ANNUAL REPORT 2020

Accelerating to a net-zero society

Elia Transmission Belgium

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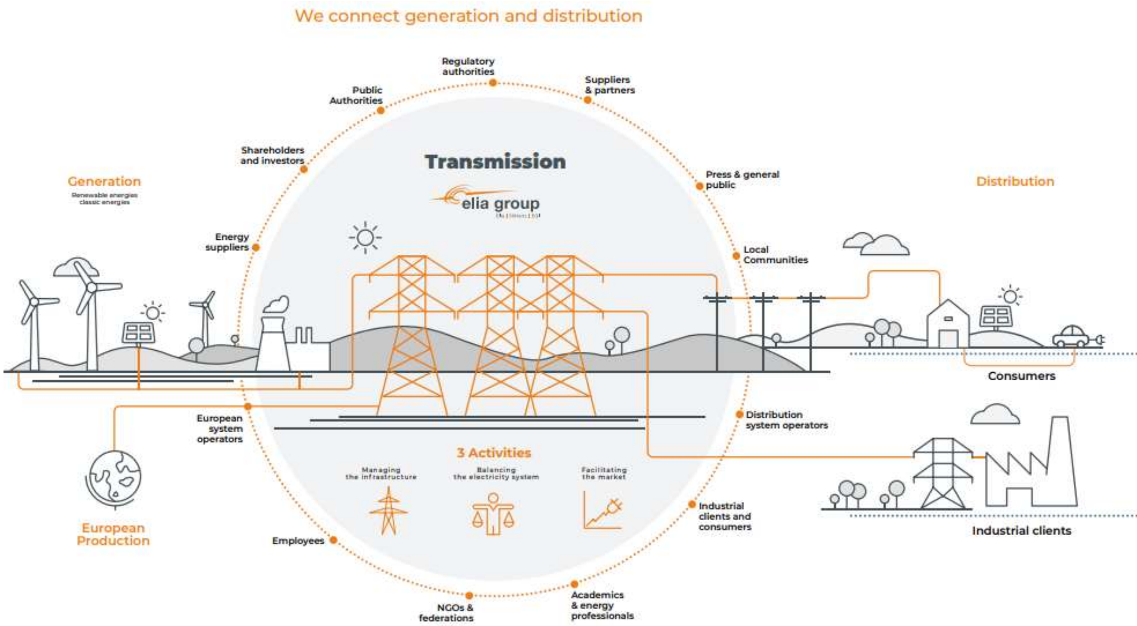
About this report

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 2020 results.



Introduction

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'- 'Elia') took over the Belgian regulated activities of former Elia System Operator SA/NV ('ESO') (now Elia Group), 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 high voltage 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).

Looking back at 2020[1]

In a year marked by the COVID-19 pandemic, Elia Transmission Belgium proved to be a resilient organisation and capable of immediately responding to the crisis. We focused fully on ensuring business continuity. In order to supervise this process optimally, an internal task force was set up spanning multiple departments. Maintaining security of supply and the health and safety of our employees and contractors were our main priorities. By consistently applying the announced measures, we jointly assumed our full social responsibility. In this way, we protected not only our families and ourselves, but also other vulnerable groups.

Some 24 hours after the announcement of the first semi-lockdown in Belgium (March 2020), 95% of our employees were already teleworking and all project sites had been shut down. After a short interruption of just a few days, Elia enabled a gradual restart of construction works by applying modified working methods in close collaboration

[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 the section Group Structure on page 85, section Subsequent Events on page 90 and section Regulatory Framework and Tariffs on page 91 respectively of 4. Elia Transmission Belgium Consolidated Financial Statements.

with our contractors. After testing our methods out on a number of pilot projects, the more complex sites with multiple contractors were able to resume in May. By the end of the year, the situation on our project sites was practically back to normal. Even complex projects were delivered on time.

> *Looking back at 2020, I am particularly proud of the commitment and resilience of our employees and contractors and the way they immediately anticipated the COVID measures. Working under difficult circumstances, we delivered complex infrastructure projects and we continued our operational activities to ensure a reliable grid in the interest of society. Although no other event in recent history has hit the economy as hard as the coronavirus, we are optimistic about the future. Given Europe's objective of becoming the first climate-neutral continent by 2050, the European Green Deal will likely serve as a compass in many recovery plans with a focus on the green economy and digitalisation, both of which are key components of our strategy. This will bring new opportunities and accelerate the development of our Group.* **Chris Peeters, CEO Elia Group**

2020 highlights

Support for anti-poverty funds

In April, Elia Group donated the budget set aside for the organisation of its Annual General Meeting to three King Baudouin Foundation solidarity funds, even topping up the amount so that it came to total of €100,000. In May, the members of Elia's Executive Board unanimously decided to contribute their entire salary for that month to the King Baudouin Foundation in support of its COVID-19 fund for combatting poverty. The Board of Directors and some company staff also decided to donate money to the same fund, bringing the total donation to €255,000.

€800 million inaugural Eurobond issue for Elia Transmission Belgium

In April, Elia Transmission Belgium successfully launched an €800 million Eurobond under its new €3 billion EMTN2 programme listed on the Euro MTF of the Luxembourg Stock Exchange. The €800 million senior unsecured bond 2 Euro Medium Term note10 with an annual fixed coupon of 0.875% will mature in 2030. The proceeds will refinance a €496 million shareholder loan which matured in 2020 and finance the grid investment plan in Belgium.

€200 million private placement issue for Elia Transmission Belgium

In May, Elia Transmission Belgium entered the bond market for a second time since the Nemo Link dedicated loan was converted into a general-purpose loan at the end of 2019. Elia Transmission Belgium successfully placed a €200 million dual tranche 8-year and 24-year amortising bond with a fixed annual coupon of 1.56% under its €3 billion EMTN programme.

€650 million sustainable credit facility for Elia Transmission Belgium

In October, Elia Transmission Belgium signed a credit facility with pricing mechanism linked to three sustainable performance targets. The sustainability performance targets that impact the credit facility's pricing mechanism are related to the company's efforts to fight climate change and its health and safety performance. This is the first transaction of its kind for Elia Transmission Belgium, demonstrating the importance of bolstering sustainability as a strategic lever for creating value for all stakeholders.

Accelerating towards the net-zero society

As Europe prepares for the largest vaccination campaign in its history, major economic stimulus plans are being prepared to battle a deep economic recession. Complementing national efforts, the European Green Deal and the 3 European Commission's recovery plan will likely serve as a compass, given Europe's objective of becoming the first climate-neutral continent by 2050. Sustainability will therefore be a cornerstone of many COVID-19 recovery initiatives. In line with our mission to serve society, Elia Group has been working on a number of tangible recovery measures to support economic recovery and help combat climate change. The proposals have been discussed with certain critical stakeholders. In addition to decarbonising and digitalising the energy system, we are working towards meeting the changing needs of residential and industrial customers who also wish to go green.

ALEGrO, a vital link in the construction of the integrated European electricity system

On 9 November, Elia (Belgium) and Amprion (Germany) inaugurated the first electrical interconnector between Belgium and Germany. ALEGrO, which will enable Belgium and Germany to exchange an additional 1,000 MW of electricity, started operating commercially on 18 November 2020 (day-ahead market) and 8 December (intraday market). The interconnector will enhance both countries' security of supply and contribute to price convergence, as well as facilitating the energy transition by enabling better integration of renewable energy.

MOG fully operational - MOG II in preparation

The connection of the Seastar project marked the completion of the Modular Offshore Grid (MOG), Elia's power hub in the North Sea. Located 40 km off the Belgian coast, the switching platform bundles the export cables from four offshore wind farms and transports the generated energy to the mainland via a shared transmission system. Offshore wind power is crucial to achieving Belgium's climate targets. In the meantime, the federal government has begun developing a second area for offshore wind. To ensure that the new concessions are connected to the Belgian electricity system, Elia is developing the MOG II project.

MOG weather station restored via augmented reality

Elia's offshore team successfully tested the Hololens 2 Remote Assist programme. These new-generation augmented reality headsets enable remote technical support. Thanks to the headsets, experts in the office can see through the eyes of the technicians in the field. Via the headset they can display manuals, technical drawings and navigation arrows in augmented reality. This new method was successfully deployed when the Norwegian supplier of the Modular Offshore Grid weather system had to cancel planned repairs due to COVID-19 restrictions. The Elia team was able to carry out maintenance itself with remote support from the supplier.

Brabo-II: 380-kV loop around the port of Antwerp enters service

In November 2020, Elia commissioned the second phase of the Brabo project. Along the A12 road between Zandvliet and Lillo an existing overhead line was upgraded from 150 kV to 380 kV, with 46 pylons and conductors being replaced over 16 kilometres. In the meantime, the permit procedure has started for the third phase. Elia's Brabo project will increase the grid's supply capacity, enabling it to cope with growing electricity consumption in the Port of Antwerp. At national and international level, the project will upgrade Belgium's north-south axis and bolster Europe's network of international interconnections.

Horta-Avelgem project completed

Another upgrade was completed on the high-voltage line between Zomergem and Avelgem. Over the past two years, 97 pylons and foundations have been reinforced to support the new conductors. This has doubled transmission capacity to 6 gigawatts. This will enable Elia to exchange more electricity with France and distribute energy from offshore wind farms further inland.

Boucle du Hainaut project and permit procedure for Ventilus

In 2020, Elia completed a series of information sessions for the Boucle-du-Hainaut project. The planned 380-kV line between Avelgem and Courcelles is a missing link in the Belgian high-voltage grid. Stretching some 84 kilometres in the Walloon province of Hainaut, the project will be one of Elia's largest infrastructure projects in the coming years and will connect to the Ventilus project, currently under development in the neighbouring province of West Flanders.

Ventilus is another vital project for upgrading the Belgian electricity backbone. In 2020, the project followed the proposed planning process. The Ventilus project will contribute to the further integration of offshore wind and the European interconnected energy market.

New cross-border intraday products

In December 2020, new 15 and 30-minute cross-border intraday products were launched on the bidding zone borders between Belgium, Germany, France and the Netherlands. The outcome of a collaboration between transmission system operators Amprion (Germany), Elia (Belgium), RTE (France) and TenneT (Netherlands), the new market products closely reflect the real-time grid situation and will help market players to optimise their balance responsibility.

Vision Zero for safety leadership and zero accidents

Safety is a top priority, as is evident from in-house campaigns such as Go for Zero and Gib8, as well as our ISO 45001 certification. But we want to go further and embed safety even more firmly in our corporate culture – which is why we are partnering with Vision Zero. Elia Group's Safety Leadership Culture will be further optimised. Everyone will become a safety ambassador capable of inspiring others. Elia achieved level 3 in the Safety Culture Ladder (SCL) audit. This certificate gives an indication of the safety culture within a company. The audit focuses on safety behaviour and attitude, rather than on written processes and procedures.

ACT NOW: Elia Group's five sustainability lighthouse ambitions

Elia Group wants to be more ambitious and explicit with regard to its sustainability goals and as such contribute to the UN's Sustainable Development Goals (SDGs). Under the project name, ACT NOW, Elia Group defined five key ambitions for sustainability: (1) to become carbon-neutral by 2040, (2) to integrate ecological design in all steps of our projects, (3) to ensure that all our employees and everybody we collaborate with arrive home safe and sound, (4) to promote diversity and inclusion and (5) to conduct our activities with integrity.

Elia joins Belgian Alliance for Climate Action

Elia has joined the newly established Belgian Alliance for Climate Action (BACA), which wants to see a greater focus on decarbonisation. By joining the alliance, Elia is demonstrating its commitment to meeting the Paris climate targets and inspiring other companies to do the same. BACA is a coalition of 51 Belgian organisations and was founded by The Shift and WWF.

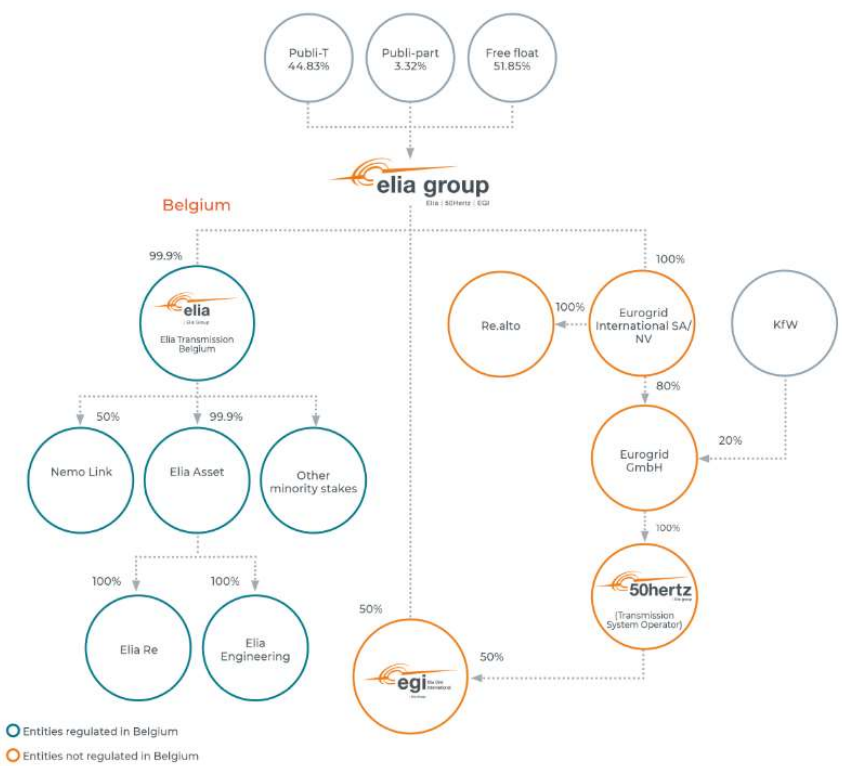
Elia named Top Employer again

Elia was named one of the best employers in Belgium for the third year in a row. The Top Employer label is awarded to companies committed to providing an excellent working environment for their employees. Seventy-two Belgian companies received the distinction this year. Over the past year, Elia has focused strongly on improving the digitalisation of the HR management process and developing its corporate culture. As well as being wonderful recognition for all its hard work, the accolade will also make the company more attractive to new talent.

Notger Prize for Elia Group CEO Chris Peeters

Elia Group CEO Chris Peeters received the Notger Prize, which is awarded by the German-Belgian Association to a personality, association or institution that contributes to good relations and trade contacts between Belgium and Germany. Our CEO received the award in recognition of the implementation of ALEGrO, the first interconnector between Belgium and Germany, and the good cooperative relationship with our German colleagues at 50 Hertz.

Legal structure



Elia Transmission Belgium is the main shareholder of :
— **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;

The company in which Elia Transmission Belgium SA has a holding is the following:
— **Nemo Link Limited**. On 27 February 2015, Elia System Operator entered into a joint venture agreement with National Grid to build the Nemo Link Interconnector; each shareholder owns 50% of Nemo Link Limited, a UK-based company;

The minority holdings are:
— **JAO (Joint Allocation Office)**: is responsible for daily, monthly and annual auctions of border capacity at 27 borders in Europe. JAO was founded in 2015 through the merger of CAO Central Allocation Office GmbH and CASC.EU S.A.;
— **Coreso**: a coordination centre that enhances the security of transmission networks in selected European regions by developing predictive analyses of electricity flows in the networks and by monitoring transmission networks continuously in real time ;
— **HGRT** a holding company of several European transmission system operators which holds a stake in the French energy exchange Powernext;
— **Enervalis**, a start-up that develops innovative software solutions to optimise energy consumption in a context of increased flexibility between injections and withdrawals from the grid;
— **Elia Engineering,** consultancy and engineering office active in the field of design and management of infrastructure projects related to the high-voltage and extra-high-voltage electricity network. It works almost exclusively for Elia Asset;
— **Elia Re**, a Luxembourg-based reinsurance company, established to optimise insurance policy

Due to this restructuring of the group, a comparison in the 2020 income statement to 2019 is not a relevant analysis.

