gross interest

EBITDA / Gross interest = EBITDA (see definition above) divided by the pre-tax interest charges. The EBITDA-to-interest coverage ratio expresses to what extent the operational performance enables to pay off annual interest expenses.

Equity attributable to the owners of the company

Equity attributable to ordinary shareholders and hybrid security holders, but excluding non-controlling interests.

Financial Leverage

Financial Leverage (D/E) = net financial debt divided by shareholders' equity (where both metrics include non-controlling interests and hybrid instruments). The Financial Leverage provides an indication of the extent to which the Group uses financial debt to finance its operations relative to equity financing. It is hence considered by investors as an indicator of solvency.

Free cash flow

Free cash flow = Cash flows from operating activities minus cash flows from investment activities. Free cash flow provides an indication of the cash flows generated by the Group.

Net debt / EBITDA

Net debt / EBITDA = Net financial debt divided by EBITDA (see definition stated above).The net debt / EBITDA ratio provides an indication of the number of years it would take for the Group to pay back its interest-bearing debt net of cash based on its operational performance.

Net finance costs

Represents the net financial result (finance costs minus finance income) of the company.

Net financial debt

Net Financial Debt = Non-current and current interest-bearing loans and borrowings (incl. lease liability under IFRS 16) minus cash and cash equivalents. Net financial debt is an indicator of the amount of interest-bearing debt of the Group that would remain if readily available cash or cash instruments were used to repay existing debt.

Regulatory Asset Base (RAB)

Regulatory asset base (RAB) is a regulatory concept and an important driver to determine the return on the invested capital in the TSO through regulatory schemes. The RAB is determined as follows: RAB_i (initial RAB determined by regulator at a certain point in time) and evolves with new investments, depreciations, divestments and changes in working capital on a yearly basis using the local gaap accounting principles applicable in the regulatory schemes. In Belgium when setting the initial RAB, a certain amount of revaluation value (i.e. goodwill) was taken into account which evolves from year to year based on divestments and/or depreciations.

Return on Equity (adj.) (%)

Return on Equity (RoE adj.) = Net profit attributable to ordinary shareholders divided by equity attributable to ordinary shareholders. The return on equity is adjusted to exclude the accounting impact of hybrid securities in IFRS (i.e. exclude the hybrid security from equity and consider the interest costs as part of comprehensive income). The RoE adj. provides an indication of the ability of the Group to generate profits relative to its invested equity.

Share capital and reserves per share

Equity attributable to owners of the Company - Equity attributable to ordinary shares as a percentage of the number of shares outstanding

Elia | 50Hertz | EGI

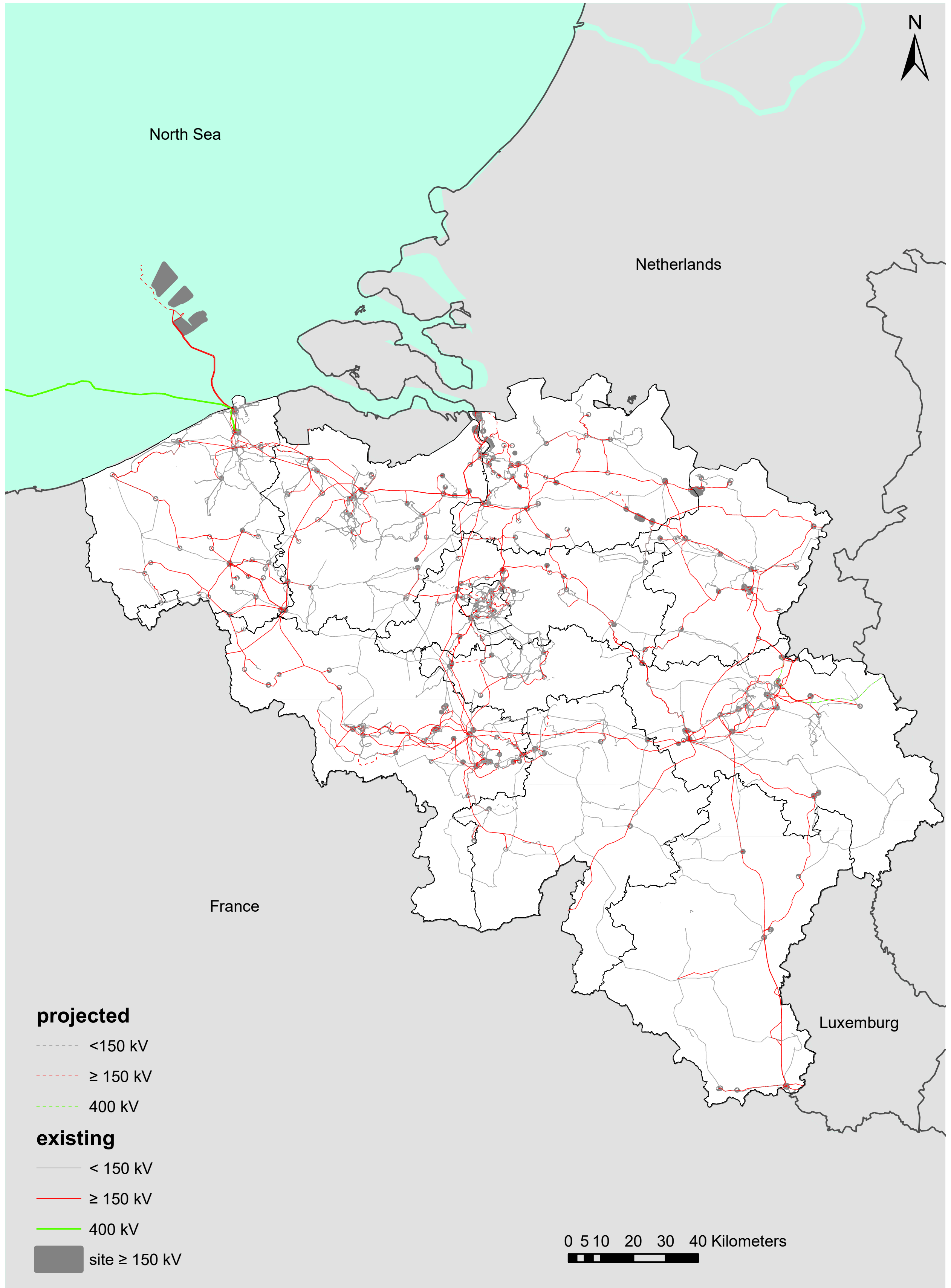
Ready to accelerate

Sustainability Report 2019

2. Elia in Belgium

2.1. Grid

2.1.1. Grid map



2.1.2. High-voltage lines

G4-EUS-EU4

	2017		2018		2019	
Voltage	Underground cabling	Overhead lines	Underground/ submarine cabling	Overhead lines	Underground/ submarine cabling	Overhead lines
400 kV (DC)	-	-	9	-	70*	-
380 kV	20	919	40	919	40	918
220 kV	5	301	47	301	135	300
150 kV	514	1,975	573	1,973	628	1,939
110 kV	-	8	-	8	-	8
70 kV	302	2,311	293	2,290	317	2,404
36 kV	1,968	8	1,938	8	1,917	8
30 kV	108	22	84	22	75	22
TOTAL	**2,917**	**5,544**	**2,984**	**5,521**	**3,182**	**5,599**

* The Nemo Link interconnector – total length 140 km – is a joint venture (50/50) between National Grid Interconnector Holdings Limited, a subsidiary company of the UK's National Grid Plc, and Elia.

2.1.3. Substations and converters

	2017	2018	2019
# substations >= 150 kV	298	297	300
# substations < 150 kV	516	516	507
HVDC Converter station	0	1	1
TOTAL	**814**	**814**	**808**

Delivering the necessary grid infrastructure is key for the energy transition to happen. As we integrate more and more variable renewable electricity and as electricity exchanges at European level increase, our investment programme is vitally important to guarantee a reliable, affordable and sustainable energy system in the future. There is globally an increase in the length of underground cables installed and a shift toward higher tension.

Major grid developments in 2019

- The Modular Offshore Grid (MOG) that connects offshore generation units, 4 wind farms in the North Sea, to the mainland was inaugurated in September 2019.
- NemoLink, the first subsea interconnector between Belgium and the UK is commercially operational since end of January 2019. The 140 km of subsea and underground cables electrically connect Belgium and UK providing both countries with improved grid reliability and access to sustainable generation.

2.2. Sustainability Management

2.2.1. Business model

GRI 102-1, GRI 102-2, GRI 102-6, GRI 102-7,.GRI 102-9, SDG9

Elia is Belgium's high-voltage transmission system operator (30 kV to 400 kV), operating 8,781 km of lines and underground cables throughout Belgium and supplying thereby 11 million people with electricity, 24 hours a day, 365 days a year. Elia has also several customers – which are mostly large industrial companies – directly connected to its network.

Elia's main responsibilities are the development and maintenance of the grid, the management of the balance between the consumption and generation of energy and the facilitation of access to the market. Elia also develops innovative solutions in order to better integrate renewables into the system, balance the network and put the consumer really at the centre of the future energy system.

As the only operator of the Belgian high-voltage grid (including the offshore grid), Elia has a "natural monopoly" of the grid, and is therefore subject to regulatory supervision. Its public mission and responsibilities are an integral part of the legislation governing the Belgian electricity market. Furthermore, it's controlled by the CREG[1], the federal regulator for the electricity market with regard to its very high voltage grid (110 kV-400 kV) and tariffs, and regionally by the VREG[2], CWAPE[3] and BRUGEL[4], the regional regulators for the electricity market with regard to its high voltage grid (30 kV-70 kV). The regulatory system has a substantial impact on the business model.

All the products and services are set out in detail in product sheets, which are available online or can be ordered as a hard copy on the 'Product sheets[5]' page.

2.2.2. Locations

GRI 102-3, GRI 102-4

To cover its activities in the entire country, Elia has several administrative centres[6] (control centres) and service centres[7] in Belgium. All the headquarters of Elia are located in Brussels.

1. CREG: Commission for Electricity and Gas Regulation.
2. VREG: Vlaamse Regulator van de Elektriciteits- en Gasmarkt.
3. CWAPE: Commission Wallonne pour l'Energie.
4. BRUGEL: régulateur bruxellois pour les marchés du gaz et de l'électricité/ Brusselse reguleringscommissie voor de gas- en electriciteitsmarkt.
5. www.elia.be/en/products-and-services/product-sheets.
6. Administrative centre: support services and national/regional control centre.
7. Service centre: branch/satellite office.

2.2.3. Memberships

GRI 102-12, GRI 102-13, SDG17

Elia is involved in various societies, associations, and initiatives in the field of renewable energies, climate and environmental protection, human rights and harmonisation of the European electricity market.

	Energy	Climate	Environment	Human rights
WORLD ENERGY COUNCIL	✔			
CIGRE - Conference Internationale des Grands Réseaux Electriques	✔			
Go15 - Reliable and Sustainable Power Grids	✔			
Centre on Regulation in Europe	✔			
ENTSO-E - European Network of Transmission System Operators for Electricity	✔		✔	
Coordination of Electrical System Operators	✔			
RGI - Renewables Grid Initiative	✔	✔	✔	
Energy Web Foundation	✔	✔		
The Shift	✔	✔	✔	✔
UNGC - United Nations Global Compact	✔			
Synergrid	✔			
Osiris	✔			
Conseil des Gestionnaires des Réseaux de Bruxelles	✔			
Vlaamse Raad van Netwerkbeheerders	✔			
Powalco	✔			
BECI - Brussels Enterprises Commerce and Industry	✔			
FEB - Fédération des Entreprises de Belgique	✔			
UWE - Union Wallonne des Entreprises	✔			
VOKA - Vlaams Netwerk van Ondernemingen	✔			
AGORIA	✔			
Communauté Portuaire Bruxelloise	✔			
COGEN Vlaanderen	✔	✔		

2.2.4. Values, principles, standards and code of conduct

GRI 102-16, GRI 102-17, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-32, GRI 102-33

The 6 values are now common within Elia group (see 1.3.1.)

The Code of Ethics oversees that discrimination within the organisation is not tolerated. This applies regardless of race, colour, sex, religion, political opinion, ethnic background, social origin, age, sexual orientation or physical capabilities.

In addition, it aims to ensure that all employees receive equal opportunities through fair judgement. Elia's internal policy on discrimination and equal opportunities builds on the International Labour Organization convention C111 concerning Discrimination.

For Elia, business activity that is successful in the long term is achieved by acting in the best interest of the company as well as in the interest of society. This is reflected in the company vision "A successful energy transition - for a sustainable world".

Elia has expressed its commitment to responsible corporate management by being signatory of the United Nations Global Compact (UNGC) – the leading U.N. initiative for businesses to advance on the Sustainable Development Goals for 2030. Elia is also committed and actively working on topics included in the 10 Principles of the UNGC.

Under the overall responsibility of the Chief Community Relations Officer, the Environment & CSR department has defined a sustainability concept and a roadmap of measures for the continuous expansion of sustainability reporting. All environmental related reporting and sustainable communication to external stakeholders is coordinated by the Community Relations department

In addition, internal management systems based on recognized standards such as environmental management (according to ISO 14001) and early public acceptance are used in Sustainability core areas.

Finally, a network of ambassadors has been developed at the initiative of passionate colleagues, the group shares ideas, tips and tricks, successes and events, and organises workshops within the company through a cooperative process. Ideas are also shared via the intranet, allowing other interested colleagues to participate.

2.2.5. Relevant legal framework

Elia complies with applicable law. The business activities are subject to numerous regional, national and European legal regulations.