1. Corporate Governance Statement

ELIA TRANSMISSION BELGIUM satisfies specific obligations in terms of transparency, neutrality and non-discrimination towards all stakeholders involved in its activities. At ELIA TRANSMISSION BELGIUM, corporate governance in 2020 was based on its articles of association, the Code of Companies and Associations as well as the Act of 29 April 1999 on the organisation of the electricity market ("Electricity Law") 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 2020

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

— 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

— Kris Peeters, administrateur nommé sur proposition de Publi-T[2]

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

— Saskia Van Uffelen, independent director

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

REPRESENTATIVES OF THE FEDERAL GOVERNMENT WITH AN ADVISORY ROLE

— Nele Roobrouck[3]

— Maxime Saliez[4]

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[2] Kris Peeters replaced Philip Heylen as of 19 May 2020. He submitted his resignation to the Board of Directors with effect from 1 January 2021. The Board of Directors of 9 February 2021 has coopted Pieter De Crem to replace Kris Peeters.

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[3] Nele Roobrouck is the representative of the Government for the Dutch linguistic role. She has an advisory role to the Board of Directors of Elia Transmission Belgium and Elia Asset as prescribed in the Electricity Law of 29 April 1999.

[4] Since 8 February 2021, and by Ministerial Decree, Maxime Saliez has been appointed as representative of the Government for the francophone linguistic role. He has an advisory role to the Board of Directors of Elia Transmission Belgium and Elia Asset as prescribed in the Electricity Law of 29 April 1999.

Advisory Committees of the Board of Directors

CORPORATE GOVERNANCE COMMITTEE

— Luc Hujoel, Chairman

— Luc De Temmerman

— Frank Donck

— Jane Murphy

— Kris Peeters[5]

AUDIT COMMITTEE

— Michel Allé, Chairman

— Frank Donck

— Roberte Kesteman

— Dominique Offergeld

— Rudy Provoost

REMUNERATION COMMITTEE

— Luc De Temmerman, Chairman

— Roberte Kesteman

— Dominique Offergeld

— Kris Peeters[6]

— Saskia Van Uffelen

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[5] Kris Peeters replaced Philip Heylen as of 19 May 2020. He submitted his resignation to the Board of Directors with effect from 1 January 2021. The Board of Directors of 9 February 2021 has coopted Pieter De Crem to replace Kris Peeters.

[6] Kris Peeters replaced Philip Heylen as of 19 May 2020. He submitted his resignation to the Board of Directors with effect from 1 January 2021. The Board of Directors of 9 February 2021 has coopted Pieter De Crem to replace Kris Peeters.

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AUDITORS[7]

— KPMG BDO Réviseurs d'Entreprises SCRL, represented by Félix Fank

— Ernst & Young Réviseurs d'Entreprises SCCRL, represented by Paul Eelen

EXECUTIVE BOARD

— 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

SECRETARY GENERAL

— Siska Vanhoudenhoven

Board of Directors

The Boards of Directors of Elia Transmission Belgium and Elia Asset consist of 14 members, none of whom perform an executive role within either of those two companies.

The same directors sit on the Boards of both companies.

Half of the directors are independent directors, satisfying the conditions set out in Article 7:87 of the Belgian Code of Companies and Associations, Article 2(30) of the Act of 29 April 1999 on the organisation of the electricity market and in the articles of association, and having received a positive opinion ("avis conforme"/"eensluidend advies") by the CREG on their independence. The other half are non-independent directors appointed by the General Meeting in accordance with the statutory provisions on proposal of Publi-T, as per the current shareholder structure.

In accordance with provisions stipulated by legislation and the articles of association, these Boards of Directors are supported by three committees – the Corporate Governance Committee, the Audit Committee and the Remuneration Committee – which are the same for Elia Transmission Belgium and Elia Asset. The Boards of Directors ensure that these committees operate in an efficient manner.

[7] The Audit Committee was re-elected at the General Shareholders' Meeting held on May 19, 2020, for a term of three years from that date until the 2023 General Shareholders' Meeting for the financial year ending December 31, 2022.

Diversity within the board of directors

Number of people on the Board of Directors of Elia Transmission Belgium as at 31 December 2020	Unité	2020
Men	35 - 54 ans	1
	≥ 55 ans	8
Women	35 - 54 ans	2
	≥ 55 ans	3

In accordance with the Act of 29 April 1999 on the organisation of the electricity market, the 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 - in accordance with the Code of Companies and Associations and the internal rules of the Board of Directors.

Audit Committee competencies

Pursuant to article 3:6, §1, 9° of the Code of Companies and Associations, this report must contain justification of the independence and accounting and auditing competence of at least one member of the Audit Committee. The internal rules of procedure of the Audit Committee require, in this respect, that all members of the Audit Committee have the sufficient experience and expertise required to exercise the role of the Audit Committee, particularly in terms of accounting, auditing and finance. The internal rules of procedure of the Audit Committee provide that the professional experience of at least two members of the Audit Committee must be detailed in this report.

The experience of Michel Allé, Chairman of the Audit Committee, and Dominique Offergeld, member of the Audit Committee, is described in detail below.

Michel Allé (non-executive independent director of Elia Group, Elia Transmission Belgium and Elia Asset since 17 May 2016 and Chairman of the Audit Committee) has degrees in physics civil engineering and economics (both from the Université Libre de Bruxelles (ULB)). Alongside his academic career as a professor of economics and finance (Solvay Brussels School, ULB's École Polytechnique), he worked for many years as a Chief Financial Officer. In 1979, he began his career in the service of the Prime Minister, as an advisor in the Science Policy Department. He was appointed director of the National Energy R&D Programme in 1982 and then director in charge of Innovative Companies. In 1987, he joined the Cobepa group, where he held many positions including Vice President of Mosane from 1992 to 1995. From 1995 to 2000 he was a member of the Cobepa group's Executive Committee. He then served as Chief Financial Officer of BIAC between 2001 and 2005 and Chief Financial Officer of SNCB (Belgian Railways) between 2005 and 2015. He also has extensive experience as a director, including past and present roles at Telenet, Zetes, Eurvest (Nicols) and D'Ieteren. He has chaired the Zetes Audit Committee.

Dominique Offergeld (non-executive non-independent director of Elia Group, Elia Transmission Belgium and Elia Asset) has a degree in economics and social science (specialisation: public economics) from Université Notre Dame de la Paix in Namur. She has taken various extra-academic programmes, including the General Management Program at Cedep (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, and was subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999. In 2001 she became advisor to the Deputy Prime Minister and Minister for Foreign Affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was previously director of (among others) Publigas and government commissioner at Fluxys. She was also Chairwoman of the Board of Directors and the Audit Committee of SNCB. Between 2014 and 2016, she was director of the Minister for Mobility's Strategy Unit, with responsibility for Belgocontrol and the SNCB. She has been CFO of ORES since August 2016, a position she also held between 2008 and 2014.

Diversity within the Executive Board

Number of people on the Executive Board of Elia Transmission Belgium as at 31 December 2020	Unité	2020
Men	35 - 54 ans	2
	≥ 55 ans	3
Women	35 - 54 ans	3
	≥ 55 ans	0

The composition of Executive Board 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 Executive Board, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Shareholder structure at the closing date

	Shares	% Shares	% Voting rights
Elia Group SA	206.071.930	100,00	100,00
Publi-T SC	1	0,00	0,00
Total	206.071.931	**100,00**	**100,00**

2. Risk management and uncertainties facing the company

2.1 Strategic/regulatory risks & responses provided

2.1.1 Changing 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 ELIA TRANSMISSION BELGIUM culture and planned changes must be fully aligned with the ELIA TRANSMISSION BELGIUM's strategy. Additionally, with regard to talent management we are aware that specific technical expertise (offshore, digitalization, IP...) will be required in the future to support the achievement of the strategy.

Responses

HR initiatives, policies and processes are designed to support the implementation of our strategy and objectives. A specific task force continuously monitors the measures taken by the public authorities in the covid-19 context. Targeted action is taken in a timely manner to ensure compulsory homeworking requirements are met or alternatively that working conditions on premises are compliant. Supported by an adequate set of tools & technologies employees can efficiently collaborate from home.

The Covid context also provides a momentum for driving a home working policy change in the frame of the New Way of Working initiative. In the future, it is expected that for some functions, homeworking will represent about half working time and work at premises the other half. This will ensure a healthy balance between virtual & physical interactions, between work life and private life while also supporting our sustainability ambitions by limiting transport-related CO2 emissions.

A reinforced focus on talent and culture led to several anticipating actions to develop a talent management framework. Its streams include amongst other things, the further improvement of the process for identification and sustainment of critical competencies, the implementation of risk management for critical functions and a career and development framework. Another strong focus is on leadership skills, with a culture change project to achieve the alignment between culture and strategy.

2.1.2 Changing/new regulatory conditions

Given the specificities of its activities, ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM's existing and envisioned strategy causing severe financial and organizational impacts.

Responses

In order to minimize uncertainties, ELIA TRANSMISSION BELGIUM strives to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German 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. ELIA TRANSMISSION BELGIUM is also founding members of the European Network of Transmission System Operators for Electricity (ENTSO-E). Through participating in this network, the transmission system operators provide advocacy for evolutions in line with their strategy.

Further information

In Belgium, the regulatory and legal framework entails risks with regard to the division of powers between federal and regional entities (for instance, contradictions between the various regulations, including the grid codes, could hinder the ability to perform ELIA TRANSMISSION BELGIUM's activities). Political sensitivities are also emerging on the impact of public policies on households and company energy bills, that could materialize in the form of legislation affecting the adequate coverage of these costs. The further development of and changes to these regulations may also impact the ELIA TRANSMISSION BELGIUM'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, ELIA TRANSMISSION BELGIUM also strives to anticipate proactively evolution brought to national or local legislations.

2.1.3 Pandemic risk (COVID type)

ELIA TRANSMISSION BELGIUM is affected by the COVID pandemic. This has an impact both on its ability to carry out its activities and on its revenues. However ELIA TRANSMISSION BELGIUM manages to minimize the impact of this crisis.

Responses

Business continuity plans are up to date. These include a resilience planning for critical functions. For As explained in the HR risk description, ELIA TRANSMISSION BELGIUM has developed HR policies which allow an effective homeworking for the administrative functions. ELIA TRANSMISSION BELGIUM has also integrated health-related actions for its personal working on the field, to assure the maintenance and the development of its infrastructure.

The pandemic affects the volume of energy consumed by its consumers (resulting from the current economic crisis). However, the impact of this is limited because most of its tariffs are not based on the volume of energy but on the peak of power taken from the network, which remains steady. For the tariffs that are related to the volume of energy (e.a., mainly the public service obligations), the regulatory framework foresees the possibility to adapt the tariffs to the new expectations in term of volume of energy.

ELIA TRANSMISSION BELGIUM has also undertaken a careful monitoring to ensure that its invoices are paid on time.

2.1.4 Early termination of TSO licence

To execute its activities, ELIA TRANSMISSION BELGIUM has a licence, which can be revoked earlier if ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM.

Responses

A reorganization was performed by the end of 2019, which enables the ring-fencing of the Belgian regulated activities of ELIA TRANSMISSION BELGIUM from any other activities (German regulated activities or non regulated activities). This in turn limits the risk of cross-subsidy between regulated activities or with non-regulated activities.

It thereby provides ELIA TRANSMISSION BELGIUM with a suitable framework for the further development of all activities.

Further information

Elia Transmission Belgium (ELIA TRANSMISSION BELGIUM) 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.

2.1.5 Sustainability of incomes

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

In particular, the remuneration of ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM would not be able to realise or not timely/economically realise its investment programme, this could have a negative impact on ELIA TRANSMISSION BELGIUM'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 programs, which indirectly contributes to increasing their regulatory asset base.

ELIA TRANSMISSION BELGIUM also endeavours to consult with the CREG and to participate in consultations on tariff methodologies that take account of the changes resulting from the energy transition and the decentralization of energy generation.
Lastly, ELIA TRANSMISSION BELGIUM 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.

Further information

End 2019, CREG approved ELIA TRANSMISSION BELGIUM's Tariff proposal for the 2020-2023 regulatory period. Recently CREG also approved the actualization of Surcharges' level covering the costs of its Public service obligations, taking into account the expected effect of the pandemic on the volume of energy (see above).

2.2 Operational risks & responses provided

2.2.1 Balancing

The production of electrical energy should be equal to the demand at any time. The transmission system operators use 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 incentivizes 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, ELIA TRANSMISSION BELGIUM moved 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 which, together with a shortening of the capacity contracting time unit to four hours, lowers the entry barrier for the reserve market and allows the effective participation of more technologies. 2021 will be mainly dedicated to the further implementation of the European platforms for the activation of balancing energy and to the preparation of the connection of the Belgian market to these platforms in 2022.

2.2.2 Adequacy

The federal government in place has a key role to play in ensuring that enough capacity is available in its country to avoid the risk of an electricity shortage and problems of supply. ELIA TRANSMISSION BELGIUM, for its part, provides them with useful information. As an example, ELIA TRANSMISSION BELGIUM performs, in accordance with the law, regular assessments of Belgium’s security of supply situation in the short and longer term.

For the Belgium’s adequacy situation in the short-term, ELIA TRANSMISSION BELGIUM mainly assesses 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. If the study reveals that the latter criteria may not be met, the Minister in charge of Energy can ask ELIA TRANSMISSION BELGIUM 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 November 30, ELIA TRANSMISSION BELGIUM has published its probabilistic analysis of Belgium’s adequacy situation for the winter 2021-22. The results of this study are available here: **https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2020/20201130_strategic-reserve-2021-22-v_final-1_en.pdf**

ELIA TRANSMISSION BELGIUM also looks bi-annually at Belgium’s adequacy situation in the longer term. These studies assess the adequacy between load projections and anticipated available capacity (incl. DSR, load shifting, batteries…) in Belgium and the surrounding countries. The anticipated available capacity 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

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ELIA TRANSMISSION BELGIUM's 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. In 2020, ELIA TRANSMISSION BELGIUM has launched together with the relevant authorities and CREG and involving market parties the process for the next study (i.e. covering the period 2022-2032) that should become available no later than June 30, 2021.

Following the aforementioned 2019 study, in order to guarantee Belgium's security of supply in the longer term, the Belgian Parliament adopted in April 2019 a modification of the Electricity Law in order to introduce a capacity remuneration mechanism (CRM). ELIA TRANSMISSION BELGIUM is assisting the government in designing and implementing this CRM mechanism. In 2020 ELIA TRANSMISSION BELGIUM has delivered on all of its legal requirements for the rollout of this new mechanism, including formal proposals for several methodological aspects, for calibration of several parameter and for detailed functioning rules. ELIA TRANSMISSION BELGIUM has also started the necessary implementation actions (e.g. IT developments).
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). While the study of November 30, 2020 on the perspectives for next winter provides indications confirming the trend, particularly the study to be delivered by June 30, 2021 will provide further insights in this matter. Also on this aspect, ELIA TRANSMISSION BELGIUM continues to inform the relevant authorities and assists them in their works when called upon.

2.2.3 Contingency events & Business continuity disruption

The transmission systems operated by ELIA TRANSMISSION BELGIUM is very reliable. Nonetheless, unforeseen events, such as unfavorable 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 the ELIA TRANSMISSION BELGIUM. 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 ELIA TRANSMISSION BELGIUM.

There are causes other than unfavorable 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 ELIA TRANSMISSION BELGIUM.