Further information on the laws and regulations relevant to our business activities can be found on our website.
https://www.elia.be/en/company/legal-framework

2.2.6. Anti-corruption

GRI 205-1, GRI 205-2

As part of the Code of Ethics, a policy regarding bribery and corruption has been formulated. The Code of Ethics outlines what is considered bribery and corruption. Apart from barring any involvement in a practice (be it direct or indirect via our suppliers) where bribery or corruption has taken place, Elia also focusses on capacity building for our employees. Trainings allow employees to recognize behaviours or incidents where bribery or corruption may be at play, and provides them with a safe, anonymous space to report any such matter.

Since 2018, Elia has a policy in place that regulates the external reporting point for business integrity breaches. In the case, internal staff and external stakeholders anonymously report suspected integrity violations, an internal committee is convened immediately to deal with the case and take further internal action if necessary. The committee reports to the management of Elia annually and on an ad hoc basis as required.

In 2019, the external reporting point did not receive any tip-offs about corruption. In 2019, Internal Audit dealt with one complaint received via an anonymous letter. After internal investigation and discussions with the employee, it was decided to take no further action on this complaint. Elia also regularly provides all employees involved in the procurement process and financial process with training on the basics of procurement, anti-corruption and compliant behaviour.

2.2.7. Risk management

GRI 102-30, GRI 102-11, GRI 201-2

As part of its systematic risk management, Elia regularly surveys and assesses the following risk areas:

- Profit & loss
- Health & safety
- Cash
- Security of supply
- Reputation

Elia aims to avoid risks to the Company's continued existence, to reduce risk positions as much as possible where feasible and to optimize the opportunity/risk profile. Risk guidelines set out how risks are systematically identified, recorded, assessed and monitored each financial quarter.

Risk workshops are held regularly with the risk owners (mostly the department heads). The corporate risk manager converses with the management to discuss the most significant risks and risk-related issues. In the area of sustainability, for example, these are occupational safety and new requirements from environmental legislation. Additionally, the risks assessed and monitored will be extended related to risk based on climate change.

2.2.8. Security

Critical infrastructures

In 2019, the Elia Security department started with the rollout of the new security policy for substations. Due to its importance, the focus on the implementation of a high security concept (i.a. deployment of a redundant detection system) for multiple Critical Infrastructures.

In order to verify the content of the Elia Security Plan for Critical Infrastructures, the ministry of Economy performed multiple inspections in Critical substations. The first feedback of the ministry is positive, detailed reports are to be expected in 2020

In line with the Security policy, the first strategic substations received a full upgrade concerning physical and electronic security measures. In addition, the implementation of the online access control system (to monitor access to high-voltage substations in real time) was started in 2019.

A new Security risk assessment (inventory, analysis, evaluation) was elaborated in 2019. The core Security risks were integrated in the corporate Risk Framework and the Elia Security Maturity could be defined. The aim is to mitigate all the identified risks to an acceptable level.

Elia's special focus on innovation allows it to respond to new (future) security challenges and the new methods adopted by criminals. Due to a close collaboration between the TDI (Transformation, Data & Information) Department and Security, Elia was able to obtain a first derogation for flights with drones that can patrol high-voltage lines beyond the visual line of sight. Two separate high voltage lines in both Wallonia and in Flanders were overflown. This providing Elia the opportunity to determine if the usage of drones is efficient for supervising the Grid. The outcome of the first flights is expected in 2020.

Emergency and restoration

G4-EUS-DMA Disaster/ Emergency Planning and Response

Should an electricity crisis occur, as a result of natural disasters – such as extreme weather conditions –, malicious attacks or a fuel shortage, Elia has set up a crisis management which consists in 3 main plans:

- The **emergency plan** describing the internal crisis organization and related procedures following the Standardized Emergency Preparedness Plan (SEPP) methodology developed by Crisis & Emergency Management Centre (CEMAC)[8]
- The **system defense plan**: automatic and manual measures aiming to prevent a blackout at any cost, to limit the extension of disturbances and to stabilize the electric power system when in Emergency State, in order to return to Normal or Alert State as soon as possible with minimal impact on grid users
  In accordance with the system defense plan, Elia has established a load shedding plan containing an amount of demands to be manually or automatically disconnected, when necessary to prevent the propagation or worsening of an electricity crisis.
- The **restoration plan**: set of actions that can be used after a disturbance with large scale consequences (e.g. blackout) to bring the electricity system back to the normal state

Elia regularly trains its crisis teams by means of simulated exercises, e.g. the system operators are prepared for crisis situations by means of theoretical and practical trainings on a real time simulator.

IT

The further reinforcement of the robustness, security and protection of our IT and network systems is a key recurring component in preserving the confidentiality of critical data.

Best practices and information are exchanged at a national level in the utility sector (Synergrid), as well as on a European level (ENTSO-E). We evaluate the threat landscape and evolutions to be able to put the right risk mitigation measures into action.

A number of concrete measures from 2019 in this field are listed below:

- Monthly external scanning of Elia's external perimeter (Elia's public IP addresses) in order to assess the potential vulnerabilities of Internet applications with regard to possible cyber risks.
- In 2019, there was an external maturity assessment with regard to IT risks and the maturity of the organisation with regard to IT Security.

As from 2020, this topic will be handled at group level and joint actions will be launched in Elia Belgium and 50Hertz at the same time.

8. CEMAC is a Belgian centre of expertise active in the field of emergency planning, crisis & emergency management and crisis communications. It also describes the interfaces with the external stakeholders who are involved in an electricity crisis.

2.2.9. Political influence

GRI 102-16, GRI 415-1

This is the responsibility of the Public & Regulatory Affairs and External Relations department.

The different governments at federal and regional level give us our license to operate and the regional government are also competent for giving the authorization to build the infrastructure. With this regulated monopoly, we have a duty to accomplish our tasks in the interest of society complying with all regulations pertaining to the operation of the transmission system. Besides, thanks to our wide portfolio of activities, we are the only player at national level with a global view on the electricity system but also including a regional and local approaches. This puts us in a unique position to provide analysis, advice and recommendations to public authorities, so that informed decisions can be taken.

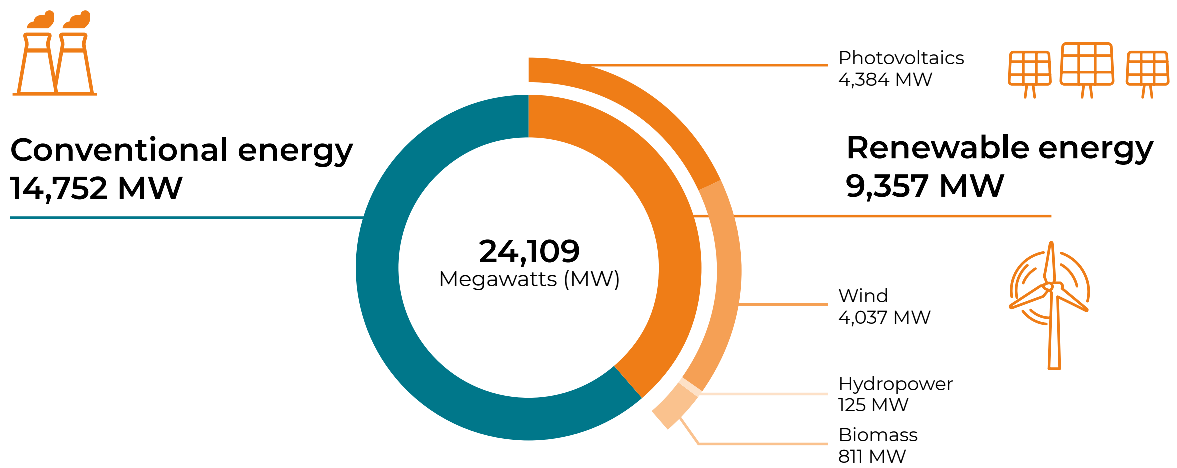
Elia Group aims to involve political stakeholders and regulators as early as possible. This gives all parties a chance to outline their point of view, improves the information flow and builds up trust.

Elia ensures that employees who are active in terms of social and energy policy are guided in their communications and their actions by clearly defined principles. In this respect, a Corporate Reputation Committee has been set up the coordinate the different contacts with (political) stakeholders. Furthermore, Elia is registered in the EU Transparency Register and is committed to its Code of Conduct.

2.3. Energy – Market and integration of renewables[9]

2.3.1. Installed capacity

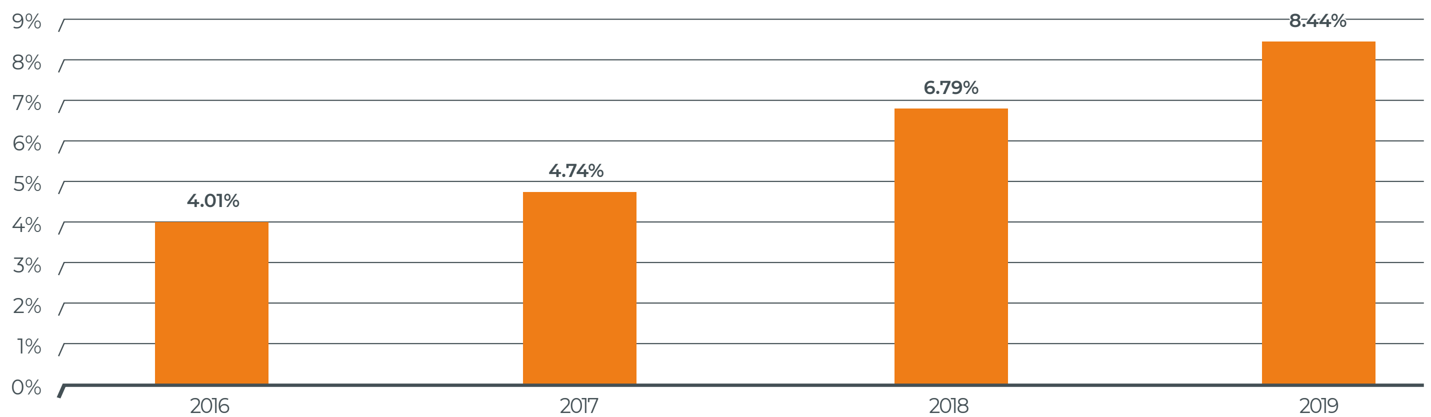
GRI 302-2, SDG7



The installed capacity in Belgium is mainly natural gas and nuclear energy but the share of renewables sources is steadily increasing.

2.3.2. Evolution

DEVELOPMENT OF THE RE SHARE IN ELECTRIC SUPPLY IN ELIA GRID AREA



The Modular Offshore Grid (MOG), inaugurated in September 2019, connects offshore generation units, 4 wind farms in the North Sea to the mainland.

9. Sources: statbel, febeg

2.3.3. Energy import & export

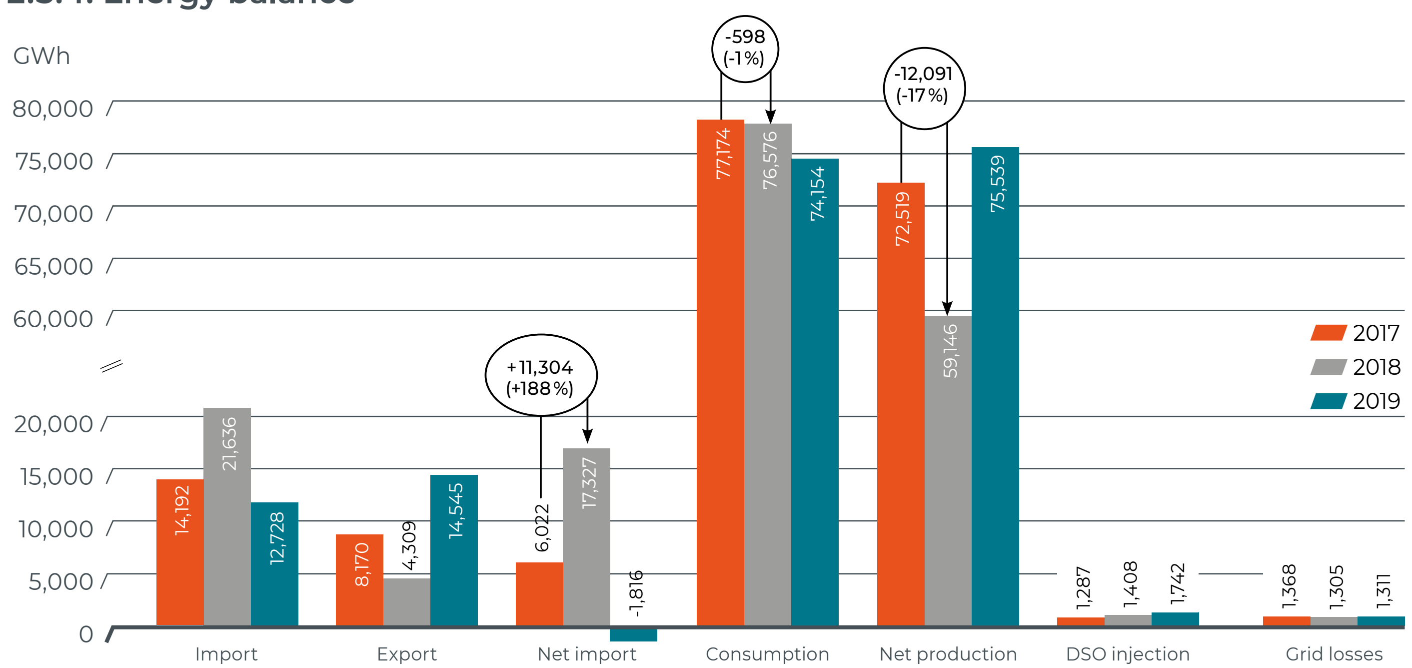
GRI 102-6, GRI 302-2

Since 2019, there is a new interconnection, between Belgium and the United Kingdom via the Nemo Link connection.