Responses

There are several procedures in place to manage these risks, going from crisis management plans to operational procedures such as defense 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 ELIA TRANSMISSION BELGIUM, the respective general terms and conditions of its contracts provide for appropriate liability caps for ELIA TRANSMISSION BELGIUM, as the case may be, to a reasonable level. Each relevant insurance policy is designed to limit some of the financial repercussions if these risks were to occur.

Should unfavorable circumstances occur, ELIA TRANSMISSION BELGIUM 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.
A framework for crisis management for managing all corporate crisis situations such as community relations issues is under development.

Further information

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

ELIA TRANSMISSION BELGIUM'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. In terms of security, the screening of relevant profiles is applied and projects to improve the security of critical infrastructure are ongoing.

2.2.4 Climate risks

The risks associated with climate change are especially important for ELIA TRANSMISSION BELGIUM given our ambition to deliver the infrastructure of the energy transition, which helps achieve climate targets at the same time. Climate change & energy transition bring uncertainties & challenges to our TSO missions related to markets, system & infrastructure. These include, notably, changes in regulation, selection of technologies or informed infrastructure management in light of physical risks. Indeed, the possibility of having temperature patterns, sea levels, the contours of flood prone areas, or even the frequency and severity of extreme weather events modified may in turn lead to less favorable operating conditions for our assets or even damage them. Such circumstances may trigger risk factors for contingency events & business continuity disruption. Currently, the most important physical risk sources are extreme weather events causing damage to our outdoor infrastructure & flooding of substations.

Responses

The assessment of climate risks is integrated into a multi-disciplinary group-wide risk management process, where risks are identified, assessed, & high priority risks closely followed-up.

For several years now, ELIA TRANSMISSION BELGIUM responds via Elia Group the Carbon Disclosure Project (CDP) questionnaire. In 2020, a B rating was received, which reflects continuous improvement in the management of environmental impact, climate risks & opportunities.

In addition to its efforts to implement the infrastructure of the energy transition, ELIA TRANSMISSION BELGIUM is taking part in the initiative “Act Now for a Sustainable World”. The 5 sustainability lighthouses defined are a concrete expression of our determination to be among the best European TSOs in terms of sustainability performance. The ambition is to be transparent about what will be done in the coming years in terms of sustainability.

2.2.5 Failure of Information and Communication Technology (ICT), data security & protection.

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

ELIA TRANSMISSION BELGIUM also collects and stores sensitive data, their own business data and that of their suppliers and business partners. ELIA TRANSMISSION BELGIUM 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) as well as the NIS directive. 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 ELIA TRANSMISSION BELGIUM to provide all or part of their services and generally may result in a breach of its legal and/or contractual obligations. This could, in turn, result in legal claims or proceedings, contractual liability, liability under any other data protection laws, criminal, civil and/or administrative sanctions, a disruption of the operations of ELIA TRANSMISSION BELGIUM, or damage its reputation, and in general could adversely affect the business of ELIA TRANSMISSION BELGIUM.

Responses

ELIA TRANSMISSION BELGIUM 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.

Furthermore, data governance and classification, as well as data protection and information security (ISO 27001) are applied and monitoring has started.

ELIA TRANSMISSION BELGIUM also continuously adapts its processes and is putting in place new processes to ensure compliance.

2.2.6 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. Electricity grids are recognized as enabling the energy transition. The development of such infrastructure and interconnectors with other neighboring 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 an important 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.

Working hands in hands with authorities on a common goal (i.e. the integration of renewables while ensuring the security of supply with affordable energy prices) helps to build sustainable relations and achieve grid projects within the timeframe of climate ambitions.

For instance, in spite of COVID circumstances, ELIA TRANSMISSION BELGIUM worked together with governments and local municipalities to develop and be able to go further with digital participation strategies. By having this proactive and agile approach, we did not suffer from significant delays to progress and obtain the decisions we were waiting for in 2020.

Further information

In Belgium, some projects are particularly important to facilitating the energy transition: the interconnection projects, the reinforcement of the backbone (HTLS projects), the construction of new projects to reinforce the backbone, such as Ventilus and Boucle du Hainaut and finally the development of the second wave of offshore windfarms. Despite the common interest for the society, they also require a great deal of effort to gain community acceptance due to local impact.

Further information on these projects is available in our Federal Development Plan 2020-2030:
https://www.elia.be/fr/infrastructure-et-projets/plans-investissements/plan-de-developpement-federal-2020-2030

2.2.7 Supplier's risk

ELIA TRANSMISSION BELGIUM relies on a limited number of key suppliers to provide him 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, ELIA TRANSMISSION BELGIUM 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, ELIA TRANSMISSION BELGIUM is also exposed to the risk of public procurement claims and that their respective suppliers, when facing financial difficulties, may not be able to comply with its contractual obligations. Covid-19 may place some suppliers in a tight financial & supply chain situation (limited stock of supplies). Any cancellation of or delay in the completion of its infrastructure works could have an adverse effect on the business and reputation of ELIA TRANSMISSION BELGIUM.

Responses

ELIA TRANSMISSION BELGIUM maintains ongoing dialogue with its suppliers and regularly performs predictive capacity analysis at market level in order to minimise supplier's risk. Targeted measures are taken to mitigate specific risks. ELIA TRANSMISSION BELGIUM also develops more resilient purchasing strategies and diversifies its supplier portfolio. The HR initiatives aiming to increase the internal technology knowhow and skillset with respect to critical technologies and tools also contribute to limit the risk of dependencies with respect to EU & non-EU suppliers.

2.2.8 Health & safety accidents

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

Responses

The safety and well-being of individuals is a key priority and a daily concern for ELIA TRANSMISSION BELGIUM. A Health and Safety policy is in place. Safety analyses and promotion of a safety culture are undertaken. Action taken towards a Just Culture and a strong system based H&S strategy enables ELIA TRANSMISSION BELGIUM to pursue these priorities in a sustainable manner.

2.3 Financial risks & responses provided

2.3.1 Negative changes in financial markets

The ability of ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM. Indeed, in order to finance its investments and to achieve its short and long-term strategic goals, ELIA TRANSMISSION BELGIUM needs to access capital markets. In the current bank and capital market environment characterized by low interest rates, ELIA TRANSMISSION BELGIUM has no constraints on the availability of funding. The allowed return on equity defined in the regulatory schemes can also be adversely affected by the decrease of interest rates.

To finance its investments, ELIA TRANSMISSION BELGIUM is dependent on its ability to access the debt market in order to raise the necessary funds to repay its existing indebtedness and meet its financial needs for its future investments. Geopolitical issues linked to the execution of the BREXIT as well as the roll-out of the Biden administration in the US and the evolution of the pandemic Covid-19 could further impact the financial markets. All of these macroeconomic factors are reflected at market level by severe volatility, which could impact the financing of ELIA TRANSMISSION BELGIUM.

Responses

The risks the ELIA TRANSMISSION BELGIUM faces are identified and analyzed in order to establish appropriate limits. ELIA TRANSMISSION BELGIUM controls and monitors risks and compliance with such limits. To this end, ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM. The financial impact of these risks is limited, as Elia Transmission Belgium operates under the Belgian regulatory framework.

As part of the ELIA TRANSMISSION BELGIUM's efforts to mitigate the funding risk, ELIA TRANSMISSION BELGIUM aims to diversify its financing sources in debt instruments and balances the maturity of it's funding to the long-term lifetime of its assets. 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 (sustainability linked credit lines for ELIA TRANSMISSION BELGIUM) and the Commercial Paper Program.

Further information

In Belgium, the funding costs linked to the financing of the regulated activities are qualified as "Non controllable elements" and potential deviations from budgeted figures can be passed on in a subsequent regulatory tariff period (or in the same period in the event of an exceptional change in charges). The regulated tariffs are set pursuant to forecasts of the interest rate.

2.3.2 Cashflow

The fluctuation in interest rates of the ELIA TRANSMISSION BELGIUM'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 ELIA TRANSMISSION BELGIUM and the forecast financial costs. This could cause transitory effects on the cash position of ELIA TRANSMISSION BELGIUM.

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 ELIA TRANSMISSION BELGIUM. Covid-19 measures were leading in 2020 to a drop in electricity consumption. This downturn in electricity consumption had a substantial impact on the actual cash income to finance the different mechanism to support the development of renewable energy and public service obligations. However, thanks to the current tariff structure, the impact on our core business cash incomes was more limited. In function of the evolution of the economic activities, a wider negative mid-term impact may be expected. Further information on the impact of support mechanisms is provided hereunder. The existing legal rules foresee that TSO public service obligations' costs are covered by tariffs (& tariff evolutions) which are approved by the regulators on a regular basis.

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. ELIA TRANSMISSION BELGIUM is entitled to several of these public service obligations mechanisms. This may have an indirect impact on ELIA TRANSMISSION BELGIUM's cashflow: deviations from the number of sales of green certificates at a guaranteed minimum price or deviations from the expected volumes of infeed of renewable energy and lower end user consumption could generate short-term & mid-term significant cash expenses.

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 program.

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 on end-user consumption, RES-infeed, market prices, the expected number of sales of green certificates at a guaranteed minimum price, as well as reporting and communicating issues to governments and regulators can contribute to keeping a good balance.

Further information

With the advent of Belgian laws and regulations governing decentralized or renewable energy generation, notably via photovoltaic solar panels and wind turbines, the federal and regional governments organized the issuance of so-called 'green certificates' (GC), which are used as a financial support mechanism for renewable energy.
The first vague of offshore wind turbine connections have been finalized in the North Sea in the course of 2020 and hint towards a potential growth once MOGII has been approved, generating green certificates to be sold to ELIA TRANSMISSION BELGIUM. 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 in the coming years.

In terms of the regional public service obligations, a historical imbalance exists since a few years but a gradual decline of this imbalance is expected to happen in the future.

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 to ELIA TRANSMISSION BELGIUM, was completed in late 2017 by a new green certificate temporization mechanism. In this context, the Walloon Region is entitled to buy appropriate quantities of GC from ELIA TRANSMISSION BELGIUM and to resell these GC to the market in a few years.

In the perspective to finance the further negative balance between the actual tariff of 13.8159 €/MWh and the cost of GC sales to ELIA TRANSMISSION BELGIUM in 2021, a new temporization operation is probably still necessary in 2021. As from 2022, the GC sales to ELIA TRANSMISSION BELGIUM should start declining and so limiting the risk on further financial imbalance on the Walloon GC public service Obligation. In the same time, the reservation mechanism by Solar Chest will stop by end of June 2022.

For what concerns the offshore green certificates public service obligation, the existing legal rules foresee that this lack of funding is addressed by an evolution in tariffs, with a delay of about 2 years. The tariff for 2021 has been approved by the Minister of Energy.

As a logical result of the response defined to adequacy risks described in the regulatory & risk sections, the financing mechanism of CRM remains to be finalized, as balanced as possible.

2.3.3 Legal disputes & liabilities

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

Responses

ELIA TRANSMISSION BELGIUM 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.

2.4 Contextual factors

2.4.1 Covid 19

The covid 19 pandemic and restrictions imposed to contain it have led to a slowdown in economic activities world-wide. Uncertainty remains on the longer term impact of covid-19. The resurgence of the virus in many European countries in the autumn 2020 combined with the need to reintroduce containment measures are playing an adverse role on the economic momentum. The emergence of vaccines is expected to play a leading counterbalancing role. However, it can still take time until the threshold vaccination rate is reached and herd immunity is achieved.

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.

2.4.2 Energy demand & energy efficiency

While global energy demand had steadily increased over the past decades until the COVID pandemic, 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 the ELIA TRANSMISSION BELGIUM’s network. The same applies for a slowing down of the economic activities of industrial clients and a reduction of their consumption.

2.4.3 Macroeconomic context

2020 was characterized by a rather uncertain macroeconomic climate, in particular due to the covid-19 (see sub-section above), to a sharp increase in government debt combined with contraction episodes in gross domestic product and the prospect of a no-deal BREXIT (until a deal was agreed at the end of December). The organization of the elections in the United States of America, and the possible contestation of its results, was also an element likely to increase market volatility. As well as this, interest rates remained very low in 2020, 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.

3. Features of the internal control and risk management systems

The reference framework for internal control and risk management, established by the Executive Board and approved by the ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM'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 ELIA TRANSMISSION BELGIUM is described below.

3.1 Control environment

Organisation of internal control

Pursuant to the ELIA TRANSMISSION BELGIUM articles of association, the Board of Directors has established various committees to help it fulfil its duties: the Executive Board, the Audit 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 Executive Board 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 ELIA TRANSMISSION BELGIUM's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iv) reporting obligations under the regulatory framework. The structured approach developed by ELIA TRANSMISSION BELGIUM 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

ELIA TRANSMISSION BELGIUM's integrity and ethics are a crucial aspect of its internal control environment. The Executive Board 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 is regarded 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. The Ethical Code expressly states that bribery in any form, misuse of privileged and market manipulation is prohibited. This is confirmed by the Code of Conduct. ELIA TRANSMISSION BELGIUM and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by ELIA TRANSMISSION BELGIUM. 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 ELIA TRANSMISSION BELGIUM's deontology as to purchasing and all associated rules. ELIA TRANSMISSION BELGIUM's purchasing deontology 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.

ELIA TRANSMISSION BELGIUM 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 ELIA TRANSMISSION BELGIUM Code of Ethics which may harm ELIA TRANSMISSION BELGIUM's reputation and/or interests in a protected manner.

By virtue of its legal status as a power transmission system operator, ELIA TRANSMISSION BELGIUM is subject to a large number of statutory 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, ELIA TRANSMISSION BELGIUM 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 2020.

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. In 2020, no relevant findings relating to financial fraud were reported in the audits making up the annual audit plan of 2020.

Roles and responsibilities

ELIA TRANSMISSION BELGIUM'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 ELIA TRANSMISSION BELGIUM are primarily identified in the legal framework applicable to ELIA TRANSMISSION BELGIUM and the articles of association. 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 having listed debt instruments.

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 ELIA TRANSMISSION BELGIUM'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. ELIA TRANSMISSION BELGIUM 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, ELIA TRANSMISSION BELGIUM 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.

ELIA TRANSMISSION BELGIUM 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.

3.2 Risk management

Risk management is another internal control system that is crucial in helping ELIA TRANSMISSION BELGIUM to achieve its strategic objectives as defined in its mission. The Audit Committee, the Board of Directors and the Risk Manager jointly and regularly identify, analyse and assess key 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 ELIA TRANSMISSION BELGIUM'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, ELIA TRANSMISSION BELGIUM's Executive Board 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 ELIA TRANSMISSION BELGIUM and tries to anticipate the nature and characteristics of emerging risks, which may impact ELIA TRANSMISSION BELGIUM'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 comply with generally accepted accounting principes ; (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 ELIA TRANSMISSION BELGIUM, as an electricity transmission system operator in relation to its physical installations, held by Elia Asset, 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 ELIA TRANSMISSION BELGIUM 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

ELIA TRANSMISSION BELGIUM'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 the Executive Board 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, based on a recommendation of the Audit Committee. Risk Management is instrumental for ELIA TRANSMISSION BELGIUM to maintain its value for stakeholders and the community, works with all departments with a view to optimising ELIA TRANSMISSION BELGIUM's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

3.3 Control activities

Main control activities

ELIA TRANSMISSION BELGIUM 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, ELIA TRANSMISSION BELGIUM 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; 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 Executive Board 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.

3.4 Information and Communication

ELIA TRANSMISSION BELGIUM 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, ELIA TRANSMISSION BELGIUM 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.

3.5 Monitoring

ELIA TRANSMISSION BELGIUM 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.

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 ELIA TRANSMISSION BELGIUM. 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.