The first interconnector with Germany (project ALEGrO) is currently under construction.

Belgium exported more electricity in 2019 than it imported. This in contrast to 2018, which stood out with a significant level of electricity imports due to the unavailability of some nuclear reactors. This level of exports must be addressed globally and in the context of an increasingly European market logic. It is mainly explained by the good availability of the electricity generation facilities in Belgium (in particular the nuclear power units). The development of interconnections (i.e. connections with neighbouring countries) also plays a role in the circulation of these electricity flows.

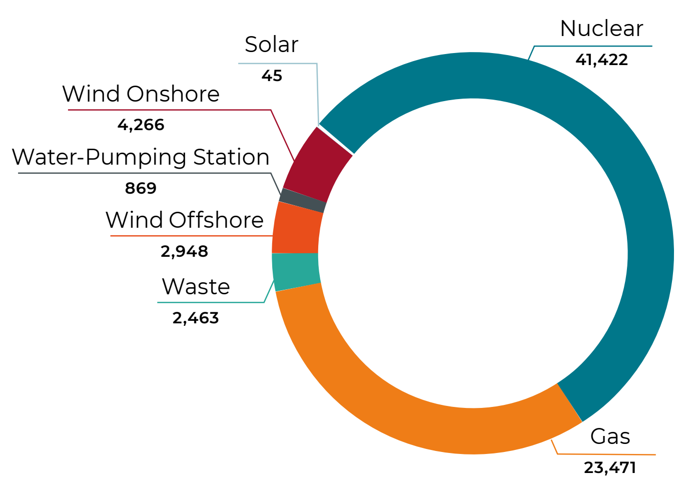
2.3.4. Energy balance



Consumption in Belgium increases during the winter months. This stresses the importance of international interconnections and reliable and sufficient domestic production.

Performance of production sources (energy mix)

ENERGY MIX 2019 [TWh]



In 2019, 54.9% of the energy produced in Belgium came from nuclear production units. The production values from nuclear power are significantly higher than those of 2018 (46%), which was marked by the significant unavailability of several reactors, especially during the last months of the year. This figure is in line with the figures for 2017 (50%).

Renewable energy production (offshore/onshore wind and solar only) increased by 38% in absolute terms compared to 2018 (5.46 TWh in 2019 compared to 3.95 TWh in 2018). Relatively high solar generation in the summer months and higher wind generation in the winter months constitute the main part of renewable generation.

2.3.5. Grid losses

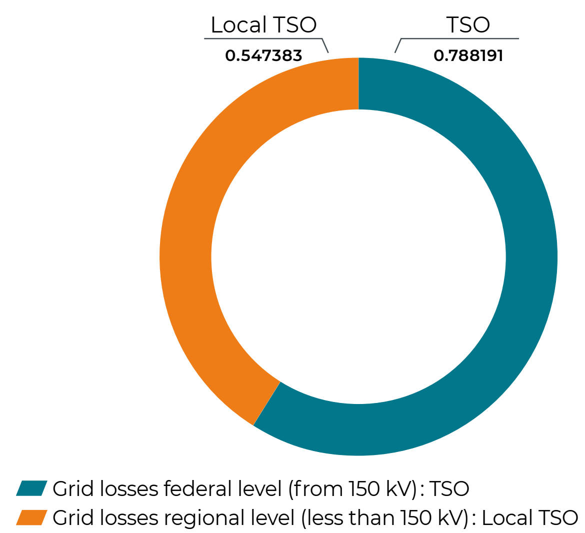
Grid losses are the difference between the amount of electricity entering the Elia grid and the amount of electricity supplied. They are unavoidable when transmitting electricity and dependent on i.a. voltage and length. They occur in the form of current heat losses in transmission lines, in transformers and other system elements as well as leak and corona losses.

In Belgium, there is a distinction between two categories of grid losses:

- Losses on the grid monitored on the federal level (> 150 kV) compensated following the federal legislation;
- Losses on the grid monitored on the regional level (< 150 kV) compensated following an approach specific to each region

GRID LOSSES (TWh)

G4-EUS-EU12



The high-voltage direct current (HVDC) technology is more suitable than conventional three-phase alternative current technology for transmitting large quantities of electricity with low grid losses and optimal control over long distances.

Nemo Link, the interconnector with UK uses this technology as well as our ALEGrO project that will provide interconnection between Elia's grid and the German grid. Elia and 50Hertz are considering an evaluation project together, the aim of which is to compensate grid losses with renewable energies in order to reduce the CO_2 footprint in Scope 2 (see 2.9.5.).

2.4. Grid reliability

G4 EUS Security of Supply

In order to meet electricity demand at all times, Elia must ensure the reliability of its grid to its customers[10]. As a transmission system operator (TSO), Elia provides an infrastructure with adequate electricity interconnections for well-functioning markets and systems which forms the best guarantee of security of supply. However, even where markets and systems function well and are interconnected, the risk of an electricity failure exists.

The set of actions set up to cope with a large-scale electricity failure caused by an exceptional event[11] is described in section 2.2.8. Security – Emergency plan and restoration.

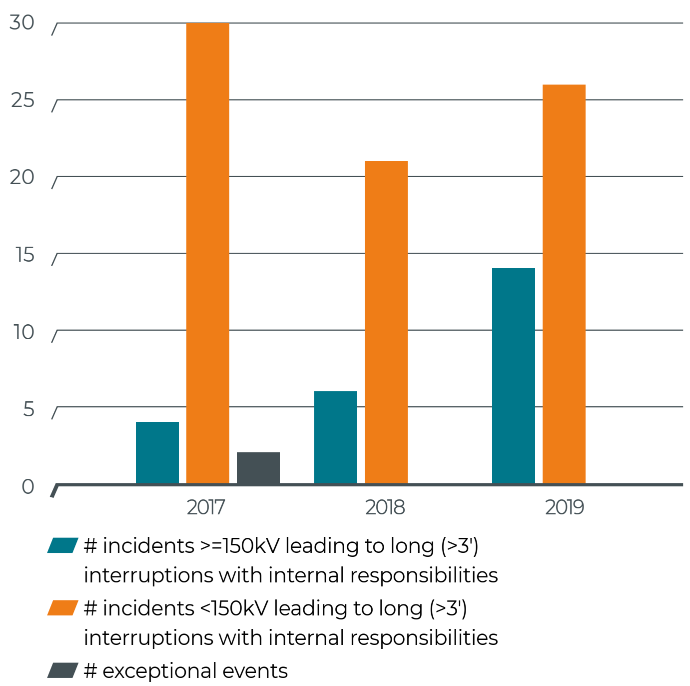
The following section covers the grid interruptions caused by less serious incidents.

2.4.1. Grid availability and interruptions

Grid interruptions

In order to assess the grid availability on one year, we record the number of incidents leading to at least one customer interruption that lasted more than 3 minutes (international standard) and for which Elia is responsible. Any interruption caused by customer errors, thunderstorms, third parties, birds, etc. are not considered here.

GRID INTERRUPTIONS (NUMBER INCIDENT)



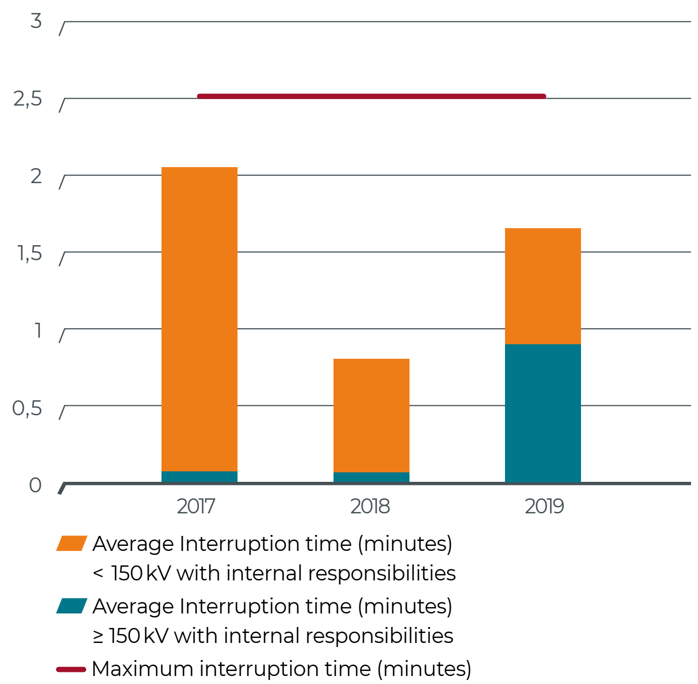
No exceptional event occurred in 2019.

The majority of interruptions take place on the local transmission network (< 150 kV) as most customers are connected to the local (regional) transmission grid rather than the federal transmission grid.

When discussing grid interruptions, the **average interruption time** (AIT)[12] is also considered. It represents the equivalent interruption time if all the customers connected to the grid had been interrupted the same way (i.e. during the same time) during the observation and is calculated as Energy Not Supplied / Yearly Average Power.

The **Maximum interruption** time is the reference value used for calculating the Average Interruption Time (AIT)[13] incentive relating to continuity of supply by the Belgian federal regulator, the CREG. For the period 2016-2019, its value was 2.55 minutes.

AVERAGE INTERRUPTION TIME (MINUTES)



The average interruption time on the Belgium grid, (i.e. the sum of the AIT on the regional and federal grids) has remained below this reference value over the last three years.

Energy not supplied (ENS) refers to all energy not supplied to our customers during outages of more than three minutes caused by Elia's internal problems. However, it does not take into account the impact of major events.

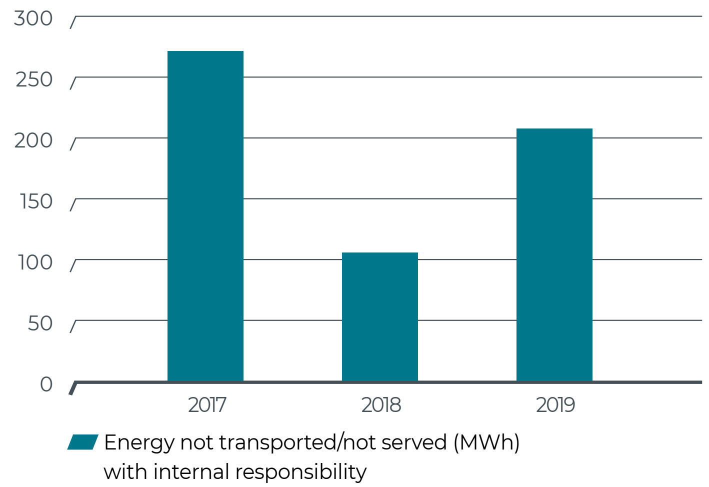
10. Direct customers, distribution system operators, grid operators and all those having an access contract.

11. Exceptional events represent the number of natural disasters, storms or other climatological circumstances, nuclear or chemical accidents, explosions, and so on resulting in an interruption that lasted more than three minutes. No exceptional event occurred in 2019.

12. AIT is mostly calculated and communicated because it is a normalized and commonly used indicator very useful for benchmarking as it allows assessing the performance of the grid regardless i.a. the size of the grid or the number of customers connected.

13. Based on a seven-year average, this value was introduced in 2015 and validated by CREG for four years. This reference value has been reviewed during 2019, the new reference (2,1 minutes) will be used as from 2020.

ENERGY NOT TRANSPORTED/NOT SERVED (MWH)



The ENS score achieved is higher than last year due to several technical failures i. a. as consequences of the heat waves on our utilities.

Grid availability

Onshore availability represents the availability of the interface points between the Elia grid and the customer's grid. It takes into account all the interruptions caused by intrinsic risks (weather, third parties, animals outside building, etc.) or by internal Elia problems (e.g. material failure, human error) which lasted more than three minutes, but excludes interruptions directly caused by Elia's customers.

CALCULATION METHOD:

$$\text{Onshore availibility} = 1 - \frac{\text{AIT (intern Elia + intrisic rik)}}{\text{(\# minutes in the year)}}$$

	2017	2018	2019
Onshore grid availability at connection points	0.99999580	0.99999039	0.99999671

In 2019, the onshore availability in Belgium remained at a very high level (above 0.99999).

2.5. Human Resources

GRI 102-7, GRI 102-8, GRI 401-2, GRI 401-3, GRI 405-1

2.5.1. Management approach

GRI 102-41

Elia owes its success entirely to the success of its employees. It is the responsibility of the Company to help them develop their skills, foster their health and commitment, involve them in decisions and guarantee equal opportunities for all.

Elia complies with international guidelines beyond the reach of its collective agreements and company agreements, such as the core labour standards of the International Labour Organisation (ILO: C87, C98 and C135) and the worker's rights in the UN Global Compact.

There were no cases of discrimination in 2019.

In 2019, Elia received the **Top employer** certification[14] for the second time in a row.