4. Elia Transmission Belgium Consolidated Financial Statements

Consolidated statement of profit or loss

(in € million) – Year ended 31 December	Notes	2020	2019
Revenue	(5.1)	858.1	
Raw materials, consumables and goods for resale	(5.2)	(6.5)	
Other income	(5.1)	66.9	
Net income (expense) from settlement mechanism	(5.1)	89.1	
Services and other goods	(5.2)	(395.1)	(0.1)
Personnel expenses	(5.2)	(167.8)	
Depreciations, amortizations and impairments	(5.2)	(187.2)	
Changes in provisions	(5.2)	(1.1)	
Other expenses	(5.2)	(22.1)	
Results from operating activities		**234.4**	**(0.1)**
Share of profit of equity accounted investees (net of tax)	(6.5)	9.2	
Earnings before interest and tax (EBIT)		**243.6**	**(0.1)**
Net finance costs	(5.3)	**(73.0)**	
Finance income		2.3	
Finance costs		(75.3)	
Profit before income tax		**170.6**	**(0.1)**
Income tax expense	(5.4)	(44.1)	
Profit for the period		**126.5**	**(0.1)**
Profit attributable to:			
Equity holders of the parent		126.5	(0.1)
Non-controlling interest			
Profit for the period		**126.5**	**(0.1)**
Earnings per share (in €)			
Basic earnings per share		0.62	(9.32)
Diluted earnings per share		0.62	(9.32)

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

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of profit or loss and comprehensive income

(in million €) – Year ended 31 December	Notes	2020	2019
Profit for the period		**126.5**	**(0.1)**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(5.6)	4.4	
Related tax		(1.1)	
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.14)	(4.2)	
Related tax		1.1	
Other comprehensive income for the period, net of tax		**0.2**	**0.0**
Total comprehensive income for the period		**126.7**	**(0.1)**
Total comprehensive income attributable to:			
Equity holders of ordinary shares		126.7	
Non-controlling interest		0.0	
Total comprehensive income for the period		**126.7**	**(0.1)**

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

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of financial position

(in € million) – Year ended 31 December	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS		**6,564.4**	**6,417.1**
Property, plant and equipment	(6.1)	4,427.5	4,268.4
Goodwill	(6.3)	1,707.8	1,707.8
Intangible assets	(6.2)	42.8	35.1
Trade and other receivables	(6.4)	0.5	2.3
Equity-accounted investees	(6.5)	322.9	342.6
Other financial assets (including derivatives)	(6.6)	61.0	60.3
Deferred tax assets	(6.7)	1.9	0.6
CURRENT ASSETS		**728.5**	**279.5**
Inventories	(6.8)	14.7	14.6
Trade and other receivables	(6.9)	518.4	213.9
Current tax assets	(6,10)	1.4	2.6
Cash and cash equivalents	(6.11)	188.6	42.0
Deferred charges and accrued revenues	(6.9)	5.4	6.4
Total assets		**7,292.9**	**6,696.6**
EQUITY AND LIABILITIES			
EQUITY		**2,312.3**	**2,198.1**
Equity attributable to owners of the Company	(6.12)	2,312.3	2,198.1
Share capital		2,061.9	2,055.5
Share premium		0.0	0.0
Reserves		2.8	0.0
Hedging reserve		0.0	(3.3)
Retained earnings		247.6	145.9
Non-controlling interest		0.0	0.0
NON-CURRENT LIABILITIES		**3,879.5**	**2,943.2**
Loans and borrowings	(6.13)	3,624.7	2,704.6
Employee benefits	(6.14)	91.0	87.5
Derivatives	(8.1)	0.0	4.4
Provisions	(6.15)	38.5	33.0
Deferred tax liabilities	(6.7)	24.1	22.8
Other liabilities	(6.16)	101.2	90.9
CURRENT LIABILITIES		**1,101.1**	**1,555.3**
Loans and borrowings	(6.13)	77.9	593.0
Provisions	(6.15)	1.8	2.5
Trade and other payables	(6.17)	519.5	384.3
Current tax liabilities	(6.10)	8.6	1.6
Accruals and deferred income	(6.20)	493.3	573.9
Total equity and liabilities		**7,292.9**	**6,696.6**

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

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of changes in equity

(in € million)	Share capital	Share premium	Hedging reserve	Reserves	Retained earnings	Equity attributable to owners of the company	Non-controlling interests	Total equity
Balance at 31 July 2019								
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
Total contributions and distributions	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**
Balance at 1 January 2020	**2,055.5**		**(3.3)**		**145.9**	**2,198.1**		**2,198.1**
Profit for the period					126.5	126.5		126.5
Other comprehensive income			3.3		(3.2)	0.2		0.2
Total comprehensive income for the period			**3.3**		**123.4**	**126.7**		**126.7**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to Owners								
Shares issued	5.0					5.0		5.0
Share-based payment expenses	1.4					1.4		1.4
Transfer to legal reserves				2.8	(2.8)			
Dividends					(18.9)	(18.9)		(18.9)
Total contributions and distributions	6.4			2.8	(21.6)	(12.5)		(12.5)
Balance at 31 December 2020	**2,061.9**			**2.8**	**247.5**	**2,312.3**		**2,312.3**

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

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of cash flows

(in € million) - Year ended 31 December	Notes	2020	2019
Cash flows from operating activities			
Profit for the period		**126.5**	**(0.1)**
Adjustments for:			
Net finance costs	(5,3)	72.9	
Other non-cash items		1.4	
Current income tax expense	(5.4)	44.2	
Profit or loss of equity accounted investees, net of tax		(9.2)	
Depreciation of property, plant and equipment and amortisation of intangible assets	(5.2)	187.0	
Loss on sale of property, plant and equipment and intangible assets		6.8	
Impairment losses of current assets		0.3	
Change in provisions		(2.9)	
Change in deferred taxes		(0.1)	
Cash flow from operating activities		**427.0**	**(0.1)**
Change in inventories		(0.3)	
Change in trade and other receivables		(302.9)	
Change in other current assets		4.5	
Change in trade and other payables		143.6	
Change in other current liabilities		(89.6)	
Changes in working capital		**(244.6)**	
Interest paid	(6.13)	(76.8)	
Interest received	(5.3)	2.3	
Income tax paid		(34.5)	
Net cash from operating activities		**73.4**	**(0.1)**
Acquisition of intangible assets	(6.2)	(17.5)	
Acquisition of property, plant and equipment	(6.1)	(333.4)	
Acquisition of equity-accounted investees		(0.4)	
Proceeds from sale of property, plant and equipment		2.6	
Proceeds from sales of associate		1.6	
Proceeds from capital decrease from equity accounted investees	(6.5)	15.3	
Dividend received		13.8	
Net cash used in investing activities		**(318.1)**	
Proceeds from the issue of share capital	(6.12)	5.0	0.2
Acquisition business combinations under common control			41.9
Dividends paid (-)	(6.12)	(18.9)	
Repayment of borrowings (-)	(6.13)	(814.1)	
Proceeds from withdrawal of borrowings (+)	(6.13)	1,219.4	
Net cash flow from (used in) financing activities		**391.3**	**42.1**
Net increase (decrease) in cash and cash equivalents		**146.6**	**42.0**
Cash & Cash equivalents at 1 January		42.0	0.0
Cash & Cash equivalents at 31 December		188.6	42.0
Net variations in cash & cash equivalents		**146.6**	**42.0**

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

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

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 (assets and liabilities linked to the regulated activities) 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.

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.

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 2020 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 Transmission 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.

Basis of preparation

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 new and revised standards and interpretations published by IASB and applicable to the Group's activities which are effective for financial years starting on 1 January 2020.

New and amended standards and interpretations

The following standards, amendments and interpretations came in effect in 2020 with only limited or no impact for the Group:

- **Amendments to IAS 1 and IAS 8, regarding the definition of materiality.** The amendment has the purpose to clarify the definition of materiality, making it easier to understand. The concept of materiality has not been altered.
- **Amendments to IFRS 3: Definition of a Business**. The amendment clarifies the definition of a business to make it easier to understand.
- **Amendments to References to Conceptual Framework in IFRS Standards.** The revised conceptual framework is more comprehensive in order to cover all aspects of standard setting from the objective of financial reporting, to presentation and disclosures.
- **Amendments to IFRS 9, IAS 39 and IFRS 7, regarding the interest rate benchmark reform.** The amendment has been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR).
- **Amendment to IFRS 16, COVID-19-Related Rent Concessions (effective 1 June 2020).** This amendment has been drafted to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The following **standards, amendments and interpretations** had not yet taken effect in 2020. 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:

- 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: regarding the classification of liabilities as current or non-current;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: interest rate benchmark reform (phase 2);
- Amendments to IAS 37: Onerous contracts, cost of fulfilling a contract;
- Annual improvements to IFRS standards 2018-2020;
- Amendment to IAS 16: property, plant and equipment: proceeds before intended use;
- Amendments to IFRS 3: reference to the conceptual framework;

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.

Basis of measurement

In general, the consolidated financial statements have been prepared on a historical-cost basis. However, following categories deviate from this general rules:

- Equity accounted investees: equity method is applied to determine the value of a participation in which the Group has a significant influence.
- Other shareholdings: entities in which the Group has a participation without having a significant influence are valued at fair value through OCI.
- Current and non-current receivables 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).
- Derivative financial instruments are measured at fair value through OCI or P&L, depending on whether the derivative can be designated as hedging instrument or not (see also note 8.1).
- Decommissioning provisions are valued at present value.

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.

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 Transmission System Operator (TSO) in the Belgian segment is mainly determined by calculation methods set by, respectively, 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, 9.1.4 and 9.2.3.

- 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).

- In determining the appropriate discount rate to discount the future dismantling obligation, management considers the interest rates of corporate bonds in 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 dismantling obligation. A sensitivity analysis is performed to measure the impact of a discount rate that would differ.

- 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 3.3.1 and 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 the 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)

The impact of COVID-19 has been taken into account for the potential assessment of its effects in Elia's financial performance. In general, as Elia is acting under regulatory framework in Belgium, the profitability as such has not been affected. We refer to note 4 for more detailed information in each segment. However, effects on macro-economic metrics, e.g. intrest rate, discount rate … have been taken into account. We refer to the following notes for more information : 6.3, 6.19 and 8.1.

Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 25 March 2021.

Significant accounting policies

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 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.

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.

Statement of financial position

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.

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.

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.

Trade and other receivables

Contract assets

Revenue arising from 3rd party services (see note 3.4.1.) 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

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.

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.

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.

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.

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 statement of profit or loss. 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.

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 (see note 6.12.1)

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.

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 (Belgium)

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.

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.

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

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 statement of profit or loss on a systematic basis over the expected useful life of the related asset. Grants related to expense items are recognised in the statement of profit or loss in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the statement of profit or loss.

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..

Leases

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.

Regulatory deferral accounts

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

a reasonable return on invested capital;
- 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 Group operates. The effect of discounting is reflected in the financial result. See note 9.

Items in the statement of profit or loss

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 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 Belgium:

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 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/ distribution system operators (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/DSOs, 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. Revenue is recognised over time as these services are performed continuously throughout the contractual term.	Contract and tariff approved by Regulator. EUR per kW at access point
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) from settlement mechanism

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.

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 and loss as it is a tax on profits whereas the hybrid coupon 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.

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.

2. Segment reporting

Basis for segment reporting

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

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

Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/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.

- Non-regulated activities and Nemo Link, 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 9.2 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).

The CODM has been identified by the Group as the Boards of Directors, CEOs and Executive Boards 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.

Elia Transmission (Belgium)

The table below shows the 2020 consolidated results of Elia Transmission (Belgium)

Results Elia Transmission (in € million) - Period ended 31 December	**2020**	**2019**	
Revenue, other income and net income (expense) from settlement mechanism	*1,004.7*	*0.0*	
Revenues	*858.1*	*0.0*	
Other income	*57.5*	*0.0*	
Net income (expense) from settlement mechanism	*89.1*	*0.0*	
Depreciation, amortization, impairment and changes in provisions	(188.3)	0.0	
Results from operating activities	235.7	(0.1)	
Equity accounted investees	1.9	0.0	
Earnings before interest and tax (EBIT)	237.5	(0.1)	
Adjusted items	0.0		
Adjusted EBIT	237.5	0.0	
Earnings before depreciations, amortizations, interest and tax (EBITDA)	425.8	(0.1)	
Finance income	2.3	0.0	
Finance costs	(68.7)	0.0	
Income tax expenses	(46.3)	0.0	
Profit Net	**124.8**	**(0.1)**	
Adjusted items	0.0	0.0	
Adjusted net profit	**124.8**	**(0.1)**	
Consolidated statement of financial position (in € million)	**31 December 2020**	**31 December 2019**	**Difference (%)**
Total assets	6,990.9	6,384.4	9.5%
Capital expenditures	365.6	0.0	n.r.
Net financial debt	3,305.6	3,024.8	9.3%

The tariff methodology approved by the regulator CREG on 7 November 2019 came into force in 2020. The methodology is applicable for a four-year period (2020 – 2023). See Note 9.1 for more information about the new regulated framework.

We refer to note 1, the assessment of the financial performance compared to 2019 in the elements of the statement of profit or loss is irrelevant as the Company started its activities as TSO per 31.12.2019 at midnight.

Financial

Elia Transmission's revenue amount to €1,004.7 million.

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

(in € million)	2020
Grid revenue:	**848.2**
Grid connection	46.4
Management and development of grid infrastructure	484.8
Management of the electrical system	129.6
Compensation for imbalances	131.2
Market integration	22.1
International revenue	34.2
Last mile connection	**2.8**
Other revenue	**7.1**
Subtotal revenue	858.1
Other income	57.5
Net income (expense) from settlement mechanism	89.1
Total revenue and other income	1,004.7

Grid connection revenue was €46.4 million and was affected by the tariffs set by the CREG as from 2020.

Revenue from **management and development of grid infrastructure** amount to €484.8 million (+1.1%) and were impacted by an increase in the yearly peak tariff, a slight increase in the revenue from DSOs for power put at their disposal, offset by a drop in the monthly peak tariff and a decrease in direct customer monthly peak volume as a result of the COVID-19[8] measures.

Revenue from **management of the electrical system** amounts to €129.6 million resulting of a tariff increase as from 2020, an increase in additional reactive offtake energy and the introduction of the tariff for injection of additional reactive energy.

Services rendered in the context of energy management and individual balancing of balancing groups are paid within the revenue from **compensation for imbalances**. This revenue of €131.2 million was largely affected by the tariff decrease for management of power reserves and black-start based on offtake and injection. Revenue from compensation for imbalances include the high revenue and imbalance situations generated by wind forecast on several days in the second half of 2020.

Finally, the last section of tariff revenue encompasses the services Elia Transmission Belgium provides within the context of **market integration** was affected by a tariff decrease as from 2020 and drop in energy volume offtake due to the COVID-19 measures.

International revenue equalled to €34.2 million, resulting from a lower congestion income during a softer winter period and less offtake due to the COVID-19 measures in 2020, with sufficient injection power availability leading to less power exchange with the CWE region. The absence of high price differences with neighbouring countries in 2020 reinforced this decrease.

Last mile connection revenue amounts to €2.8 million and **other revenue** (€7.1 million) includes the works delivered to third parties.

The **settlement mechanism** (€89.1 million) encompasses both deviations in the current year from the budget approved by the regulator (+€21.6 million) and the settlement of net surpluses from the previous tariff period (+€67.5 million). The operating deficit (+€21.6 million), in relation to the budgeted costs and revenue authorised by the regulator, can be recovered from consumers in a future tariff period and is primarily the result of a drop in cross-border revenue (€20.9 million), higher financial costs (€5.8 million) and higher taxes (€6.4 million). This was partly offset by lower depreciations (€5.0 million) and lower costs for ancillary services (€4.5 million).

EBITDA rose to €425.8 million driven by the regulated net profit, depreciations linked to the growing asset base, the financial costs (excluding the effect from capitalised borrowing costs) that are all passed through into revenue. The **EBIT** amounts to € 237.5 million, affected by depreciations of intangible assets acquired in the past and activated under IFRS while directly expensed and covered through the tariffs during the previous regulatory period. Under the new tariff methodology, intangible assets are activated in the regulated asset base. The contribution of equity-accounted investments (HGRT and Coreso) remained flat at €1.9 million.

Net finance cost of €68.7 million includes the interest costs of the loans/bonds transferred to Elia Transmission Belgium at the end of 2019. In 2020, Elia took advantage of supportive market conditions to manage its liquidity position and tapped the debt capital market

[8] In conformity with the regulatory framework, variations in volume are neutralized within the settlement mechanism and as such have no impact on the profitability of company.

with an €800 million Eurobond. The proceeds of the new issue were used to finance the ongoing investment programme and to re-finance a €496 million shareholder loan that was repaid early June. This new issue reduced the average cost of debt significantly – to consumers' benefit from 2.16% at the end of 2019 to 1.93% at the end of 2020. However, the total net finance costs was affected by the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (-€4.5 million) ,a lower capitalised borrowing cost linked to major commissionings in 2019, partially offset by the sale of Elia's stake in Ampacimon (+€1.0 million). Elia Transmission has a well-balanced debt maturity profile with no upcoming near-term material maturities.

Adjusted net profit of €124.8 million consists of :

- **Fair remuneration** (€98.5 million) due to the higher return on equity resulting from the new tariff methodology (fixed risk-free rate of 2.4%), and the gearing ratio slightly higher than 40%
- **Incentives** (€27.6 million), reflecting a strong operational performance under the new incentive remuneration, primarily with respect to incentives linked to interconnection capacity, timely commissioning of projects and the high availability of the offshore connection "MOG", and offset by a lower performance on the innovation incentive and a lower efficiency gain.
- **Other items** for **(-**€ 1.3 million) mainly linked to IFRS provisions for IAS 19 and other provision (+€3.1 million) mainly driven by a positive contribution from employee benefits resulting from lower interest/service cost, a one-off change in plan assets of a defined benefit plan and the reversal of a tax provision; which were mainly offset by (-€ 4.6 million) related to the depreciation of intangible assets acquired prior to 2020 and activated under IFRS while fully expensed and covered under the previous regulatory methodology (-€9,2 million), borrowing costs (+€5.9 million)and finally cost incurred for the capital increase (-€1.4 million) realised for the employees of the group

Total assets rose by €606.5 million to €6,990.9 million, mainly due to the investment programme and a higher liquidity. **Net financial debt** increased to €3,305.6 million (+9.3%), as Elia's CAPEX programme was mainly financed by cash flows from operating activities and the bond issue. In 2020, Elia reimbursed the Revolving Credit Facility (RCF) (drawn at the end of 2019 (€75 million)). A new sustainability-linked RCF (€650 million) and a new commercial paper programme (€300 million) was put in place, both fully undrawn at the end of 2020.

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Non-regulated activities and Nemo Link

The table below shows the 2020 consolidated results of the 'Non-regulated activities and Nemo Link' segment:

Results Nemo Link and non-regulated activities (in € million) - Period ended 31 December	2020	2019	
Revenues	0.0	0.0	
Other income	9.4	0.0	
Depreciation, amortization, impairment and changes in provisions	0.0		
Results from operating activities	(1.3)	0.0	
Share of profit of equity accounted investees (net of income tax)	7.3	0.0	
Earnings before interest and tax (EBIT)	6.0		
Earnings before depreciations, amortizations, interest and tax (EBITDA)	6.0	0.0	
Finance income	0.0	0.0	
Finance costs	(6.5)	0.0	
Income tax expenses	2.2	0.0	
Profit attributable to the Owners of the Company	**1.7**	**0.0**	
Consolidated statement of financial position (in € million)	**31 December 2020**	**31 December 2019**	**Difference (%)**
Total assets	302.0	312.2	(3.3%)
Capital expenditures	0.0	0.0	n.r.
Net financial debt	208.4	230.8	(9.7%)

The other income (+€9.4 million) covers mainly revenues that covers costs that are recoverable with other companies of the Elia Group (e.g. 50Hertz, Elia Grid International, Elia Group NV/SA, ..).

Equity-accounted investments contributed €7.3 million to the Group's result, which is almost entirely attributable to **Nemo Link**. Nemo Link ended 2020 with an availability rate of 99.17% continuing to be one of the highest performing assets of its kind in the world. In view of Great Britain's departure from the EU's Internal Energy Market, operational systems and procedures were upgraded and on 31 December 2020, Nemo Link successfully ran its first explicit day ahead auction, ensuring power continued to flow between Great Britain and Belgium without any interruption in the new trading arrangement. The first half of the year saw higher price spreads between the UK and Belgium from mid-March to the end of May and a narrowing of the spread in June following a gradual recovery in power demand, lower wind output and outages at Belgian and French nuclear reactors, which drove up Belgian power prices. In the second half, due to the return of nuclear availability in Belgium and France and rising gas prices in the third quarter and certainly the last quarter, Nemo Link performed strongly, leading to a total net profit of €15.1 million for 2020 and including one-off tax adjustments related to prior years amounting to €6.6 million. The total contribution of Nemo Link to the Group net profit amounts to €7.4 million.

Net finance cost of €6.5 million primarily comprises the regulatory settlements for 2019 (€3.4 million) and the cost linked to Nemo Link private placement. Nemo Link is financed according to the regulatory framework (40% equity /60% debt).

Net profit amounted to €1.7 million mainly driven by the positive contribution of Nemolink as equity accounted investee, offset by the costs incurred related to the regulatory review and interest costs linked to Nemolink and positively affected by the revenues coming from other companies of the Group.

Total assets dropped slightly (-3.3%) to €302,0 million and **net financial debt** decreased by 9.7% due to capital repayments linked to the financing of Nemo Link.

Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) - Year ended 31 December	**2020**	**2020**	**2020**
	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
	(a)	(b)	(a) + (b)
Total revenues	858.1	0.0	858.1
Other income	57.5	9.4	66.9
Net income (expense) from settlement mechanism	89.1	0.0	89.1
Depreciation, amortization, impairment and changes in provisions	(188.3)	0.0	(188.3)
Results from operating activities	235.7	(1.3)	234.4
Share of profit of equity accounted investees, net of tax	1.9	7.3	9.2
Earnings before interest and tax (EBIT)	237.5	6.0	243.5
Earnings before depreciations, amortizations, interest and tax (EBITDA)	425.8	6.0	431.8
Finance income	2.3	0.0	2.3
Finance costs	(68.7)	(6.5)	(75.2)
Income tax expenses	(46.3)	2.2	(44.1)
Profit attributable to the owners of the company	**124.8**	**1.7**	**126.5**
Consolidated statement of financial position (in € million)	**31 Dec 2020**	**31 Dec 2020**	**31 Dec 2020**
Total assets	6,990.9	302.0	7,292.9
Capital expenditures	365.6	0.0	365.6
Net financial debt	3,305.6	208.4	3,514.0

Consolidated results (in € million) - Year ended 31 December	**2019**	**2019**	**2019**
	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
	(a)	(b)	(a) + (b)
Total revenues	0.0	0.0	0.0
Other income	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

Profit attributable to the owners of the company	**(0.1)**	**0.0**	**(0.1)**
Consolidated statement of financial position (in € million)	**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.

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

Besides the adoption of IFRS 16 as from 1 January 2019, there were no changes in the basis of preparation and therefore no restatements of figures from previous years were required.

Revenue, net income (expense) from settlement mechanism and other income

(in € million)	2020
Revenue	**858.1**
Grid revenue:	848.2
Last mile connection	2.8
Other revenue	7.1
Net income (expense) from settlement mechanism	**89.1**
Other income	**66.9**
Services and technical expertise	(1.5)
Own production	21.6
Optimal use of assets	14.5
Other	31.6
Gain on sale PPE	0.6

We refer to the segment reporting for a detailed analysis of the Group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €1,004.7 million (Note 4.2) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €9.4 million (Note 4.3). The reported revenues and other income amounts to €1,014.1 million.

The potential impact of Covid-19 on the revenues has been disclosed in the segment reporting. (Note 4)

The Group's own production relates to time spent on investment projects by Group employees.

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Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2020	2019
Raw materials, consumables and goods for resale	6.5	0.0
Purchase of ancillary services	153.5	0.0
Services and other goods (excl. purchase of ancillary services)	241.6	0.1
Total	**401.7**	**0.1**

'Purchase of ancillary services' includes the costs for services which enable the Group to balance generation with demand, maintain constant voltage levels and manage congestion on its grids.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and others.

PERSONNEL EXPENSES

(in € million)	2020
Salaries and wages	113.2
Social security contributions	29.4
Pension costs	21.0
Other personnel expenses	4.4
Share based payments expenses	1.4
Employee benefits (excl. pensions)	(1.6)
Total	**167.8**

In December 2020, the first tranche of the 2020 capital increase for Elia employees was completed. The capital increase resulted in the creation of 499,640 additional shares without nominal value. The Group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €1.4 million reduction overall.

Total 2020 personnel expenses for Elia Transmission (Belgium) amounted to €162.3. The non-regulated activities and Nemo Link accounted for €5.4 million.

For more information about pension costs and employee benefits, see Note 6.14, 'Employee benefits'.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in € million)	**2020**
Amortisation of intangible assets	9.6
Depreciation of property, plant and equipment	177.4
Total depreciation and amortisation	**187.1**
Impairment of inventories and trade receivables	0.1
Total impairment	**0.1**
Environmental provisions	(0.4)
Changes in provisions	**1.1**
Total	**188.3**

A detailed description and movement schedule is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.15).

OTHER EXPENSES

(in € million)	**2020**
Taxes other than income tax	12.7
Loss on disposal/sale of property, plant and equipment	9.0
Impairment on receivables	0.1
Other	0.2
Total	**22.1**

Taxes other than income tax mainly consist of property taxes.

The amount of impairment on trade receivables is explained in Note 8.1, 'Financial risk and derivative management'.

Net finance costs

(in € million)	**2020**
Finance income	**2.3**
Interest income on cash and cash equivalents and granted loans	(0.0)
Other financial income	2.3
Finance costs	**(75.3)**
Interest expense on eurobonds and other bank borrowings	(58.0)
Interest expense on derivatives	(5.2)
Interest cost on leasing	(0.7)
Other financial costs	(11.4)
Net finance costs	**(72.9)**

See note 6.13 for more details regarding the loans outstanding and the interest paid in 2020.

The interest rate swaps related to other loans (a loan with Synatom for €453.6 million) and the loan with Publi-Part (€42.1 million) were settled end of June 2020 with the repayment of both loans. With the settlement, an interest expense on derivatives of €4.4 million was incurred.

For more details of net debt and loans, see Note 6.13.

Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2020
Current year	42.6
Adjustments for prior years	1.5
Total current income tax expenses	**44.2**
Origination from and reversal of temporary differences	(0.1)
Total deferred taxes expenses	**(0.1)**
Total income taxes and deferred taxes recognised in profit and loss	**44.1**

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits (losses) of the consolidated companies:

(in € million)	2020
Profit before income tax	170.6
Income tax expense	**44.1**
Income tax, using the domestic corporate tax rate	42.7
Domestic corporate income tax	25.00%
Share of profit of equity-accounted investees	(2.3)
Non-deductible expenses	2.2
Adjustments for prior years	1.5
Tax shelter investments	(0.4)
Other	0.4
Income tax expense	**44.1**

The income tax expense is higher than the theorethical income tax expense (calculated using the nominal tax rate) due to expenses for which tax deduction is disallowed.

Deferred income taxes are discussed further in Note 6.7.

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2.1. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (after adjustment for the distribution on hybrid securities) (€250.1 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2020	2019
Ordinary shares issued on 1 January	205,572,291	
Ordinary shares issued in July 2019		8,384
Incorporation of Elia System Operator (31 December 2019)		
Ordinary shares issued in December 2020	13,689	
Weighted average number of shares on 31 December	**205,585,980**	**8,384**

With the incorporation of the activities of Elia System Operator NV/SA in Elia Transmission Belgium NV/SA, 205,585,980 shares were created. As this occurred on 31 December 2019, the weighted average of this operation in 2019 was equal to 0.

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 totalled €11.2 per share on 31 December 2020, compared with a value of €10.74 per share at the end of 2019.

2.2. Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the statement of profit or loss and other comprehensive income recognised in equity. ‘Other comprehensive income’ includes all changes in equity other than owner-related changes, which are reported in the statement of changes in equity.

The total other comprehensive income for 2020 amounts to €0.2 million positive impact.

Cash flow hedges

The fair value change of the cash flow hedges had a positive impact of €4.4 million on other comprehensive income. The interest rate swaps related to the loan with Publi-Part and other loans outstanding at year-end 2019 were settled end of June 2020. The negative fair value of €4.4 million was recycled in the profit or loss.

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a negative impact of €4.2 million. See Note 6.14 for more details.

The related tax on these two elements balanced each other out, resulting in a total other comprehensive income of €0.2 million.

Items in the consolidated statement of financial position

Property, plant and equipment

(in € million)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	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	26.9	50.7	686.2	7,345.5
Balance at 31 December 2019	**211.3**	**6,179.1**	**191.2**	**26.9**	**50.7**	**686.2**	**7,345.5**
Balance at 1 January 2020	**211.3**	**6,179.1**	**191.2**	**26.9**	**50.7**	**686.2**	**7,345.5**
Additions and remeasurements	0.7	157.3	12.3	0.2	3.1	173.9	347.6
Disposals	(0.6)	(36.9)	(3.4)	0.0	(0.4)	(0.9)	(42.2)
Transfers from one heading to another	1.1	476.1	0.0	4.2	0.0	(481.4)	0.0
Balance at 31 December 2020	**212.5**	**6,775.6**	**200.1**	**31.3**	**53.4**	**377.9**	**7,650.9**
ACCUMULATED 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)	(24.5)	(11.9)	0.0	(3,077.1)
Balance at 31 December 2019	**(27.1)**	**(2,864.3)**	**(149.3)**	**(24.5)**	**(11.9)**	**0.0**	**(3,077.1)**
Balance at 1 January 2020	**(27.1)**	**(2,864.3)**	**(149.3)**	**(24.5)**	**(11.9)**	**0.0**	**(3,077.1)**
Depreciation	(2.0)	(153.3)	(11.2)	(1.6)	(9.3)		(177.5)
Disposals	0.0	27.6	3.4	0.0	0.1		31.2
Transfers from one heading to another	0.0	3.0	0.0	(3.0)	0.0		0.0
Balance at 31 December 2020	**(29.1)**	**(2,987.0)**	**(157.2)**	**(29.1)**	**(21.0)**	**0.0**	**(3,223.4)**
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	2.5	38.8	686.2	4,268.4
Balance at 1 January 2020	184.2	3,314.8	41.9	2.5	38.8	686.2	4,268.4
Balance at 31 December 2020	183.4	3,788.6	42.9	2.3	32.4	377.9	4,427.5

Despite the continuing public health crisis, the Group delivered on its investment plans in 2020. While the lockdown measures affected the roll-out of the investment programme in the first half of 2020, Elia succeeded in making up for the delays incurred on some construction sites in the second half of the year.

Elia Transmission made investments of in total €347.6 million over numerous projects. Investments to be highlighted include the investments linked to the Brabo II project marking the completion of the new 380-kV loop around the port of Antwerp (€25 million) and the connection of the last two offshore windfarms onto the MOG platform (€4.0 million). ALEGrO, the first electricity interconnector between Belgium and Germany, entered commercial operation and was successfully energised.

During 2020, €7.8 million of borrowing costs were capitalised on assets under construction, based on an average interest rate of 2.03%.