2.5.2. Head Count

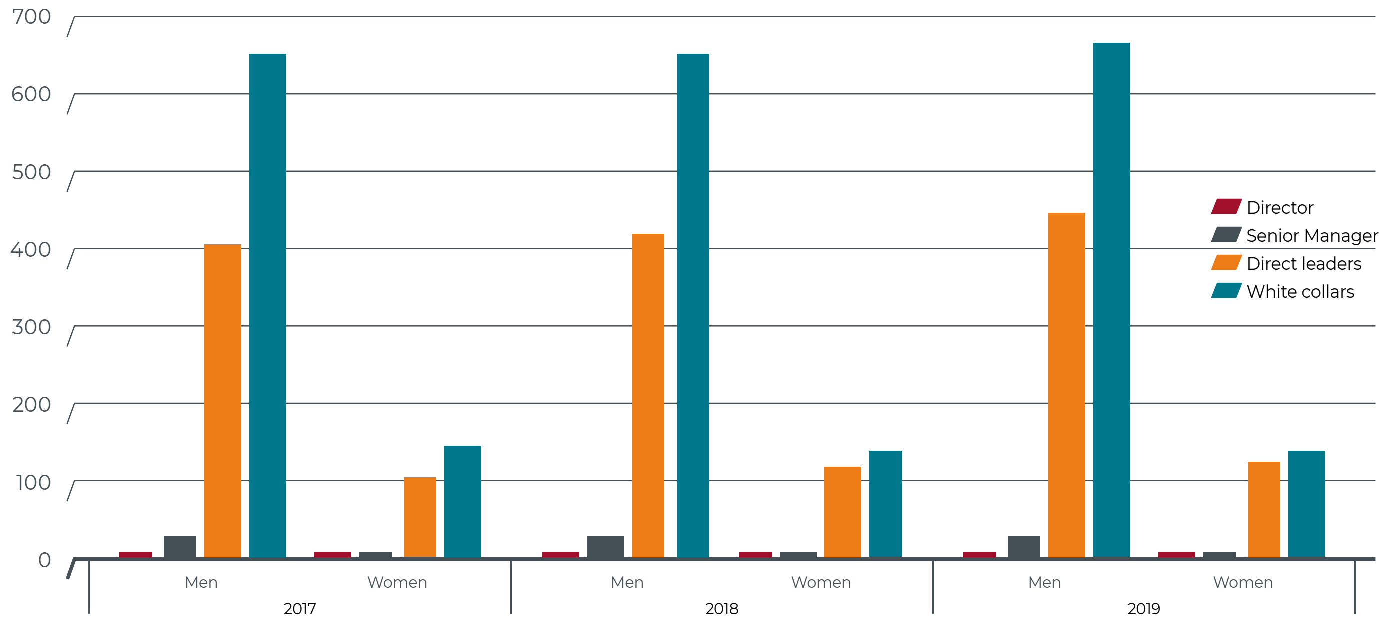
GRI 405-1

The composition of the workforce of Elia Group is detailed in section 1.2.2. on page 8.

		2017	2018	2019
	Total employees Elia	**1,350**	**1,366**	**1,424**
	by type of employement			
	- full-time	1,220	1,237	1,295
	- part-time	130	129	129
	by gender			
Belgium	- men	1,094	1,105	1,150
	- women	256	261	274
	by age			128
	- below 30 years	208	196	211
	- between 30 and 50 years	786	809	828
	- over 50 years	356	361	385

14. The Top Employer certification is awarded in more than 115 countries to companies that are providing an excellent working environment and consider this a top priority. Over the past year, Elia has invested heavily in internationalisation and training. The award is an important accolade and an additional advantage when it comes to attracting new talent in an increasingly competitive labour market

BREAKDOWN BY RESPONSIBILITY LEVEL AND GENDER



	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Director	5	3	5	3	5	3
Senior Manager	28	5	25	4	28	5
Direct leaders	405	105	423	117	449	128
White collars	656	143	652	137	668	138

N.B. All technicians of the group being considered as white-collar workers, there are no blue-collar workers.

Women are well represented both at director and direct leader levels. To counter the underrepresentation of women in Senior Manager roles, two main actions have been put in place:

- The inclusion of selection criteria on leadership and soft skills in addition to technical skills
- Internal transfers from less to more technical areas.

The existing cultural change programme (MAD programme) will act as a catalyst.

2.5.3. Workability

GRI 401-1, GRI 401-2

Employees of Elia benefit from a family-friendly work environment and the opportunity to find a work-life balance.

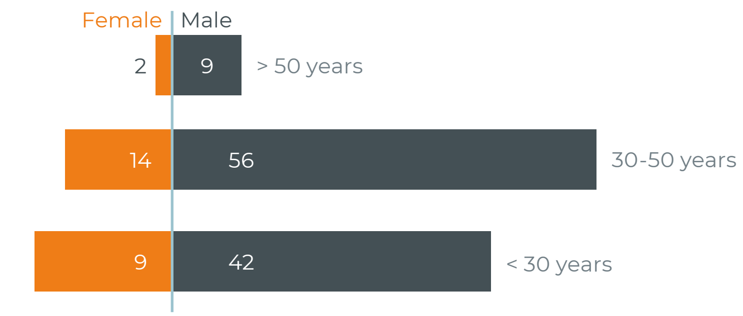
The early recognition and prevention of work-related illnesses and the ability to remain employable are also integral parts of occupational health and safety at Elia. In order to achieve these goals, Elia guarantees sufficient occupational medical precautions, the focus of which is on individual protection and individual prevention of health risks.

In addition, Elia regularly provides company medical consultations, vaccinations and advice on workplace ergonomics for all employees. A qualified counselling service is available to employees at all times in confidence in the event of individual stress, conflicts or problems of addiction. Employees can also take part in various public sporting events, such as the "20km of Brussels", inter-TSOs football league and cycling tour of Elia.

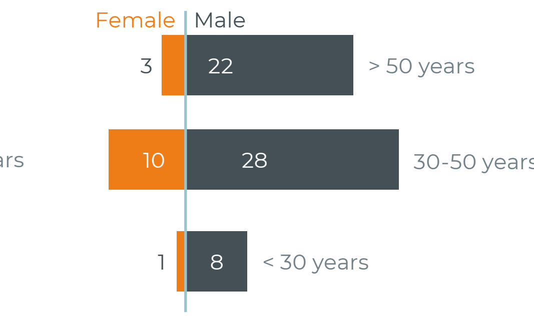
Calculation method

- The new hires include all new employees within the planned budget and all the employees that were recruited as additions to the original budget.
  Changes in positions are not included.
- The number of leavers is determined based on all employees leaving the company as a result of dismissal or resignation from 1 January to 31 December of the year concerned. Retiring employees are excluded from the scope.

NEW HIRES PER AGE AND GENDER



EMPLOYEE TURNOVER BY AGE AND GENDER



$$\text{Turnover rate} = \frac{\text{\# employees who left}}{(\text{\#employees begin of year}+\text{\#employees end of year})/2}$$

After an historical low number of leavers, Elia moves towards the Belgian private sector average.

There is always an exit interview for leavers.

Our recruitment team has a bit modified its recruitment method in order to recruit more efficiently by conducting more attitude- and behavior-oriented interviews.

Potential job applicants are invited to use an online "match tool" in order to evaluate if Elia's company culture matches theirs, hence ensuring that they will work for an employer that suits them well.

Parental leave

GRI 401-3

In Belgium, every worker has the right to take parental leave. In order to take care of his child, the worker may for a period of four months, completely suspend the execution of his employment contract (full-time parental leave); the four-month period may, at the worker's choice, be divided by month and be taken part-time.

N.B. It is not possible to report on the total number of employees within Elia who are entitled to this type of leave as they may have already taken this leave while working at another company.

In 2019, 112 employees took parental leave.

		2017		2018		2019	
		Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
TOTAL	Men	56	67%	57	66%	75	67%
	Women	28	33%	30	34%	37	33%
Full time parental leave (>=1 month)	Men	33	-	31	-	39	-
	Women	16	-	16	-	21	-
	Total	49	58%	47	54%	60	54%
Parental leave as a deduction of full time employment	Men	23	-	26	-	36	-
	Women	12	-	14	-	16	-
	Total	35	42%	40	46%	52	46%

RETIREMENT

G4-EUS-EU15

Percentage of employees eligible to retire in the next 5 and 10 years (With an assumed retirement age of 65 for exempts and 63 for not exempts)

	5 years	10 years
Exempts	2.86%	8.75%
Non exempts	10.12%	24.71%

N.B.: Data calculated for calendar year 2018, to be updated in the next year report

2.5.4. Employee survey

An Employee survey, the Sonar Survey, has been conducted within Elia in 2019, the results will be analysed and used in the coming years to improve our HR policy and also in Health and Safety to target issues related to employee wellbeing.

The next employee survey will take place in 2020.

2.5.5. Training

GRI 404-1

The Company can only reach its corporate goals if the staff is highly qualified and thoroughly informed about current developments. Employees are therefore offered individually tailored education and training opportunities and relevant additional qualifications. Within Elia, the Talent team is responsible for the proper development and deployment of talent.

The training offer within Elia can be categorized in 3 main subcategories:

- Technical competences and Safety competences which are required to perform tasks specific to our core business (training specifically focused on safety is detailed in 2.6.2.)
- Soft skills

Programs for upgrading employee skills and career transition assistance programs (i.a. innovation, “intrapreunership”, leading the change, external education programs).

All of the employees receive regular performance and career development reviews.

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

	2017	2018	2019
men	59	58	43
women	48	40	18

Most of the training offered being the mandatory technical and safety competences for our technical employees on-field – where the women ratio is low – it is logical that the women’s training rate is low.

N.B. we spotted an error in our 2018 Sustainability report on the p. 24 chart; the men and women chart bars for 2016 and 2018 were inverted.

2.5.6. Remuneration policies

GRI 102-35 – GRI 102-38, GRI 405-2

Elia remuneration policy in Belgium is mainly focused on attracting and retaining our best talents, rewarding performance and supporting the culture of feed-back and continuous development when possible. The remuneration systems are refined according to the need to ensure that the Company remains an attractive employer for our staff in the future. For non-exempt[15] population, together with the Energy sector, Elia negotiates our collective agreements. For exempt population, our remuneration practice is based on internal equity combined with market competitiveness, maturity in the role, respect of the company values & safety leadership and performance regardless of gender. The total cash is completed by a competitive company benefits, health insurances and the offer of a company pension scheme. In addition, employees have the opportunity, to participate in the success of the previous financial year within the framework of an Employee Share purchase plan allowing all employees to purchase shares at a reduced price. Elia in Belgium transparently releases, as requested by the Belgian corporate Governance code, the total earnings of the management team in the consolidated financial statements in detail, listing the fixed and variable overall remuneration, as well as corporate pensions and any other benefits to Elia management team in Belgium. The features of the remuneration systems are explained with disclosures in the corporate governance declaration.

Elia is willing to disclose its annual total compensation ratio[16] (as done by 50Hertz); we are working internally on the calculation method and making every effort in order to achieve this soon.

2.5.7. Incentive systems

The remuneration system includes success and performance based elements, which offer an incentive for achieving common corporate goals and corresponding individual goals.

A number of goals relate to sustainable corporate management such as compliance with occupational health and safety guidelines.

2.5.8. Social Consultation and Dialogue

GRI 402-1

The social consultation at Elia foresees in the information, dialogue and negotiation through the legal consultative bodies like the works council, the committee for prevention and protection at work and the trade union delegation. These bodies consist of a representation of the employee and of the employer. Each body has an advisory mission relating to certain matters and a decision-making mission relating to certain matters. A group-wide exchange takes place in the European Works Council of Elia Group with representatives of Elia and 50 Hertz.

Besides these legal bodies, we involve our social partners in a social consultation and dialogue outside these legal bodies via the participation in workgroups to prepare together the realization of our strategy and so to be involved in the future of our organization.

15. (non)-exempt refers to the right to be paid overtime; non-exempts are the white-collars employees, non-exempts are the direct leaders, senior managers and directors

16 Ratio of the annual total compensation for the organization’s highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.

2.6. Safety

GRI 403-1, GRI 403-2, GRI 403-3

2.6.1. Management approach

Elia operates facilities where accidents, asset failure or external attacks may cause harm to people. The safety and welfare of individuals (both Elia’s staff, the staff of the relevant affiliates and third parties) is a key priority and a daily preoccupation for the Group and the relevant affiliates. The Group and its relevant affiliates have put a Health and Safety policy in place and they undertake safety analyses and promote a safety culture.

As part of our commitment to safety, Elia Group is continuously working towards a zero accident rate for all types of work-related accidents and not only electrical risks.

Every employee is instructed on how to be conscious of hazards, report them immediately and submit suggestions for promoting safe and healthy working conditions. In 2019, occupational health and safety was once again one of the key projects in Elia’s business plan.

Therefore, occupational health and safety and injury and illness prevention are integrated into our corporate strategy. Elia Group applies the highest safety standards for our own employees, our contractors and everyone coming into contact with our infrastructure.

In Belgium, the GO FOR ZERO safety programme (begun in 2015 and planned until end 2019) aimed to embed the safety culture within Elia and with contractors and includes all projects.

After addressing training, tools and procedures, our main objectives in 2019 were the anchoring of the progress already made via the actions on operational dialogue and continuous improvement.

Supported by our culture change programme, Make a difference, we continuously underline the importance of three key behaviours: “Give and receive feedback”, “Have impact” and “One Voice”.

With our “Keep your distance” campaign, we also aim to protect the general public and some target audiences such as the building sector and populations living near to our installations with signs, leaflets and other information campaigns.

Besides the sector-specific risks, we also address the risks related to the wellbeing of our employees with the Care4Energy programme that ensures their wellbeing by targeting mental, physical, emotional and personal development.

We have also signed a 2 year-partnership with VIAS, the Belgian road safety Institute, in order to promote road safety among our employees and raising their awareness of the risks, but also of good practices as road users (motorists, cyclists and pedestrians) in our professional and private travels).

Wellbeing Survey

The survey was conducted in November to measure the evolution we made with our programma CARE4Energy and to start new initiatives in order to continue our progress.

Safety Weeks

Elia organises bi-annually Safety Weeks for its staff in an effort to raise awareness about the importance of safety. The programme included various communications, training sessions and team exercises, designed to ensure that everyone got involved and took the messages on board. In May 2019, the spotlight was on wellbeing. In September, we focused on “Safety leadership” i.e. behaviours that we no longer wish to see in the company (safety share).