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

Outstanding capital expenditure commitments are described in Note 8.2.

Intangible assets

(in € million)	Development costs of software	Licenses/concessions	Other intangible assets	Total
ACQUISITION VALUE				
Balance at 31 July 2019	**0.0**	**0.0**	**0.0**	**0.0**
Acquisition business combinations under common control	122.2	4.3	0.0	126.5
Balance at 31 December 2019	**122.2**	**4.3**	**0.0**	**126.5**
Balance at 1 January 2020	**122.2**	**4.3**	**0.0**	**126.5**
Additions	14.3	3.1	0.0	17.4
Disposals	(0.0)	(0.0)	0.0	(0.0)
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2020	**136.5**	**7.4**	**0.0**	**143.9**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 31 July 2019	**0.0**	**0.0**	**0.0**	**0.0**
Acquisition business combinations under common control	(88.4)	(3.0)	0.0	(91.4)
Balance at 31 December 2019	**(88.4)**	**(3.0)**	**0.0**	**(91.4)**
Balance at 1 January 2020	**(88.4)**	**(3.0)**	**0.0**	**(91.4)**
Depreciation	(9.0)	(0.6)	0.0	(9.6)
Disposals	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2020	**(97.4)**	**(3.6)**	**0.0**	**(101.0)**
CARRYING AMOUNT				
Balance at 31 July 2019	0.0	0.0	0.0	0.0
Balance at 31 December 2019	33.8	1.3	0.0	35.1
Balance at 1 January 2020	33.8	1.3	0.0	35.1
Balance at 31 December 2020	39.0	3.8	0.0	42.8

Software comprises both IT applications developed by the Company for operating the grid and software for the Group's normal business operations.

During 2020, €0.2 million in borrowing costs were capitalised on software in development, based on an average interest rate of 2.03%

Goodwill

(in € million)	Goodwill
ACQUISITION VALUE	
Balance at 31 July 2019	0.0
Acquired by business combinations	1,707.8
Balance at 31 December 2019	**1,707.8**
Balance at 1 January 2020	**1,707.8**
Balance at 31 December 2020	**1,707.8**

CARRYING AMOUNT	
Balance at 1 January 2019	0.0
Balance at 31 December 2019	1,707.8
Balance at 1 January 2020	1,707.8
Balance at 31 December 2020	1,707.8

The goodwill relates to the following business combinations and is allocated to the CGU Elia Transmission for the acquisition of Elia Asset and Elia Engineering:

(in € million)	2020	2019
Acquisition Elia Asset – 2002	1,700.1	1,700.1
Acquisition Elia Engineering – 2004	7.7	7.7
Total	**1,707.8**	**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 units (CGUs) Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually by comparing the carrying value with its recoverable amount which is the higher of their fair value less costs to sell or value-in-use.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by the Company 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, the Company 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.

The impairment test was conducted by an independent expert. This impairment test is based on the value in use 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.

Future cash flows and future dividends are based on a business plan for the period 2020-2029. 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 6.5%;
     - Risk-free-rate: -0.3%
     - Beta 0.8
     - 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: 3.1%.

   Terminal value based on three variants:
   - Terminal value based on a 1.18x RAB multiple in 2029

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 2029 will generate a return equal to the WACC of 3.1%. This means that CAPEX in the terminal value will neither create nor destroy value.
- Terminal value based on a perpetual growth rate of 1.0% reflecting the long-term inflation expectation reported by the International Monetary Fund (IMF).

The potential impact of Covid-19 is taken into account in the DCF Model especially in the credit spread that is used to calculate the costs of debt in the WACC is based on a reduced credit rating that captures the impact of Covid-19.

2. Discounting of future dividends (DDM-models):
Discount rate:
    - Cost of Equity of 6.5%

Terminal value based on two variants:

- Terminal value based on 1.18x RAB multiple in 2029.

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 1.0%. 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 FY29 is most likely not yet capturing the (positive) impact of the investments planned in FY25-FY29.

Conclusion:

The independent analysis, based on a (€3,323 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 2020. 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 (€2.394 million and €3.275 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).

Non-current trade and other receivables

(in € million)	2020	2019
Loans to third parties	0.5	2.3
Total	**0.5**	**2.3**

The Group has a receivable outstanding to a third party for an amount of €0.5 million. This receivable was granted for the financing of a joint project with Elia. €1.8 million was reimbursed during the course of 2020.

Equity-accounted investees

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.

To finance the project both shareholders have provided funding to Nemo Link Ltd since 2016 via equity contributions and loans (divided on a 50/50 basis). In June 2019, the loans were incorporated in the share capital (loan swap to equity).

Nemo Link Ltd has reduced its' share capital in June and December 2020, by respectively €17.3 million and €13.2 million. In addition to these capital reduction rounds, dividends were paid out to his shareholders for a total of €24.0 million.

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)	2020	2019
Percentage ownership interest	**50.0%**	**50.0%**

Non-current assets	643.3	660.8
Current assets	27.5	33.9
Non-current liabilities	42.3	30.9
Current liabilities	19.2	14.8
Equity	609.2	649.0
Group's carrying amount for the interest	**304.6**	**324.5**
Revenues and other income	69.2	
Total depreciation and amortisation	(27.0)	
Net finance costs	(0.2)	
Profit before income tax	27.9	
Income tax expense	(12.7)	
Profit for the year	14.7	
Total comprehensive income for the year	14.7	
Group's share of profit for the year	**7.4**	
Dividends received by the Group	12.0	

Associates

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

The Group has a 16.5% stake 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 percentage ownership interest diluted slightly as the Group did not fully participated in a new capital round initiated by Enervalis NV.

In August 2020, the Group has sold its 20.5% stake in Ampacimon SA, a Belgian company working on developing innovative monitoring systems for TSOs and distribution system operators (DSOs).

The Group has a 15.8% stake in Coreso NV/SA. Coreso NV/SA is a company that 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. In 2020, the Group received a dividend of €1.7 million from HGRT (€2.6 million in 2019).

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)	Enervalis 2020	Ampacimon 2020	Coreso 2020	HGRT 2020
Percentage ownership interest	**16.5%**	**0.0%**	**15.8%**	**17.0%**
Non-current assets	0.0		9.0	94.3
Current assets	9.1		4.4	1.0
Current liabilities	0.0		9.7	0.0
Equity	9.1		3.7	95.3
Group's carrying amount for the interest	**1.5**	**0.0**	**0.6**	**16.2**
Revenues and other income	0.0	0.0	20.1	0.0
Profit before income tax	0.0	0.0	0.9	11.1
Income tax expense	0.0	0.0	(0.3)	(0.1)
Profit for the year	0.0	0.0	0.1	11.0
Total comprehensive income for the year	0.0	0.0	0.1	11.0

Group's share of profit for the year	**0.0**	**0.0**	**0.0**	**1.9**

(in € million)	Enervalis	Ampacimon	Coreso	HGRT
	2019	2019	2019	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
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**

Other financial assets

(in € million)	2020	2019
Immediately claimable deposits	7.0	7.0
Other shareholdings	0.2	0.2
Reimbursement rights	53.8	53.1
Total	**61.0**	**60.3**

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

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'.

Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in € million)	2020		2019	
	Assets	Liability	Assets	Liability
Property, plant and equipment	1.4	(53.9)	1.4	(50.8)
Intangible assets	0.0	(6.3)	0.0	(8.6)
Interest-bearing loans and other non-current financial liabilities	8.2	(2.5)	10.9	(2.4)
Employee benefits	22.6	(13.5)	22.1	(13.3)
Provisions	5.6	0.0	5.1	0.0
Deferred revenue	24.5	0.0	21.8	0.0
Deferred tax on investment grants	0.0	(1.1)	0.0	(1.1)
Losses carried forward	0.0	0.0	0.0	(0.1)
Other items	0.2	(7.4)	0.2	(7.4)
Tax asset/liability before offsetting	**62.5**	**(84.7)**	**61.5**	**(83.7)**

Offsetting of tax	(60.5)	60.5	(60.9)	60.9
Net tax asset/(liability)	**2.0**	**(24.2)**	**0.6**	**(22.8)**

The changes in deferred tax assets and liabilities can be presented as follows:

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES RESULTING FROM MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

2020				
Property, plant and equipment	(49.4)	(3.1)	0.0	(52.5)
Intangible assets	(8.6)	2.3	0.0	(6.3)
Interest-bearing loans and other non-current financial liabilities	8.5	(1.7)	(1.1)	5.7
Employee benefits	8.8	(0.7)	1.1	9.2
Provisions	5.1	0.5	0.0	5.6
Deferred revenue	21.8	2.6	0.0	24.4
Losses carried forward	(0.1)	0.1	0.0	0.0
Deferred tax on investment grants	(1.1)	0.0	0.0	(1.1)
Other items	(7.2)	0.1	0.0	(7.1)
Total	**(22.2)**	**0.1**	**(0.1)**	**(22.2)**

The deferred tax liability on right-of-use assets from IFRS 16 leases is shown under property, plant and equipment, the deferred tax asset on finance lease liability is shown under 'Interest-bearing loans and other non-current financial liabilities'.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

There are no unrecognised deferred tax assets or liabilities at 31 December 2020.

Inventories

(in € million)	2020	2019
Raw materials and consumables	30.0	29.9
Write-downs	(15.3)	(15.2)
Total	**14.7**	**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.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2019.

Current trade and other receivables, deferred charges and accrued revenues

(in € million)	2020	2019
Contract assets	0.2	1.1
Trade and other receivables and advance payments	349.2	158.0
Levies	144.3	2.3
VAT and other taxes	20.7	3.2
Other	4.0	49.3
Deferred charges and accrued revenues	5.4	6.4

Total	**523.9**	**220.3**

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

Contract assets decreased from €1.1 million in the previous year to €0.2 million at year-end and are related to the transmission system operations.

New tariffs for 'Levies' (€144.3 million) have been approved, the most important amounts will be recovered in 2021 and 2022.

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)	2020	2019
Not past due	326.9	147.0
Past due 0-30 days	19.7	12.0
Past due 31-60 days	0.3	0.2
Past due 61 days - one year	1.3	1.7
Past due one year - two years	1.4	0.3
Total (excl. impairment)	**349.6**	**161.2**
Doubtful amounts	3.9	1.0
Amounts write-offs	(3.4)	(3.4)
Allowance for expected credit losses	(0.9)	(0.8)
Total	**349.2**	**158.0**

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

Current tax assets and liabilities

(in € million)	2020	2019
Tax receivables	1.4	2.6
Tax liabilities	(8.6)	(1.6)
Net tax asset/(liability)	**(7.2)**	**1.0**

Tax receivables decreased compared with the previous year. The €1.4 million in income tax receivables at 31 December 2020 mainly relates to 2020 advances on corporation tax to be recovered in financial year 2021. Income tax liabilities increased to €8.6 million in 2020.

Cash and cash equivalents

(in € million)	2020	2019
Short-term deposits	29.0	20.5
Balance at bank	159.6	21.5
Total	**188.6**	**42.0**

Cash and cash equivalents increased compared to previous year as a result of a positive cash inflow in the operating activities and external financing which exceeded the investing activities in 2020.

Short-term deposits 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 €31.7 million held by Elia RE of which €1.0 million is restricted in use.

Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2020	2019
Outstanding on 1 January	205,572,291	
Issued against cash payment	499,640	20,000
Acquired by business combinations		205,552,291
Number of shares (end of period)	**206,071,931**	**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.

The extraordinary shareholders' meeting of 19 May 2020 decided to execute a capital increase in two steps/periods (one in 2020 for a maximum of €5.0 million and the other in 2021 for a maximum of €1.0 million), for a total maximum amount of €6.0 million for its Belgian employees. The first tranche of this capital increase for employees took place in December 2020. The transaction resulted in the creation of 499,640 new shares for a total amount of €5.0 million, for the total amount consisting of capital increase.

RESERVES

In line with Belgian legislation, 5% of the Company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital. From the statutory net profit of 2019, €2.8 million was transferred to the legal reserve in 2020.

The Board of Directors can propose the payout of a dividend to shareholders up to a maximum of the available reserves plus the profit carried forward from the Company's previous financial years, including the profit for the financial year ended 31 December 2020. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash-flow hedging instruments with regard to hedged transactions that have not yet occurred. In 2020, the hedging reserve with a fair value of €3.3 million was recycled in profit or loss with the settlement of the outstanding three interest rate swaps. See note 8.1 for more details.

DIVIDEND

After the reporting date, the Board of Directors will put forward the dividend proposal indicated below.

Dividend (in €)	2020	2019
Per ordinary share entitled to dividend	0.03	0.09

At the General Meeting of Shareholders on 19 May 2020, the Board of Directors proposed the payout of a gross dividend of €0.09 per share, yielding a total amount of €18.9 million.

The Board of Directors' meeting of 2 March 2021 proposed a gross dividend of €0.03 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 18 May 2021 and is not included as a liability in the consolidated financial statements of the Group.

The total dividend, calculated based on the number of shares outstanding on 2 March 2021 corresponds to a total of €6.0 million.

Interest-bearing loans, borrowings and lease liabilities

(in € million)	2020	2019
Non-current borrowings	3,599.5	2,674.1
Lease liabilities – non current	25.2	30.5
Subtotal non-current borrowings	**3,624.7**	**2,704.6**
Current borrowings	22.3	542.6
Lease liabilities – current	7.7	8.6
Accrued interest	47.9	41.8

Subtotal current loans and borrowings	**77.9**	**593.0**
Total	**3,702.6**	**3,297.6**

The tables below disclose the changes in the Group's liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(in € million)	Current interst-bearing loans and borrowings	Non-current interst-bearing loans and borrowings	Total
Balance at 1 January 2020	593.0	2,704.6	3,297.6
Cash flow: interest paid	(76.8)	0.0	(76.8)
Cash flow: repayment of borrowings	(567.6)	(246.5)	(814.1)
Cash flow: proceeds from withdrawal borrowings	25.0	1,194.4	1,219.4
Interest accruals	47.9	0.0	47.9
Other	56.5	(27.8)	28.8
Balance at 31 December 2020	**77.9**	**3,624.7**	**3,702.6**

The Group has issued a Eurobond of €800.0 million with maturity date 2030 and an interest rates of 0.88%.

In addition, the joint venture in Nemo Link has been refinanced by issuing an amortising bond in two tranches, €66.6 million and €133.4 million with maturity date 2028 and 2044, at an interest rate of 1.56%. The refinancing aims at better align the financing structure with the lifetime of the Nemo Link interconnector.

Movements in 'Other' in the financial year 2020 mainly relates to reclassifications of long-term debt to short-term debt in accordance with when instruments become due in 2021.

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

(in € million)	Maturity	Amount	Interest rate	Current proportion - fixed
Eurobond issues 2013/15 years	2028	547.3	3.25%	100.00%
Eurobond issues 2013/20 years	2033	199.2	3.50%	100.00%
Eurobond issues 2014/15 years	2029	346.9	3.00%	100.00%
Eurobond issues 2015/8.5 years	2024	498.6	1.38%	100.00%
Eurobond issues 2017/10 years	2027	247.9	1.38%	100.00%
Eurobond issues 2019/7 years	2026	498.3	1.38%	100.00%
Eurobond issues 2020/10 years	2030	788.5	0.88%	100.00%
Amortising term loan	2033	195.7	1.80%	100.00%
Amortising bond - 7,7 years	2028	67.1	1.56%	100.00%
Amortising bond - 23,7 years	2044	132.3	1.56%	100.00%
European Investment Bank	2025	100.0	1.08%	100.00%
Total		**3,621.8**		**100.00%**

The above €3,621.8 million is to be increased with €47.9 million of interest accruals and €32.9 million of finance lease liabilities to reconstitute the overall debt of €3,702.6 million.

Employee benefits

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

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

(in € million)	2020	2019

Defined-benefit plans	17.6	20.5
Post-employment benefits other than pensions	73.4	67.0
Total provisions for employee benefits	**91.0**	**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 defined-contributions (DC) plans are not back-loaded, 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 Transmission Belgium 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)	Pensions		Other	
	2020	2019	2020	2019
Present value of funded defined-benefit obligation	(257.1)	(249.7)	(77.4)	(71.2)
Fair value of plan assets	239.5	229.3	4.0	4.1
Net employee benefit liability	**(17.6)**	**(20.4)**	**(73.4)**	**(67.1)**

The net employee benefit liability increased in total by €3.5 million.

The increase is mainly explained by a plan amendment to align the Defined Benefit pension plan with new legislation. The new legislation, applicable as of June 2018, prohibits anticipative benefits in these pension plans. In June 2018, the Group has set up an IAS 37 provision of €8.5 million to recognise the impact of this new legislation.
In October 2020, a new Collective Labour Agreement (CLA) was agreed to align the DB pension plans to the new legislation. The alignment resulted in an increase in defined benefit obligation of €14.8 million. Together with the alignment, the IAS 37 provision was released to set off partly the impact, resulting in a net past service cost of €6.3 million.
Additionally, the CLA agreed to use a fund that was overfunded by €2.4 million, and which did not have any economic value before, to limit the impact for the employer.

Movement in the present value of the defined benefit obligation (in € million)	**Pensions 2020**	**Other 2020**
At the beginning of the period	**(249.7)**	**(71.2)**
Current service cost	(9.7)	(2.1)
Interest cost/income	(1.8)	(0.7)
Contributions from plan participants	(1.2)	0.0
Including remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from		
· Changes in demographic assumptions	(1.1)	(1.1)
· Changes in financial assumptions	(8.4)	(3.8)
· Changes from experience adjustments	6.6	(0.9)
Past service cost	0.0	(6.3)
Payments from the plan	14.1	2.6
Transfers	(6.0)	6.0
At the end of the period	**(257.1)**	**(77.4)**

Movement in the fair value of the plan assets (in € million)	**Pensions 2020**	**Other 2020**
At the beginning of the period	**229.3**	**4.1**
Interest income	1.7	0.0
Remeasurement gains/losses in OCI arising from:		
Return of plan assets (excluding interest income on plan assets)	(0.0)	2.5
Contributions from employer	19.0	2.6
Contributions from plan participants	1.2	0.0
Benefit payments	(14.1)	(2.6)
Transfers	2.6	(2.6)
At the end of the period	**239.5**	**4.0**

Amounts recognized in comprehensive income (in € million)	**Pensions 2020**	**Other 2020**
Service cost		
Current service cost	(9.7)	(2.1)
Past service cost	0.0	(6.3)
Net interest on the net defined-benefit liability/(asset)	**(0.1)**	**(0.6)**
Interest cost on defined-benefit obligation	(1.8)	(0.7)
Interest income on plan assets	1.7	0.0
Other	**0.0**	**2.2**
Defined-benefit costs recognised in profit or loss	**(9.8)**	**(6.8)**
Actuarial gains(/losses) on defined obligations arising from:		
1) Changes in demographic assumptions	(1.1)	(0.7)
2) Changes in financial assumptions	(8.4)	(3.4)
3) Changes from experience adjustments	6.6	(1.2)

Return on plan assets (excluding interest income on plan assets)	(0.0)	(0.1)
Remeasurements of net defined benefit (liability)/asset recognised in other comprehensive income (OCI)	**(2.9)**	**(5.4)**
Total	**(12.7)**	**(12.3)**

(in € million)	2020	2019
Breakdown of defined-benefit obligation by type of plan participants	**(334.5)**	**(320.9)**
Active plan participants	(251.2)	(248.8)
Terminated plan participants with def.-benefit entitlements	(21.4)	(18.1)
Retired plan participants and beneficiaries	(61.9)	(54.0)
Breakdown of defined-benefit obligation by type of benefits	**(334.5)**	**(320.9)**
Retirement and death benefits	(262.2)	(262.7)
Other post-employment benefits	(56.6)	(44.5)
Seniority payments	(15.7)	(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:

(in € million)	2020	2019
Investments quoted in an active market	**80.03%**	**79.97%**
Shares - Eurozone	15.47%	14.90%
Shares - outside Eurozone	20.27%	20.87%
Government bonds - Eurozone	1.38%	1.59%
Other bonds - Eurozone	28.42%	28.43%
Other bonds - outside Eurozone	14.50%	14.17%
Unquoted investments	**19.97%**	**20.03%**
Property	2.66%	2.56%
Cash and cash equivalents	3.01%	3.39%
Other	14.30%	14.08%
Total (in %)	**100.00%**	**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)	2020	2019
Discount rate		
- Pensions - defined-benefit plans and cash balance - best off plans	0.36%	0.64%
- Pensions - defined-contribution plans	0.66%	1.02%
- Other	0.70%	1.04%
Expected average salary increase (excluding inflation)	1.00%	1.00%
Expected inflation	1.75%	1.75%
Expected increase in health benefits (including inflation)	2.75%	2.75%
Expected increase in tariff advantages	1.75%	1.75%
Average assumed retirement age		
- Employee	63	63
- Manager	65	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	19.9
Life expectancy for a 65 year old female	23.6	23.6

**Mortality tables used: IABE in Belgium*

(in years)	2020	2019
Weighted average duration of the defined-benefit obligation	8.8	9.0
Weighted average duration of the defined-contribution plans	9.7	9.7
Weighted average duration of the post-employment benefits other than pensions	13.4	13.5

The actual return on plan assets in % for 2020 was in the range of 0.9% to 2.8% (compared with a range of 3.0% to 19.0% in 2019).

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

Future expected cash outflows	< 12 months	1-5 years	6 - 10 years
Pensions	(3.2)	(15.1)	(14.6)
Other	(2.8)	(13.2)	(15.3)
Total (in € million)	**(6.0)**	**(28.3)**	**(29.9)**

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)	Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:	
Discount rate (0.5% movement)	(17.2)
Average salary increase - excl. inflation (0.5% movement)	26.7
Inflation (0.25% movement)	5.3
Increase of healthcare care benefits (1.0% movement)	5.2
Life expectancy of pensions (1 year)	3.3

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.

The change in reimbursement rights is presented below:

Movement in the present value of the reimbursement rights (in € million)	Pensions 2020	Other 2020
At the beginning of the period	**(23.1)**	**(30.0)**
Current service costs		
Interest cost/income	(0.1)	(0.3)
Actuarial gains(/losses) on defined obligations arising from:		
1) Changes in demographic assumptions	0.0	0.0
2) Changes in financial assumptions	(0.5)	(1.8)
3) Changes from experience adjustments	(1.6)	(0.2)
Payments from the plan	2.8	1.1
At the end of the period	**(22.6)**	**(31.2)**

The sum of Pensions (€22.6 million) and Other (€31.2 million) reimbursement rights amounted to €53.8 million in 2020 (2019: €53.1 million), which reconciles with the reimbursement rights listed in Note 6.6.

Provisions

(in € million)	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
Balance at 1 January 2020	9.6	3.3	20.5	2.2	35.5
Increase	1.4	6.8	3.7	1.2	13.1
Reversals	(1.0)	(2.7)	(1.0)	(1.0)	(5.7)
Utilisation	(0.8)	(2.0)	0.0	(0.1)	(2.8)
Discounting of provisions	0.0	0.0	0.2	0.0	0.2
Balance at 31 December 2020	**9.2**	**5.4**	**23.4**	**2.3**	**40.3**
Long-term portion	7.5	5.4	23.4	2.3	38.5
Short-term portion	1.8	0.0	0.0	0.0	1.8

The Group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. There were no significant movements in the environmental provisions in 2020.

More specifically for the Belgian segment, Elia 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, Elia 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, Elia 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 €5.4 million is included at year-end for Elia Re, a captive reinsurance company. €0.9 million of this is linked to claims for overhead lines, and €4.5 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; most of which are 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 2020 was €116.3 million. The increase is mainly due to a drop in the discount rate for discounting of the provisions. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

The Group uses corporate bond rates (minimum AA rating) and sets them out to match the lifetime of the provisions in order to discount the dismantling provisions. In case the discount rate is below 0%, the rate is floored at 0%. The discount rates used in 2020 was 0.87% for the dismantling provision outstanding. Should the discount rate fall to 0% the dismantling provisions would increase by €6.7 million.

'**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.

Other non-current liabilities

(in € million)	2020	2019
Investment grants	3.4	3.6
Non-current deferred income	97.8	87.3
Total	**101.2**	**90.9**

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

Other non-current liabilities remained stable. The deferred income relates to up front payment for the last mile connection,. At the end of 2020, a liability of €97.8 million was recognised within the Group. The income is released over the lifetime of the asset where the last mile connection relates to.

Trade and other payables

(in € million)	2020	2019
Trade debts	358.8	279.2
VAT and other taxes	12.8	3.0
Remuneration and social security	29.6	31.9
Levies	54.6	57.2
Other	63.8	13.0
Total	**519.5**	**384.3**

The levies include federal levies, which totalled €24.3 million at 31 December 2020 (€41.3 million in 2019). Levies for the Walloon government have increased to €26.3 million (€20.9 million in 2019). The remaining balance consists of strategic reserves (€2.2 million).

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)	Carrying amount					Fair value			
	Designated at fair value	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Balance at 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.**
Balance at 31 December 2020									
Other financial assets	7.0	0.2			**7.2**	7.0		0.2	**7.2**
Trade and other receivables			518.9		**518.9**				
Cash and cash equivalents			188.6		**188.6**				
Unsecured financial bank loans and other loans				(296.0)	**(296.0)**		296.0		**296.0**
Unsecured bond issues				(3,325.8)	**(3,325.8)**		3,739.4		**3,739.4**
Trade and other payables				(519.5)	**(519.5)**				
Total	**7.0**	**0.2**	**707.5**	**(4,141.3)**	**(3,426.6)**	**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 statement of financial position at fair value and for financial instruments measured at amortised 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 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.

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.

All lease contracts were previously classified as operating leases under IAS 17.

Covid-19 pandemic did not affected the contractual clauses of the Group’s lease contracts and there were no indicators to change the assessment , used in previous reporting period, on the extension of the contracts.

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)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fibers	Other	Total
Balance at 31 July 2019	**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
As of 31 December 2019	**2.0**	**23.0**	**7.7**	**6.0**	**0.1**	**38.8**

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fibers	Other	Total
As of 1 January 2020	**2.0**	**23.0**	**7.7**	**6.0**	**0.1**	**38.8**
Additions and remeasurements	(0.0)	0.0	4.4	0.0	0.0	4.4
Depreciations	(0.0)	(2.1)	(3.4)	(3.7)	(0.0)	(9.3)
Derecognition of right-of-use assets	0.0	(1.3)	(0.2)	0.0	0.0	**(1.5)**
As of 31 December 2020	**2.0**	**19.7**	**8.5**	**2.3**	**0.0**	**32.4**

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 and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to keep the balance in the electricity network

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)	**2020**	**2019**
< 1 year	7.9	9.0
1-5 years	16.2	17.2
> 5 years	14.6	16.9
Total undiscounted lease liabilities at 31 December	**38.8**	**43.1**
Lease liabilities in the statement of financial position at 31 December	**33.0**	**39.1**
Current	7.7	8.6
Non-current	25.2	30.5

The discount rate used to discount the lease liabilities is the Group's best estimate for the weighted average incremental borrowing rate and ranges from 0.26% to 2.94%. The Group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration.

The Group has assessed the extension options concluded in the lease contracts and considers that these extension options are reasonably certain to be executed. Therefore, the Group has considered the lease contract as if the extension option is exercised in the lease liability.

The Group has no lease contracts with variable payments nor residual value guarantees. The Group did not commit to any lease that is not yet commenced.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.

Amounts recognised in profit and loss

The following amounts were recognised in profit and loss for the financial year:

(in € million)	**2020**
Depreciation expense of right-of-use assets	(9.3)
Interest on lease liabilities	(0.7)
Variable lease payments not included in the measurement of lease liabilities	0.0
Expenses relating to short-term leases	0.1
Expenses relating to low-value assets	0.0
Total recognised in profit and loss	**(9.9)**

A total of €9.9 million in lease expenses was recognised in the statement of profit or loss in 2020.

The total cash outflow for leases amounted to €9.9 million in 2020.

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)	< 1 year	1-5 years	> 5 years
Telecom	14.5	1.3	0.0
Land and buildings	0.0	0.0	0.0
Balance at 31 December 2019	14.5	1.3	0.0
Telecom	13.2	0.1	0.0
Land and buildings	0.0	0.0	0.0
Balance at 31 December 2020	**27.7**	**1.4**	**0.0**

Covid-19 pandemic did not affected the contractual clauses of the Group's contracts as a lessor and there were no indicators to change the cash flows as mentioned here above.

The Group recognised €14.8 million in rental income in 2020.

(in € million)	2020
Telecom	14.5
Land and buildings	0.3
Total	**14.8**

Accruals and deferred income

(in € million)	2020	2019
Accruals and deferred income	19.3	14.6
Deferral account from settlement mechanism Belgian regulatory framework	474.0	559.3
Total	**493.3**	**573.9**

The movements in deferral account from settlement mechanism are as follows:

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2020	18.6	(577.8)	(559.3)
Increase	33.0	(15.4)	17.6
Reversals	(7.9)	11.9	4.0
Utilisation	0.0	67.5	67.5
Other (e.g. discounting)	0.0	(4.0)	(4.0)
Balance at 31 December 2020	**43.8**	**(517.8)**	**(474.0)**

The deferral account from settlement mechanism (€474.0 million) decreased compared to year end 2019 (€559.3 million). The decrease in deferral account from settlement mechanism encompasses deviations in the current year from the budget approved by the regulator (-€21.2 million), the settlement of net surpluses from prior tariff period (-€67.5 million) and the review of the regulator on previous year' settlement mechanism (+€3.5 million). The operating excess, in relation to the budget of the costs and revenues authorised by the regulator, needs to be returned to the consumers and therefore does not form part of the revenues. In 2020, there was an operational deficit, which is offset against the outstanding regulatory obligation. The operating deficit compared to the budget is primarily a result of the higher regulated net profit (€11.8 million), decreased cross-border revenues (€20.9 million), lower financial charges (€5.8 million) and higher taxes (€6.4 million). This was partly offset by lower depreciations compared to the budget (€13.9 million).

The release of the deferral account is determined in the tariff setting process. The amounts on the deferral account are recognised on a yearly basis and the release depends on the source of the deferral, some are released in T+1, other in T+2 and some in a longer period.