2.6.2. Trainings (and information)

Elia continuously trains its staff. There is a compulsory training path for all field employees, which is periodically updated. Elia also provides training material, training and tests to contractors.

A Safety information newsletter is sent 6 times per year to our contractants.

Safety flashes are also sent out on an ad hoc basis when Elia identifies specific risks associated to working with specific tools or reminders of our good practices.

2.6.3. Inspections

Occupational health and safety is not limited to our own employees. The stringent Elia standards also apply to contracted companies working on Elia construction sites. During the contracting process and later, it is ensured that suppliers comply with Elia strict safety requirements.

Both the safety team as the management carry out inspections on a regular basis.

#SAFETY INSPECTIONS

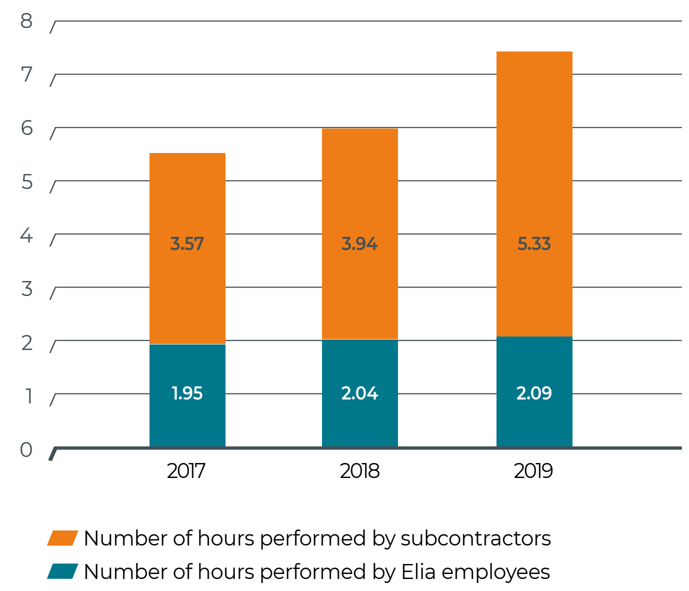
	2017	2018	2019
by Safety	153	153	384
by Management	1,444	1,151	940

2.6.4. Accidents (occupational injuries)

It is worth noting that due to big infrastructure projects (i.a. grid enhancement in the Port of Antwerp), the number hours of work performed by our contractants has increased significantly in 2019.

Safety is always Elia's number-one priority. Our goal is zero accidents, not only for our own employees, but also for our contractors, the distribution system operators and anyone else in the vicinity of our facilities. Therefore we provided figures for both employees and contractors.

WORK PERFORMED (MILLION HOURS)



No fatal accident has been recorded in 2019.

			2017	2018	2019
Employees	#employees injured with at least 1 missed workday	Men	6	4	4
		Women	1	2	0
	#work related fatalities	Men	0	0	0
		Women	0	0	0
	Accident rate (1)		3.6	2.9	1.9
	Total recordable injury (TRI) rate (2)		7.7	7.3	5.7
	Accident severity (3)		0.10	0.11	0.05
	Fatal accidents	Nr.	0	0	0
Contractors	#accidents (with & without lost time)	Total	51	44	41
	Accident rate (1)		9.8	5.6	3.4
	Total recordable injury rate (TRI) (2)		15.1	11.1	7.7
	Fatal accidents	Nr.	1	1	0

(1) Number of work related accidents with missed time (>1day) x 1,000,000/number of hours worked
(2) Number of work related accidents x 1,000,.000/number of hours worked
(3) Number of missed days due to work-related accidents in calendar days x 1,000 / number of hours worked

Third parties

Elia must be notified of all works in the vicinity of high-voltage facilities so that the Contact Centre (see "2.8.3. Stakeholders Dialogues") can inform the relevant parties of the risks involved and the safety distances to respect. Third parties working in the vicinity of high-voltage facilities are indeed not always aware of the dangers of such installations; just entering the danger zone around high-voltage conductors can trigger a fatal electric arc, even without direct contact being made.

Despite extensive awareness-raising campaigns rolled out in recent years, works are however still being performed without being reported to Elia in advance. Elia is expanding its campaigns and is also working on more preventive measures.

No fatal accident has been recorded in 2019.

2.7. Suppliers, human rights and local added value

2.7.1. Suppliers and amount of spendings in EURO-Zone

SDG 12, GRI 102-9, GRI 204-1

2.7.1.1. Supply chain management

GRI 308-1, GRI 308-2, GRI 414-1

Elia has to comply with the European tendering rules. The application of these rules and other internal guidelines ensure that every supplier receives the same non-discriminatory and transparent treatment and that the information sent is treated confidentially. The selection process of suppliers and signing of new contracts are based on an evaluation of multiple criteria. The exposure to social or environmental risks is mitigated by the fact that every purchase is performed by a multifunctional team, including specific representatives from environmental and/ or safety. Depending on the purchase, the selection and awarding criteria are adapted to ensure that the selected supplier is fully aware of and therefore compliant with Elia's objectives and values.

Elements relating to Sustainability are integrated in the tendering contract, as well as within the general purchasing conditions, which are signed by the suppliers.

Elia is committed to translate its strong ethical principles to the procurement process, and to have a positive impact on its wider environment via the purchases performed, also avoiding risks flowing from non-compliance with certain rules and norms within the supply chain.

In 2018, Elia has elaborated a Supplier Code of Conduct, containing internationally recognised principles regarding ethical conduct, health and safety, environmental and social aspects. This code makes now systematically part of the documents for European purchasing procedures.

In order to instrument this set of principles as a lever for a positive supply chain impact, we set up a risk-based approach. For all purchasing categories we assess risks based on traditional supply chain risks and supply chain sustainability risks. A matrix is drawn up to prioritise supplier engagement activities.

To rationalise resource and impact management we aim to focus on the suppliers, who are most relevant from that risk perspective. In 2019, besides having suppliers electronically confirm that they accept the terms of the Supplier Code of Conduct, we are planning to roll out an in-house, Sustainability Supplier Self-Assessment questionnaire to high-risk suppliers and some hand-picked, medium-risk suppliers to receive detailed information on where improvements are needed.

2.7.1.2. Number of suppliers– EURO zone vs non-EURO zone

This data refers to the following Elia group companies: ESO, EA, EE, EI and EGI[17] Belgium.

	2017	2018	2019
# EURO-zone suppliers	2,374	2,305	2,271
# Non EURO-zone suppliers	92	116	109
# non-EURO countries within Elia suppliers	12	19	16

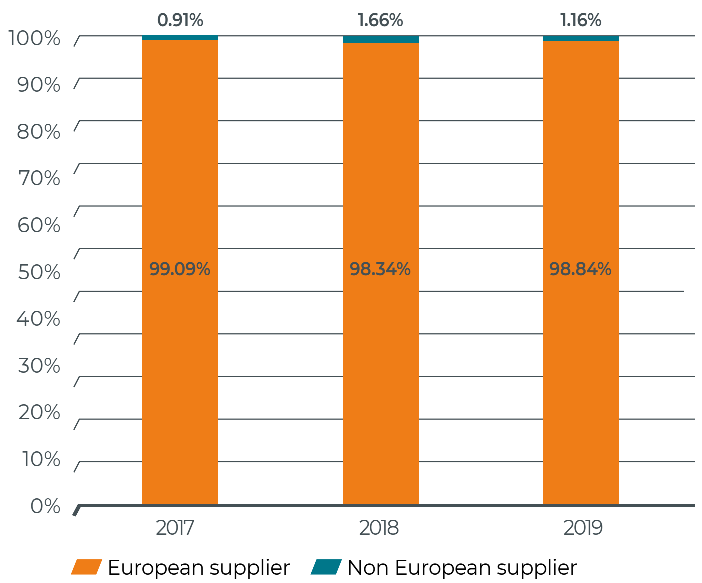
The number of suppliers outside the EURO-zone increases and is getting more diverse but it is still limited to 5%.

17. ESO: Elia System Operator, EA: Elia Asset, EE: Elia Engineering, EI: Eurogrid International, EGI: Elia Grid International

2.7.1.3. Split of yearly spend – EURO zone vs non-EURO zone

GRI 204-1

SPLIT YEARLY SPEND EURO VS NON-EURO



There was a strong increase in the total spend (+ 39%) in the last 3 years due to the new offshore activities.

Spending outside the EURO-zone is still limited to 1.2 % of the total amount. On top of that, it is concentrated in the same three countries of the previous year, albeit in a different order: the UK (67%) is still ahead but the USA (12%) took the second position and Switzerland (less than 1%) came in third.

Procurement outside the EURO-zone countries is very limited today and the environmental impact is also considered in the awarding criteria. Therefore, Elia complies with the high EU or Belgian standards in terms of environment, social responsibility and worker wellbeing.

A specific evaluation of the safety aspects is carried out separately since it is crucial for Elia to have suppliers on board that share the same values when it comes to the importance of safety.

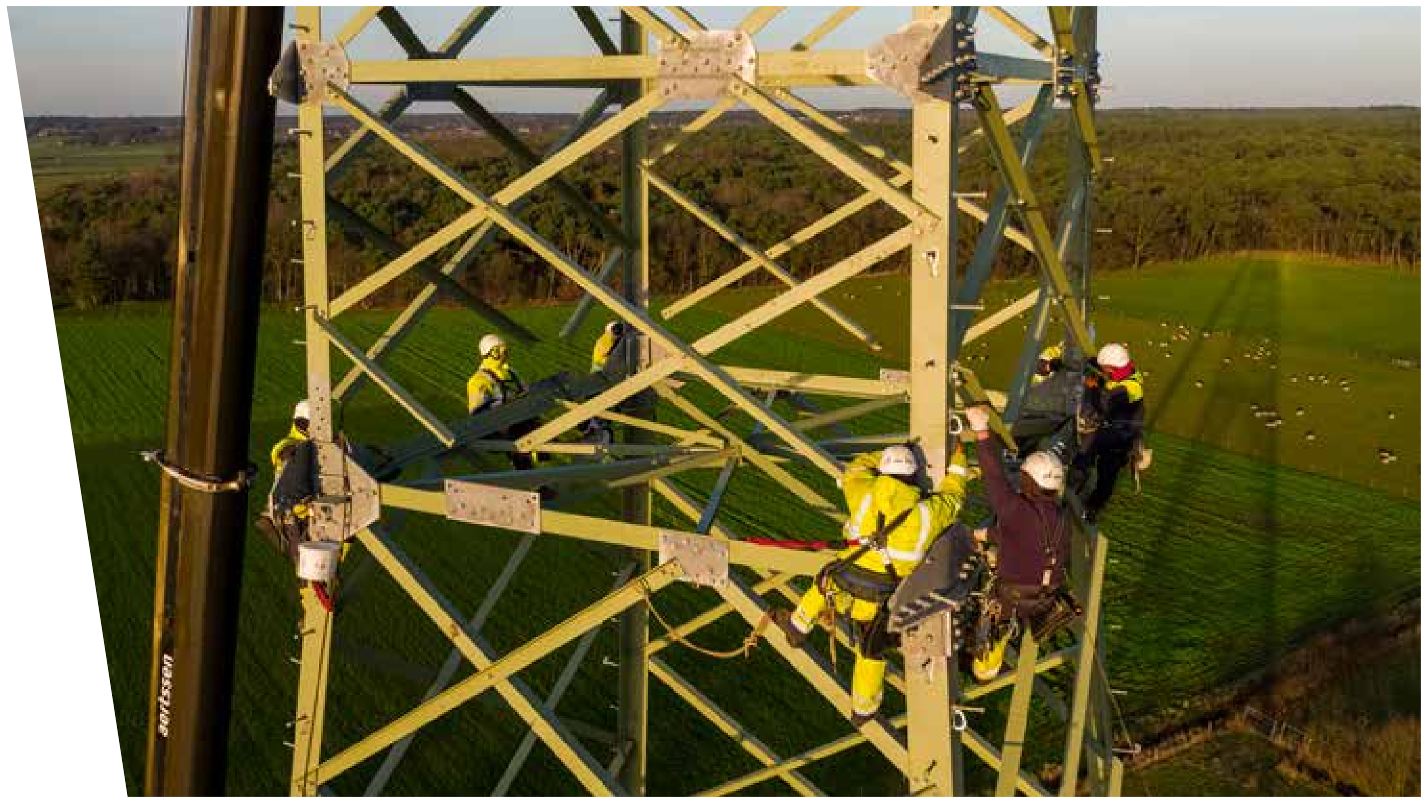
2.7.2. Human rights

GRI 414-1

Elia is committed to its responsibility to protect human rights and naturally respects the right to privacy, personal safety, freedom of opinion and property rights of employees, residents and customers. Elia also assumes responsibility for compliance with social standards in the supply chain. For this reason, Elia is not only a member of the United Nations Global Compact, but is also committed to the core labour standards of the International Labour Organization (ILO).

There is only limited impact on human rights violation for Elia as Elia's activities are mainly based within Europe. The large majority of purchases outside Europe are IT and consultancy related.

It is also reflected in one of the lighthouse projects of the Sustainability Initiative related to compliance and ethics (s"see 1.3.3. Sustainability Ambitions").



2.8. Stakeholder Engagement

2.8.1. Management approach

GRI 102-40

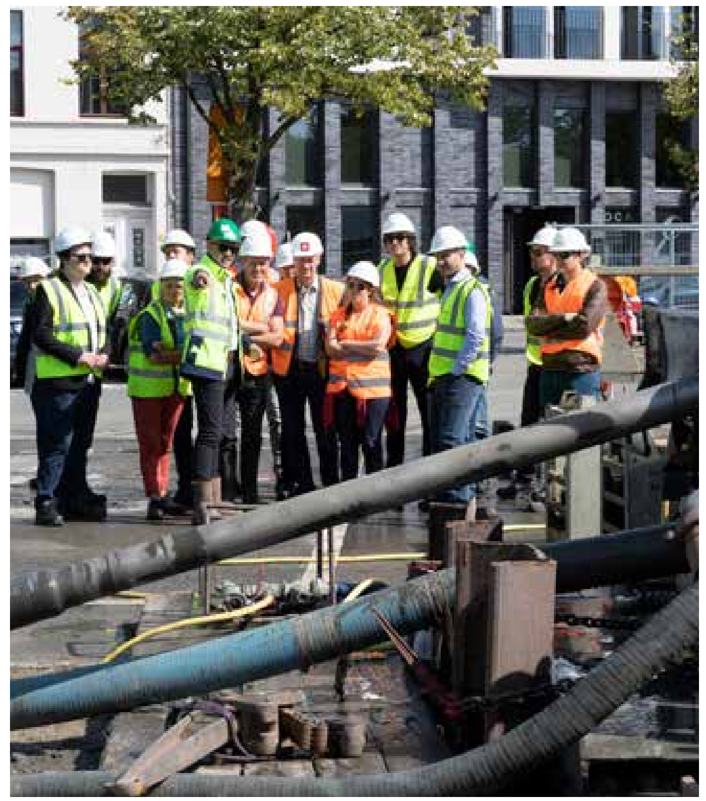
Stakeholder involvement helps accelerate infrastructure processes to the benefit of society. Elia regularly contacts and exchanges information with various stakeholder groups. As part of the materiality analysis process, Elia's stakeholder environment was analysed and defined. Depending on the specific strategic topics, Elia has contacts with public authorities and administrations, political parties, local citizens, civil society (associations representing environmental, economic, agricultural or other interests) or clients directly connected to its network.

GRI 102-42, GRI 413-1

Within the company, a Corporate Reputation Committee has been created, presided over by the Chief External Relations Officer in order to follow up, for selected issues, on the different stakeholder contacts organized by the concerned departments within Elia.

Elia has many stakeholders' initiatives. The method and frequency of engagement per stakeholder group and the link to the material topics are summarized in the table hereunder:

Stakeholder group	Mode of Engagement	Frequency	Main topics / expectations
Employees	– Performance management – Intranet – Donations	– Regular	– Employees - Human development – Employees - Wellbeing – Community involvement
Customers	– Customer satisfaction survey – Users' Group / Working Groups – Elia extranet – Annual	– 4 to 6 times a Year	– Transmission services – Environment – Fair operating practices
Society	– Social events – Engagement via own employees	– Regular	– Community involvement
Shareholders	– Shareholder meeting	– Regular	– General corporate performance incl. the contribution to society
Regulators	– Reports – Communication	– Regular	– Fair operating practices



2.8.2. Public acceptance

GRI 102-29, GRI 102-43, GRI 102-44, G4 EUS Stakeholder Participation

Elia is convinced that an early involvement with all stakeholders is vital for the success of the energy transition and for the huge projects needed in order to achieve a sustainable grid expansion. The approach is to give all parties a chance to outline their point of view, improves the information flow and builds up trust.

A transparent and consistent approach aimed at meeting societal requirements and community expectations as far as possible will significantly improve the acceptance of projects. Furthermore, this approach has to be clearly communicated to the various stakeholders from the outset of the projects so that many concerns and anxieties can be addressed quickly.

To achieve this objective, the Community Relations department developed an integrated communication and public acceptance methodology, integrating stakeholders and communication actions in a systematic way in the grid development in order not only to control the risk of costs and timing but also to be able to realize the best project in the interest of the society.

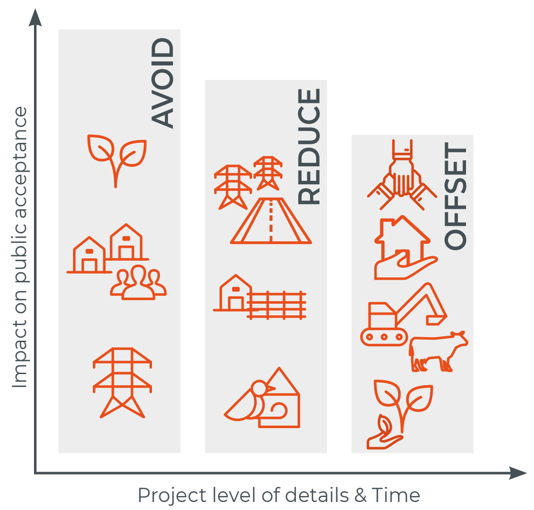
As early as in the concept phase of our projects, we are already working closely with all stakeholders such as local communities, associations, NGOs and various government organizations. With this approach, we build sustainable relations with them and we are having more interactions, understanding, supports and buy-in.

For the two most important projects in Wallonia and Flanders, Elia started also an early participation process with the stakeholders that represent the civil society and some regional experts. The objective was to define the best project and collect their opinion based on their different expertises.

For some topics like technology, we also started a participative work with academics to discuss the best technology's choices for both projects.

Elia also communicates and cooperates transparently throughout the entire development process. In addition to the legally required public information meetings in the context of the development of this type of project, we organize a series of "info-markets", which are information sessions for local residents.

We furthermore developed a public reference framework to mitigate the impact of the realisation of new infrastructure projects and to compensate for the remaining impacts.



Avoid – We systematically favour the scenario that has no impact on the public, landscape or natural environment. When developing the grid, Elia always seeks to use the existing corridors by upgrading the existing grid or building the new one practically on the same location than the old one.

Reduce – Impacts that are unavoidable are limited in intensity/size and/ or restored. Where the construction of new infrastructure is necessary, Elia seeks, as soon as possible, to limit the potential impact by moving as far away as possible from inhabited or protected (nature, landscape, heritage) areas and by aligning on the existing infrastructure. Independant external offices and Elia's internal experts weigh out different alternatives scenarios and identify reduction measures.

Offset – Residual impacts that cannot be avoided, reduced or repaired are, as far as possible, compensated/mitigated. This in order to at least have a positive impact on another location.

Several initiatives were set up together with governors and mayors who are indispensable when it comes to bringing all the interested parties together.

2.8.3. Stakeholders Dialogues

GRI 102-21

Elia's Users' Group

Elia regularly organizes Users' Group meetings and working groups. The Users' Group provides a platform that allows Elia to maintain an ongoing dialogue with its main customers and partners. Every year, about four Users' Group plenary meetings are scheduled to inform the market participants and stakeholders about important and strategic topics related to our business. In support of these plenary meetings, there are three working groups which usually meet four times per year (more if necessary). They consist of the following:

- **System Operation and European Market Design Working Group:** This working group mainly addresses topics related to the operation of the high-voltage grid and capacity calculation, as well as initiatives and developments linked to the European integration of the electricity markets.
- **Belgian Grid Working Group:** This working group addresses issues associated with the Elia grid and related mechanisms, products and services that are of interest to Elia's customers.
- **Balancing Working Group:** This working group mainly addresses operational, technical and market-related issues in order to prepare for the challenges Elia's balancing market will face in the coming years.
  Under the WG Balancing and WG Belgian Grid there are four task forces. The task forces are set up on an ad hoc basis to handle specific issues when necessary. Currently, two task forces are active:
- **Implementation of Strategic Reserves Task Force:** This task force is aimed at informing and consulting market players and stakeholders about all relevant issues linked to the implementation of strategic reserves.
- **CIPU Redesign (iCAROS) Task Force:** This task force aims to discuss topics related to future asset coordination procedures with the relevant stakeholders.

User' Group	Session
Plenary meetings	14.02.2019 - Tariff proposal 2020-23: public consultation
	09.04.2019 - Clean Energy Package
	06.05.2019 – Internet of Energy (IoE)
	28.06.2019 - Adequacy and Flexibility study
	19.09.2019 - Clean Energy Package - 70% rule
	03.12.2019 - Future-proofing the EU Energy System towards 2030

Customer Satisfaction survey

Every two years, Elia measures the customer satisfaction level among its key stakeholders (distribution system operators, grid users, producers, access responsible parties, Users' Group, etc.). The main objectives of this survey are to provide an overview of the Key Performance Indicators (KPI's) related to service quality and their evolution over time.

The latest surveys were conducted in 2018 with 250 stakeholders. The KPIs measured by the Elia Satisfaction Index, reflect how stakeholders evaluate the products and services of Elia in general, the Customer Effort Score, reflecting the ease of doing business with Elia, the customer satisfaction regarding account management and image etc. The overall aim is to identify our strengths and weaknesses among the different stakeholders in order to further optimise the customer relationship.

With regards to the Elia Satisfaction Index, Elia scored 66%, reflecting the high quality of products and services. The majority of the stakeholders still describe collaboration with Elia as "easy". Compared to 2016, there is a status quo on the evaluation of Elia's Key Account Managers. Regarding image, there were stable results for Elia's expertise and communication with a significant increase in the extent to which Elia innovates.

The survey highlighted the strengths that need to be maintained and priorities were set to further improve stakeholder satisfaction.

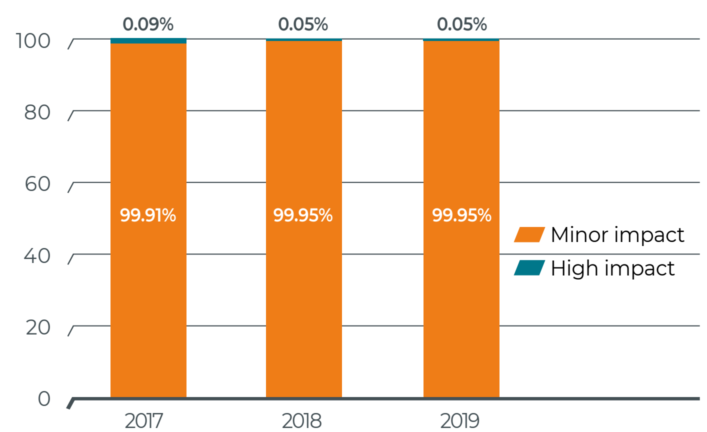
The next survey will take place in 2020.

Contact centres

The two Elia Contact Centres receive and handle requests for information from various sources; local residents, contractors, engineering firms, public authorities, utilities and project developers, to name a few. Because of the specific risks involved in working near a high-voltage facility, anybody wishing to carry out work close to high-voltage lines, high-voltage pylons, underground electricity cables or high-voltage substations is required to report these works to Elia. We can then provide them with maps of the relevant facilities and instructions about the safety measures to take while working near them.

There are statutory timeframes within which Elia has to answer the requests (7 working days from receipt).

% OF REQUEST HANDLED BY OUR CONTACT CENTRE



In 2019, our contact centres received 70,881 requests, 99,95% of these were answered within the set times.

Upon request via the Contact Centre or any communication channel, Elia offers information and free electromagnetic field measurements to the owners of land and buildings located near Elia facilities. In 2019, we performed 108 measurements.

2.8.4. Cooperations

SDG 11, GRI 203-2

LOCAL ADDED VALUE / SUPPORTING LOCAL INITIATIVES

For the past three years, Elia has established a structural partnership with the public utility foundation Be Planet[18] to develop and support ecological transition initiatives by citizens in municipalities where Elia infrastructure projects are underway. Elia supported 22 projects during those 3 years.

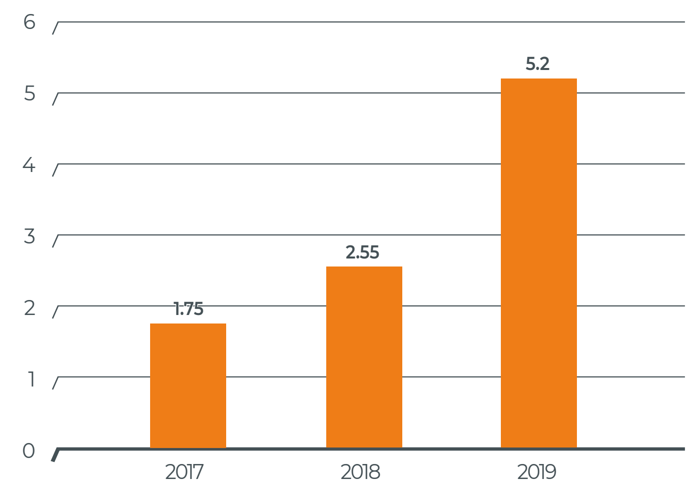
In 2020, Elia renewed the collaboration with Be Planet. Through this collaboration we are setting up a fund and methodology (call for citizen projects) to compensate municipalities for the impact of an overhead line.

WE GOT HEART

Any Elia employee involved in a community or charity-run project can request a contribution from Elia. Elia donated a total of EUR 10,000€ to 2 of these projects in 2019. In addition to this, Elia donated almost EUR 12,000 to various initiatives such as financial support for third world charities and sporting events, amongst others.

As we did in 2017 and 2018, 5.2 ton of our hardware (laptops, docking stations, printers, screens and carrying cases) received a second life, they were mostly donated to schools.

HARDWARE DONATED (TON)



18. https://www.beplanet.org/

2.9. Environmental aspects

2.9.1. Management approach

GRI 102-11

Sustainability, as well as a clear commitment to environmental and climate protection and the conservation of resources, are all integral components of the corporate strategy of Elia.

When developing and building our grid, we always strive to find socially responsible, economically efficient solutions. To this end, we try to limit the construction of new infrastructure, preferring to optimise and upgrade the existing infrastructure wherever possible.

Our goal is to keep the impact of our corporate and construction sites and other activities towards people and natural habitats to an absolute minimum. Elia respects flora, fauna and biodiversity, uses natural resources conservatively and keeps the energy consumption and emissions of our activities at the lowest level possible.

The challenge faced with the energy transition is to adapt our infrastructure while maintaining a sustainable approach in terms of environmental impacts.

We developed the avoid-reduce-offset approach described in 2.8.2. with the least impact on environment in mind.

We adopt the precautionary principle to reduce and avoid possible negative impacts by conducting/carrying out studies (e.g. studies in EMF), by calculating our carbon assessment and by bringing climate risks into the regular risk management.

An environmental impact assessment is legally required and conducted in the early stages of any project's development in order to identify, predict, and analyse impacts on the physical environment, as well as social, cultural, and health impacts.

The Department Community Relations is responsible for the appropriate handling and implementation of all tasks relating to environmental and nature conservation issues, quality management and the management of related tasks. Within this department, the team Environment & CSR advises in terms of process control and ensures the stringent implementation of the environmental and quality strategy and legal compliance.

Elia's supplier code of conduct which is binding for all suppliers contains additional principles on environmental protection and resource conservation.

Although Elia's core activities are not the origin of soil pollution, it has been established that a significant part of the Belgian soils is historically polluted as a direct result of nearby or in situ (prior use) industrial activities or backfilling with polluted soil.

Several remediation actions have been launched on our sites. The soil legislation has since been enforced in the three Belgian regions. Elia has developed a plan to map the soil condition on its own land in order to schedule the intervention priorities in keeping with existing and new soil legislation.

In 2019, EUR 1,370,000 has been paid for surveys, follow up and the realization of remediation works.

Budget (million EUR)	2017	2018	2019
TOTAL	**1.1**	**1.2**	**1.4**

The site with substantial soil pollution detected in 2018 (as reported in last year report) will undergo a remediation in 2020 based on an action plan validated in 2019 by the Brussels regional authorities.

2.9.2. Biodiversity and landscape integration

SDG 14
GRI 304-1 – GRI 304-2 – GRI 304-3
G4-EUS-EN12

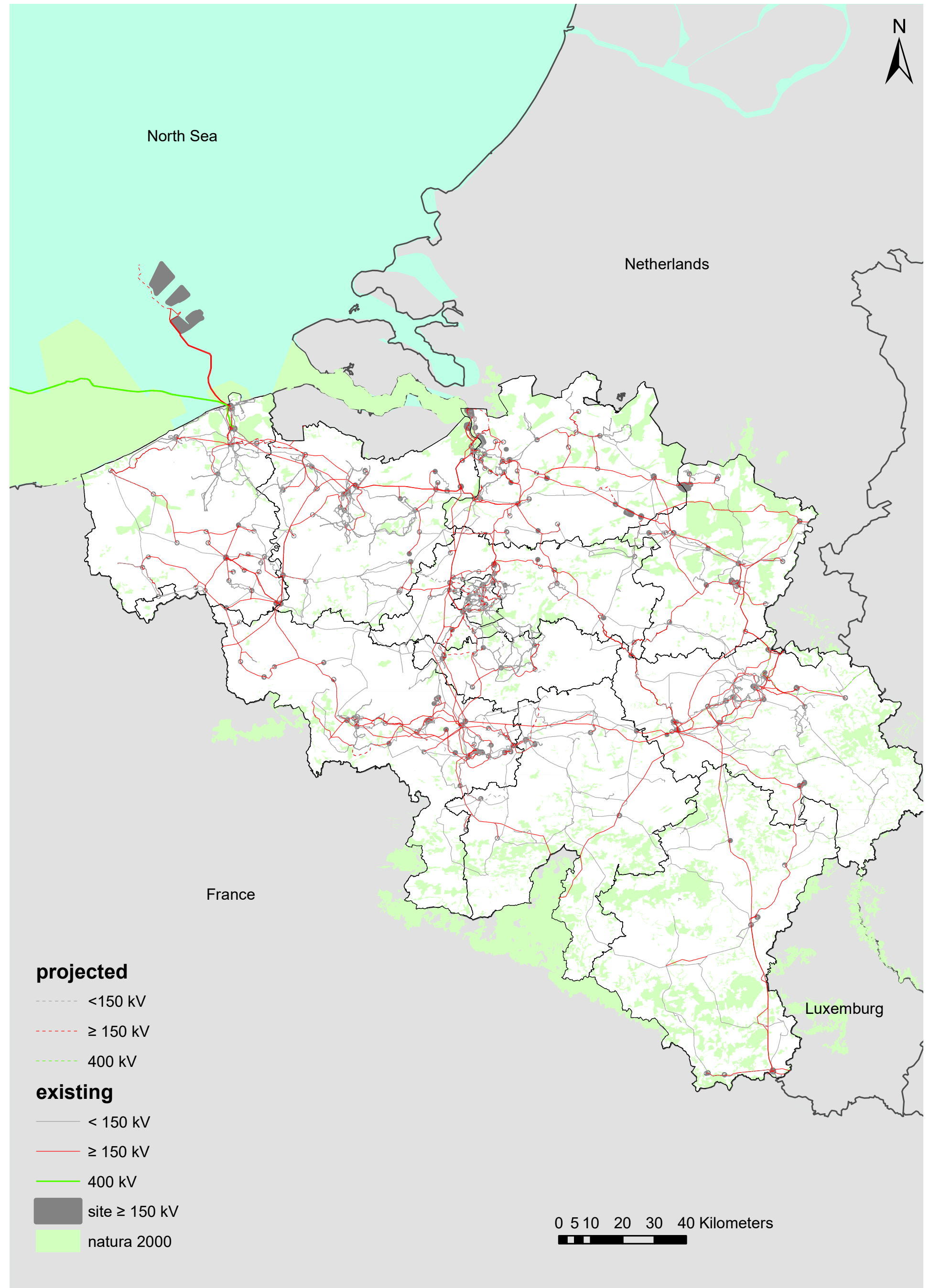
Elia's land-use can be divided into the following categories:

- areas under overhead lines (mostly on private land);
- areas over underground lines (mostly on public domain, such as roads) + marine territory in the North Sea;
- areas under the pylons (sometimes Elia owns the small plot of land where the pylon is);
- areas needed to build and maintain substations (the gravel must be kept free of weed for safety reasons).

The total length of our utilities located in Natura 2000 areas (on land and sea) is 665 km.

The modular approach of the MOG design made it possible to limit the number of submarine cables, thereby reducing not only the cost for society but also reducing the impact on the marine environment.

Elia signed the Marine Grid Declaration of the Renewables Grid Initiative (RGI) in 2019, which lays down standards for the early involvement of stakeholders and for nature and species conservation in the development of the offshore grid beyond the legal requirements.



Source:
http://natura2000.eea.europa.eu/#

2.9.2.1. Compensation/Mitigation measures

Elia has some parts of land it owns that are managed for nature protection nearby protected areas, such as a marsh with ponds in (Merelbeke Flora, Ville-sur-Haine) where Elia encouraged amphibians to settle there by creating and maintaining ponds.

Other mitigation measures aim at minimising the landscape impacts, by planting trees and shrubs. "Green screen" plantations are also used to enhance the landscape integration of Elia's installations. This approach was used in the context of the Stevin Project (in West and East Flanders) from 2015 to 2018 by planting more than 26 km. Similar measures will be set up in 2020 in the context of our project Boucle de l'est (in the east of the Province of Liège).

2.9.2.2. Ecological aisles management

For safety reasons (to prevent falls and short circuits), no trees are allowed to grow close to high-voltage overhead lines. Up until recently, the standard maintenance policy for overhead lines involved ensuring that a corridor of approximately 50 meters wide below the lines was kept clear of all vegetation with a rotary slasher every eight years. This obligation can indirectly be beneficial to specific ecosystems with great ecological value, for example the moors (present in the High Fens nature reserve, in the eastern part of Belgium) are better protected in the corridors under the overhead lines crossing them, because the rest of the moors were planted with trees for wood production and by draining these areas. Besides, Elia was from 2012 a forerunner in the implementation of a seven-year LIFE project completed in 2017 (see Activity Report 2019, p. 84).

This Europe-wide project aimed to transform 130 km of forest corridors into fully-fledged 'ecological corridors'. Instead of using rotary slashers, Elia restored more stable natural environments below the lines (using peat bogs, bushes and grasslands managed by grazing). Given the success of the project, Elia decided in 2018 to pursue this action for another five years without subsidies under the name "Life2" in order to further monitoring the evolution of these areas and their maintenance while special attention is given to the control and removal of invasive plants.

Elia – as 110 companies and organisations – signed the "Green Deal Bedrijven en Biodiversiteit", an initiative of the Flemish Department of the Environment. It consists of agreements, on a voluntary basis, between the Flemish government and private partners that commit to increasing biodiversity on their sites over the next three years. By 2021, 1250 hectares of industrial land in this region will be developed to promote biodiversity. As a participating party, Elia undertook to implement/organise various actions in the years 2018-2021.

GREEN DEAL
BEDRIJVEN EN BIODIVERSITEIT

2.9.2.3. Bird protection

There is a risk of collision and sometimes the electrocution of birds in areas with overhead lines and in substations (where the lines go down). Therefore, Elia is installing markers and nests to reduce the impact and to protect some endangered species. With the help of Belgium's leading environmental associations, Elia has identified the 130 sections of its network that pose the greatest hazard to birdlife. Measuring 200 km in total, they are gradually being fitted with bird anti-collision devices over a 10 year-period (starting from 2016). If a project is due to take place on these sections, markers will be installed immediately. For sections without projects, we will take advantage of scheduled interventions to fit markers on conductors or earth connections.

Bird markers	2017	2018	2019
Total of HV Lines equipped (km)	13.62	26.24	37.59

Since 2016, Elia has installed bird markers on 37.6 km of lines.

Firefly

In 2019, Elia hung a new type of bird markers named Firefly on her power lines to make them more visible to birds.

The markers are placed on the high-voltage line in Noordschote (West Flanders, one of the most dangerous high-voltage lines for birds in Belgium) over a distance of 3 kilometres.

Natuurpunt and Elia have been working together since 2012 to solve the problem of birds falling victim to power lines.

Firefly markers are 11 to 15 cm long plates with 2 reflectors on each side. They are fixed every 30 metres. In total, more than 500 Fireflies will be suspended.

The Firefly markers are fixed on the high-voltage lines with a clip and move in the wind. The reflectors reflect the light, making the line more visible to the birds. They are especially useful at dusk and dawn, when the birds are most active .

19. Flemish independent volunteer association that ensures the protection of vulnerable and threatened nature.

2.9.3. Water protection

GRI 306-5

Elia is committed to effective water protection. As the business activities of Elia do not result in significant water usage, its responsibility in this regard is not so much to reduce water consumption, but to consider water resources in the ground during grid and substation projects and to avoid water and soil pollution with hazardous materials. Containment systems equipped with coalescence filters are installed beneath transformers in substations to prevent drips from entering the soil. These systems are inspected regularly by maintenance technicians and refurbished or replaced when needed. Waste water is only discharged with appropriate permission from water authorities.

In the context of her offshore projects, Elia contributes to making the North Sea safe for humans and the environment. Every preparation includes the removal of i.a. explosive remnants of war (UXO - UneXploded Ordnances) from previous world wars.

2.9.4. Energy Consumption

GRI 302-1, SDG7, SDG13

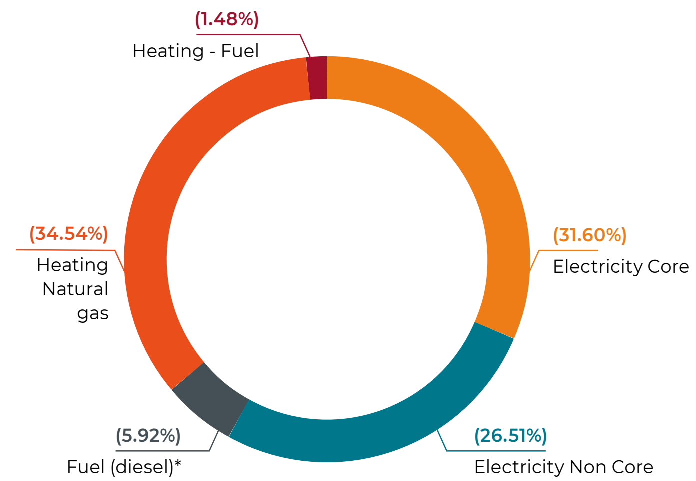
Elia consumes several energy sources for its core and non-core activities.

The two most recently built administrative centres of Elia, Monnoyer in Brussels and Crealys in Wallonia are BREEAM[20] certified (the latter having been certified in 2019). As required by the Belgian regional regulations, energy audits were conducted on some or our administrative buildings.

The electricity consumption of Elia can be subdivided in two categories:

- **Core:** energy used by all the infrastructure directly related to its business model i.e. all the substations and al.
- **Non-core:** energy used by the support services, administrative centres.

ELECTRICITY CONSUMPTION WITHIN THE ORGANISATION



The impact of the energy consumption of our activities is further assessed in the next section.

Note: In the previous report (Sustainability Report 2018), the unit of the electricity consumptions disclosed was megawatt-hour (MWh) and not kilowatt-hour (kWh).

2.9.5. Emissions

SDG 13, SDG7 , GRI 201-2, GRI 305-1 – GRI 305-2 – GRI 305-3

Greenhouse gas emissions – Carbon assessment

Elia supports the objectives of the EU and the Federal Government to reduce CO_2 emissions, in particularly by expanding the grid, which allows an increase in the share of carbon-neutral energy sources.

In order to assess its own greenhouse gas emissions, Elia has been conducting a carbon assessment since 2010 to identify direct and indirect emissions from its activities in Belgium and is taking steps to control and reduce greenhouse gas emissions from its activities.

Since 2017, Elia has participated in the CDP, an international, non-profit organization providing a global system for companies, investors and cities. This organization measures, discloses, manages and shares environmental information. When it comes to climate change, a company's score is based on two factors:

- the level of detail and the comprehensiveness of its responses, and
- its awareness of climate issues, management methods and its progress on acting on climate change.

The scope of the carbon assessment conducted within Elia is the emissions of Elia System Operator (now Elia Transmission Belgium), Elia Assets and Elia Engineering.

The total 2018 emissions amount to 282.219 tCO_2eq.

Elia has obtained a rating of B- from the CDP in 2019 for the year 2018.

N.B.: We announced in the previous sustainability report that the scope of the carbon assessment would be reviewed in order to include the emissions of Germany. This has not happened yet but we will strive to the expansion of the scope of this assessment in our next report.

20. Building Research Establishment Environmental Assessment Method - the British standard for sustainable buildings.

Calculation method: In order to assess the carbon footprint of the emissions of a company, its emissions are broken down in three categories ("scopes"):

Scope 1: direct emissions of greenhouse gases from owned or controlled sources

They are mainly due to SF_6 gas leakage from our installations (see below) and natural gas consumption for heating.

Scope 2: indirect emissions of greenhouse gases resulting from the generation of purchased or acquired energy consumed by the organization

They are mainly due to grid losses that are unavoidable when transmitting electricity and on which Elia has not a direct influence.

Scope 3: all other indirect emissions of greenhouse gases (not included in scope 2) that occur in the value chain (outside our company), including both upstream and downstream emissions (by buying goods and services, employee commuting, business travels et al)

These are mainly generated by the construction and dismantling of our assets and network.

GHG emissions 2019

Greenhouse gas emissions in 2019 in t CO_2 equivalent*		
DIRECT (SCOPE 1)		
SF_6 losses	5,875.00	1.89%
Heating (natural gas and fuel)	782.00	0.25%
Fuel vehicles	4,165.00	1.34%
Other	118.00	0.04%
Total SCOPE 1	**10,940.00**	**3.51%**
Indirect (scope 2)		
Electricity consumption	1,467.00	0.47%
Grid losses	257,766.00	82.73%
Total SCOPE 2	**259,233.00**	**83.20%**
Other indirect (scope 3)		
Assets	35,744.00	11.47%
Other	5,669.00	1.82%
Total SCOPE 3	**41,413.00**	**13.29%**
TOTAL	**311,586.00**	**100.00%**

*Emission factors: ADEME and IPCC 5th Assessment (AR5)

The calculated figure in the carbon footprint corresponds to 219 tonnes of CO_2 equivalents per person including grid losses and 38 tonnes of CO_2 equivalents per person excluding grid losses (basis, headcount 2019: 1424 employees).

Focus on SF_6 (Scope 1)

Sulphur hexafluoride (SF_6) gas has been used for over 30 years as an electrical insulator in high-voltage devices, including gas-insulated switchgear (GIS). Both its chemical and physical properties (i.a. inert, non-flammable) make this gas particularly well suited for its use in high-voltage electrical equipment. GIS is often used in densely populated areas because it is much more compact when compared to traditional switchgear which uses air as an insulator (AIS).

It has however a very high global warming potential (GWP rapprox. 23.000 t CO_2 eq). For this reason, SF_6 is used in switchgear in a closed circuit, i.e. emissions to the environment are virtually eliminated. The pressure chambers are permanently monitored technically for possible leaks. However, despite all these protective measures, natural leakage cannot be 100 percent avoided due to the sealing technology and the necessary gas handling.

Elia has developed an investment and maintenance policy to minimize the risk of SF_6 leakage. Manufacturers are obligated to guarantee a very stringent maximum percentage of SF_6 loss throughout the lifetime of the facilities. The maintenance policy aims to maintain operations involving compartments filled with SF_6 to a minimum.

The volume of SF_6 gas installed on the Elia grid (36 kV to 380 kV inclusive, excluding the NEMO substation) is 119 tons. Consumption of SF_6 gas (as a replacement and as a top-up in the event of a leak) is closely monitored using a system that tracks each cylinder of SF_6. The SF_6 leak rate for all Elia facilities was "< 0.25%" in 2019.

2.9.6. "Electric and Magnetic fields (EMF)

SDG 3, GRI 416-1

The electrical transmission and distribution systems in Europe are mainly operated with alternating voltage at a frequency of 50 Hz. Hence, they create electric and magnetic fields (EMFs) of Extremely Low Frequency, as is also the case for all applications of electricity, including domestic appliances.

Although no causal link can be established between magnetic field exposure from electricity transmission infrastructures and human health, Elia takes this issue very seriously; both for each project on the electricity grid and with scientific studies that improve the knowledge on the subject.

Elia has continued to contribute, yearly EUR 370,000, into broadening scientific knowledge for many years. It also supports several research centres and universities within the Belgian BioElectroMagnetics Group (BBEMG) whose scientific independence is enshrined in a cooperation agreement.

At an international level, Elia has also concluded a research contract with the Electric Power Research Institute (EPRI - a non-profit organization that conducts research in energy and the environment), an agreement granting Elia access to the results of international research studies in this field.

To communicate transparently on the subject, Elia provides various tools: a dedicated website, information sheets, a brochure, newsletters, information sessions (with the possible presence of an independent expert) and, at the request of local residents, carries out free measurements of electric and magnetic fields via its Contact Center, see further information in 2.8.3. Stakeholders Dialogues.

The study of magnetic fields is also one of the criteria analysed for each project developed by Elia. In accordance with the precautionary policy established in Flanders and Brussels, Elia assesses future exposure to magnetic fields by means of specific calculations (modelling) and mitigation/reduction measures are applied where necessary.

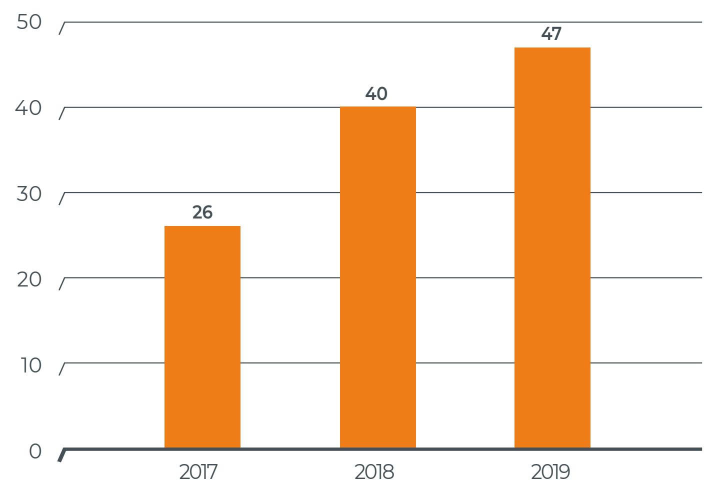
2.9.7. Noise

SDG 3

Elia's facilities cannot generate any noise pollution. This matter is governed by acoustic standards, varying from region to region; these must be respected in order to avoid any noise pollution near Elia's facilities. Noise can be caused, e.g., by transformers in high-voltage substations, high-voltage lines, and pylons. Underground lines do not cause any noise.

Elia always carries out soundscape studies prior to the realization of its infrastructure projects to ensure that the acoustic standards are not exceeded. Furthermore, Elia conducts noise studies in the event of complaints (see also Contact Centres).

SOUNDSCAPE STUDIES



These are the soundscape studies carried out in 2019 in the context of projects.

There were 8 acoustic measures done on request in 2019.

2.9.8. Waste

GRI 306-2

Elia produces different waste streams related to its activities, including some recyclable and hazardous waste.

This waste is generated during maintenance work or infrastructure projects and in the administrative and service centres.

Elia has set up a waste management policy to collect, sort and handle its waste.

At our technical sites, all types of waste generated on-site – including hazardous materials – are stored in so-called container parks, guaranteeing optimal storage in dedicated locations. They are eventually removed periodically or upon request by authorized collectors specialised in the collection, transport and recycling of hazardous and non-hazardous waste. On our construction sites, the contractors must comply with environmental legislation as well and organize the sorting of the construction site waste they produce during the execution of their contract.

Total weight (ton)	Non-hazardous waste	Hazardous waste
Recycled	2434.13	23.02
Disposed of	0.00	15.46
Total	**2434.13**	**38.47**

N.B.: all the data related to the weight of waste produced on our construction sites might not have been gathered as this waste is under the responsibility of our external contractors

The sorting rules and procedures are identical, regardless of the site even if the regulations can slightly differ in function of the region where this site is located.

Hazardous waste is determined on the base of its waste code from the European List of Waste.

The waste disposal contractor provides Elia with information on the waste disposal method (and attests) as legally required in Belgium.

GRI reference table

GRI 102-55

GRI number	GRI description	Page
GRI 102: General information 2019		
1. Organisational Profile		
102-1	Name of the organisation	Sustainability Report p. 18
102-2	Activities, brands, products, and services	Sustainability report p. 18
102-3	Location of headquarters	Sustainability report p. 18
102-4	Location of operations	Sustainability report p. 18
102-6	Markets served	Sustainability report p. 18
102-7	Scale of the organisation	Sustainability report p. 18, 27
102-8	Information on employees and other workers	Sustainability report p. 27
102-9	Supply chain	Sustainability report p. 18 & 33
102-11	Precautionary Principle or approach	Sustainability report p. 21 & 38
102-12	External initiatives	Sustainability report p. 19
102-13	Membership of associations	Sustainability report p. 19
2. Strategy		
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Sustainability report p. 20 & 22
102-17	Mechanisms for advice and concerns about ethics	Sustainability report p. 20
4. Governance		
102-19	Delegating authority	Sustainability report p. 20
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability report p. 20
102-21	Consulting stakeholders on economic, environmental and social topics	Sustainability report p. 36
102-26	Role of the highest governance body in setting purpose, values, and strategy	Sustainability report p. 20
102-29	Identifying and managing economic, environmental and social impacts	Sustainability report p. 35
102-30	Effectiveness of risk management processes	Sustainability report p. 21
102-32	Highest governance body's role in sustainability reporting	Sustainability report p. 20
102-33	Communicating critical concerns	Sustainability report p. 20
102-38	Annual total compensation ratio	Sustainability report p. 30
5. Stakeholder engagement		
102-40	List of stakeholder groups	Sustainability report p. 35
102-41	Collective bargaining agreements	Sustainability report p. 27
102-42	Identifying and selecting stakeholders	Sustainability report p. 35
102-43	Approach to stakeholder engagement	Sustainability report p. 35
102-44	Key topics and concerns raised	Sustainability report p. 35
6. Reporting principles		
102-53	Contact point for questions regarding the Annual Report	**Marleen Vanhecke** External Communications & External Relations marleen.vanhecke@elia.be

GRI 201: Economic performance

201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Sustainability report p.21

GRI 203: Indirect economic impacts

203-2	Significant indirect economic impacts, including the extent of impacts	Sustainability report p. 37

GRI 204: Procurement practices

204-1	Proportion of spending on local suppliers	Sustainability report p. 33 & 34

GRI 205: Anti-Corruption

205-1	Operations assessed for risks related to corruption	Sustainability report p. 20
205-2	Communication and training on anticorruption policies and procedures	Sustainability report p. 20

GRI 302: Energy

302-1	Energy consumption within the organisation	Sustainability report p. 41
302-2	Energy consumption outside of the organisation	Sustainability report p. 23 & 24

GRI 304: Biodiversity

304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainability report p. 38
304-2	Significant impacts of activities, products, and services on biodiversity	Sustainability report p. 38
304-3	Habitats protected or restored	Sustainability report p. 38

GRI 305: Emissions

305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Sustainability report p. 41
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Sustainability report p. 41
305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Sustainability report p. 41

GRI 306: Effluents and waste

306-2	Waste by type and disposal method	Sustainability report p. 43

GRI 308: Supplier Environmental Assessment

308-1	New suppliers that were screened using environmental criteria	Sustainability report p. 33
308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Sustainability report p. 33

GRI 401: Employment

401-1	Total number and rates of new employee hires and employee turnover	Sustainability report p. 28
401-3	Parental leave	Sustainability report p. 27 & 29

GRI 403: Occupational Health and Safety

403-1	Occupational health and safety management system	Sustainability report p. 31
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability report p. 31
403-3	Occupational health services	Sustainability report p. 31

GRI 404: Training and Education

404-1	Average hours of training per year per employee by gender, and by employee category	Sustainability report p. 30

GRI 405: Diversity and Equal Opportunity

405-1	Diversity of governance bodies and employees	Sustainability report p. 27

GRI 413: Local Communities

413-1	Operations with local community engagement, impact assessments, and development programmes	Sustainability report p. 35

GRI 414: Supplier Social Assessment

414-1	New suppliers that were screened using social criteria	Sustainability report p. 33 & 34

G4 - Electric Utilities Specific (EUS)

Lines & losses & quality of service

EU4	Length of above and underground transmission and distribution lines by regulatory regime	Sustainability report p. 17
EU12	Transmission and distribution losses as a percentage of total energy	Sustainability report p. 25

Demand management approach

DMA	Disaster / Emergency Planning and Response	Sustainability report p. 21

Biodiversity

EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected area	Sustainability report p. 38

Health and safety & Human resources

EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	Sustainability report p. 29