The future release of deferral account from settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2020):

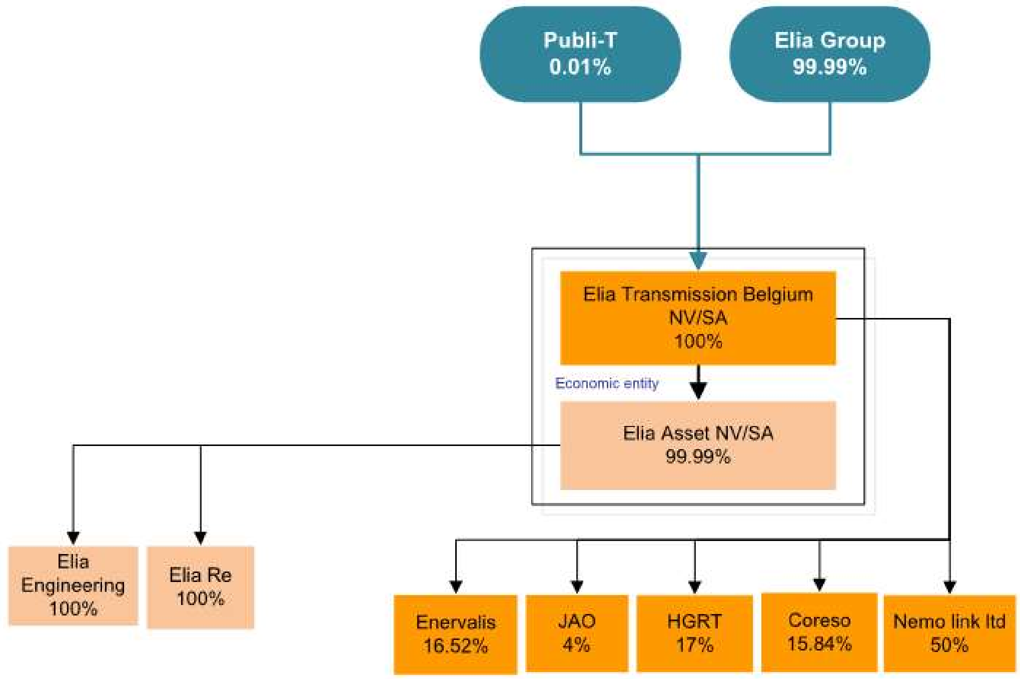
(in € million)	Belgian regulatory framework
To be refunded to the tariffs in the current regulatory period *	363.8
To be refunded to the tariffs in the next regulatory period (or after)	110.2
Total regulatory deferral account	**474.0**

**Belgium: from 2020 to 2023*

3. Group structure

Subsidiaries, joint ventures and associates

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

Elia Transmission Belgium NV/SA has direct and indirect control of the subsidiaries listed below.

The participation in Ampacimon, who offers grid-monitoring solutions, was sold in August 2020.

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

Name	Country of es-	Headquarters	Stake % 2020	2019
Subsidiaries				
Elia Asset NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Investments accounted for using the equity-method – Joint Ventures				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	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	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	15.84	15.84
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	-	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	16.52	17.36
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	4.00	4.00

Other notes

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 guarantees 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)	2020	2019
Loans and receivables – long term	0.5	2.3
Loans and receivables – short term	518.4	213.9
Cash and cash equivalents	188.6	42.0
Immediately claimable deposits	7.0	7.0
Interest-rate swaps used for hedging:		
Liabilities	0.0	(4.4)
Total	**714.5**	**260.8**

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

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2019	0.0	0.0	0.0
Changes during the year	1.0	(3.4)	(2.4)
Balance at 31 December 2019	**1.0**	**(3.4)**	**(2.4)**
Balance at 1 January 2020	1.0	(3.4)	(2.4)
Changes during the year	2.9	(0.0)	2.9
Balance at 31 December 2020	**3.9**	**(3.4)**	**0.5**

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 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. 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. Also, the Group did not see any changes in payment behaviour, nor an increase in bad debtors as a consequence of the COVID-19 crisis in 2020 and does not expect any major impact in the upcoming years.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee.The total outstanding amount of trade receivables covered by a bank guarantee totals €30.6 million. The loss given default is multiplied by the outstanding trade receivables.

On that basis, the loss allowance at 31 December 2019 and 2020 was determined as follows for trade receivables:

Balance at 31 December 2019	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	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**

Balance at 31 December 2020	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.2%	0.5%	4.1%	39.7%	94.0%	
Carrying amount - trade receivables	326.9	19.7	0.3	1.3	0.6	0.8	**349.6**
Loss given default	84.1%	84.1%	84.1%	84.1%	84.1%	84.1%	
Loss allowance	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.6**	**0.9**

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.

Bond issuances realised in 2020 and loan contracts signed with EIB and other banks in previous years, proves that the Group has access to different sources of funding.

(in € million)	Fair value	Closing balance	Expected cash outflows	6 months	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	(2,787.1)	(52.6)	0.0	(52.6)	(653.6)	(2,028.3)
Unsecured financial bank loans and interest accruals	880.8	961.6	(868.3)	(455.7)	(5.0)	(5.2)	(57.0)	(345.3)
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**
Foreign-currency 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)**

(in € million)	Fair value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years

Non-derivative financial liabilities	4,165.5	4,141.3	(4,682.7)	(607.1)	(1.1)	(89.2)	(854.5)	(3,130.9)
Unsecured bond issues	3,350.0	3,325.8	(3,835.3)	(70.0)	0.0	(70.9)	(700.9)	(2,993.5)
Unsecured financial bank loans and interest accruals	296.0	296.0	(327.9)	(17.5)	(1.1)	(18.4)	(153.6)	(137.4)
Trade and other payables	519.5	519.5	(519.5)	(519.5)	0.0	0.0	0.0	0.0
Total at 31 December 2020	**4,165.5**	**4,141.3**	**(4,682.7)**	**(607.1)**	**(1.1)**	**(89.2)**	**(854.5)**	**(3,130.9)**

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

(in € million)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Sustainable Revolving Credit Facility	10/12/2023	650.0	Euribor + 0.325%	0.0	650.0
Total		**650.0**		**0.0**	**650.0**

In 2020, the Group incurred increased current outstanding receivables related to levies (see note 6.9) which were financed using the back-up facilities mentioned here above. Nevertheless the Covid-19 pandemic, the Group managed to set up a sustainable credit facility for € 650 million for 3 years, with a potential renewal of 2 times 1 year.

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. As at 31 December 2020, no interest-rate swaps were outstanding. The interest-rate swaps on the other loan and the loan with Publi-Part to cover a nominal debt amount of €300 million were settled in June 2020, together with the repayment of the loans.

See note 6.13 for a summary of the loans outstanding with their respective interest rates.

SENSITIVITY ANALYSIS

As there were no derivatives outstanding anymore at 31 December 2020, no sensitivity analysis needs to be performed.

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 statement of profit or loss, 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

As at 31 December 2020, the Group has no derivatives designated as hedging instruments outstanding anymore.

The interest rate swaps on the other loan and the loan with Publi-Part to cover a nominal debt amount of €300 million were settled in June 2020, together with the repayment of the loans. With the settlement, an interest expense on derivatives of €4.4 million was incurred.

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.

Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2020, the Group had a commitment of €412.4 million (€433.3 million in 2019) relating to purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2020, the Group had a commitment of €200.4 million (€171.5 million in 2019) 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 conducted an auction in September 2019. This resulted in the sale of 615.400 green certificates to different market participants and generated revenue of €40 million. In 2020, two additional auctions were held, selling 959,246 certificates and generating revenue of € 62.3 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. Due to these auctions, Elia did not have to buy back any certificates at the end of June 2020. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost of and any expense incurred by repurchasing 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 the AwAC from 2022 onwards, 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 AwAC) which resulted in a net cash inflow of €43.3 million. As with the transaction in September 2017, Elia might be required to buy back some of the certificates sold from 2023 onwards. Any repurchase will be covered through the tariffs for levies. There were no transactions with the AwAC in 2019 or 2020.

Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Transmission Belgium is Elia Group NV/SA. Other than the yearly dividend payment and the capital increase (see note 6.12), no material transactions occurred with the core shareholder in 2020.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia Transmission Belgium's Board of Directors and its Executive Board. Both have a significant influence across the 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 this annual report.

The other members of key management personnel are hired as employees. The names of the key management personnel are included in the corporate governance report. The components of their remuneration are detailed below.

Key management personnel did not receive stock options, special loans or other advances from the Group during the year.

(in € million)	2020
Short-term employee benefits	**3.0**
Basic remuneration	1.8
Variable remuneration	1.2
Post-employment benefits	**0.4**
Other variable remuneration	**0.2**
Total gross remuneration	**3.7**
Number of persons (in units)	7
Average gross remuneration per person	0.5
Number of shares (in units)	**21,846**

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

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

Transactions with joint ventures and associates (as defined in section 7.1.) were not eliminated, and therefore details of transactions with other related parties are shown below:

(in € million)	2020
Transactions with joint ventures and associates	**(2.1)**
Sales of goods	2.4

Purchases of goods	(4.4)
Outstanding balances with joint ventures and associates	**0.2**
Trade debtors	0.6
Trade debts	(0.4)

In 2020, entities of the Group had transactions with Nemo Link Ltd., Coreso NV/SA and Ampacimon SA (until sale beginning of August). The sale of goods relates to corporate services (SLAs) rendered by Elia to Nemo Link Ltd and Coreso SA/NV. Nemo Link Ltd. also rents a building (Herdersbrug) from Elia Asset SA/NV (see also note 6.19). Purchases of goods mostly relates to services rendered by Coreso NV/SA to the Group.

TRANSACTIONS WITH SHAREHOLDERS

The Group also had an outstanding loan with its shareholder PubliPart for an amount of €42.1 million which was paid back end of June 2020. We refer to Note 6.13 for more details.

TRANSACTIONS WITH RELATED PARTIES

In addition, Elia's Executive Board 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 Executive Board, etc.).

There were some significant transactions in 2020 with various distribution system operators (Sibelga, Eandis), which are customers of the Group. All these transactions took place in the normal course of Elia's business activities.The total value of realised sales was €10.1 million and related to regulated sales contracts with a predefined price by the regulator. The total value of expenses amounted to €0.7 million. As at 31 December 2020, there was an outstanding trade-receivable position of €9.9 million and no outstanding trade-debt position.

Subsequent events

There are no significant events to report after 31 December 2020.

Miscellaneous

Impact of the United Kingdom leaving the European Union

On 30 December 2020, the European Union and the UK signed a Trade and Cooperation Agreement that regulates the terms of the future cooperation between both parties after the Brexit as of 1 January 2021. In this agreement, it is decided that the UK would leave the Internal Energy Market (IEM).

The Group performed an analysis and concluded that Nemo Link Ltd is prepared for the new situation. The overall conclusion is that Nemo Link remains operational as before. 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. Also, there are no import duties on the transport of electricity.

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

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Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors BDO Bedrijfsrevisoren CVBA (represented by Mr. Felix Fank) and Ernst & Young Bedrijfsrevisoren BV (represented by Mr. Paul Eelen) for the audit of the consolidated financial statements of Elia Transmission Belgium NV/SA and the audit of the statutory financial statements of Elia Transmission Belgium NV/SA, Elia Asset NV/SA and Elia Engineering 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 2020:

in €	Belgium
Statutory audit	141.300
Audit related	71.370
Indirect tax	18.906
Total	**231.576**

REGULATORY FRAMEWORK AND TARIFFS

Regulatory framework in Belgium

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.

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.

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.

Tariff setting

Since the beginning of 2020, a new tariff methodology came into force. This methodology is again applicable for a period of 4 years (2020-2023).

TARIFF REGULATIONS

On 28 June 2018, the CREG issued a decision fixing the tariff methodology for the electricity transmission grid (including offshore) and the electricity grids which have a transmission function the regulatory period 2020-2023 (Decision (Z)1109/10). This methodology is the general framework on which transmission tariffs are set for these four years.
Elia has prepared its tariff proposal for the regulatory period commencing on 1 January 2020 based on the methodology described below. This proposal was approved by the CREG on 7 November 2019 (Decision (B)658E/62).

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.

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 based on the Capital Asset Pricing Model ("**CAPM**"). 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.

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

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

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

Whereby:

- OLO (n) has been fixed at 2.4 per cent. and is no longer the average rate of Belgian ten-year linear bonds for the year in question (subject to modification agreed between the CREG and the Issuer as set out above);
- RAB (n) = RAB (n-1) + investments (n) - depreciation (n) - divestments (n) - decommissioning (n) +/- change in working capital need;
- S = the consolidated average capital and reserves/average RAB, in accordance with Belgian GAAP;
- Alpha (α) = the illiquidity premium set at 10 per cent.;
- Beta (β) = calculated over a historical three-year period, taking into account available information on the Issuer's share price in this period, compared with the Bel20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5 per cent.;
- In respect of A: The rate of remuneration (in per cent.) as set by the CREG for year "n" is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO (n)) and a premium for market risk for shares, weighted using the applicable beta factor. Tariff regulation sets the risk premium at 3.5 per cent. The CREG encourages the Elia to keep its actual capital and reserves as close as possible to 40 per cent., this ratio being used to calculate a reference value of capital and reserves; and-
- In respect of B: If the Elia's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: [(OLO (n) + 70 base points)].
- Assets related to the MOG are linked to the RABMOG, for which a premium remuneration is applicable in addition to the above. This is based on the following formula: [S (less than or equal to 40 per cent.) x average RABMOG x 1.4 %].

Non-controllable costs and revenues

The category of costs and revenues that are outside Elia's direct control are not subject to incentive mechanisms by the CREG, and are an integral part of the costs and revenues used to determine the tariffs. The tariffs are set based on forecast values for these costs and revenues, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

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

Controllable costs and revenues

The costs and revenues over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to a sharing rule of productivity and efficiency improvement which may occur during the regulatory period. The sharing factor is 50 per cent. Therefore, Elia is encouraged to control a defined category of its costs and revenue. Any savings with respect to the allowed (adjusted) budget positively impacts the net profit of the Elia by 50 per cent. of the amount (before tax) and, accordingly, any overspending negatively affects its profit. There have been no changes compared to the previous tariff methodology, except for certain non-recurrent but controllable costs specific to offshore assets (e.g. the MOG) that can be added to the costs allowance for a given regulatory period.

Influenceable costs

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

Other 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 (all amounts are pre-tax)

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

- *Investment program:* This incentive is broadened and is defined as follows: (i) if the average interruption time ("AIT") reaches a target predefined by the CREG, the Elia's net profit (pre-tax) could be impacted positively with a maximum of EUR 4.8 million, (ii) in case that the availability of the MOG is in line with the level set by the CREG, the incentive can contribute to the Elia's profit from EUR 0 to EUR 2.53 million and (iii) the Elia could benefit from EUR 0 to EUR 2 million in case that the predefined portfolio of maintain and redeploy investments is realised in time and on budget.

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

- *Quality of customer related services:* This incentive is broadened and is related to three incentives: (i) the level of client satisfaction related to the re-alisation of new grid connections which can generate a profit for the Elia of EUR 0 to EUR 1.35 million, (ii) the level of client satisfaction for the full client base which would contribute with EUR 0 to EUR 2.53 million to the Elia's profit and (iii) the data quality that the Elia publishes on a regular basis, which can generate a re-muneration for the Elia of EUR 0 to EUR 5 million.

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

Regulatory framework for the Modular Offshore Grid

The CREG amended the 2016-2019 tariff methodology to create specific rules applicable to the investment in the MOG. A formal consultation took place in the first weeks of 2018 between the CREG and the Elia, and the CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters are (i) a specific risk premium to be applied to this investment (resulting in an additional net return of 1.4 per cent.), (ii) a special depreciation rate applicable to the MOG assets, (iii) certain costs specific to the MOG to bear another qualification compared to the costs for onshore activities, (iv) the level of the costs to be defined based on the characteristics of the MOG assets and (v) dedicated incentives linked to the availability of the offshore assets. For the tariff period 2020-2023, the regulatory framework for the MOG has been included in the tariff methodology, based on the features described here above, except for the risk premium which has been applied since 1 January 2020 on a target equity/debt ratio of 40/60.

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 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 2020-2023 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), is neutral.

Public service obligations

In its role as TSO, Elia is subject to various public service obligations imposed by Government and/or regulation mecha-nisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as promotion of renewable energy, green certificates , strategic reserves, 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 levies (see notes 6.9 for other receivables and 6.17 for other payables).

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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.

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JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Please find the joint auditors' report to the general meeting of Elia Transmission Belgium NV/SA for the year ended 31 December 2020 on page 162.

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)	2020	2019
FIXED ASSETS	**3,633.5**	**3,635.4**
Property, plant and equipment	9.5	0.0
Intangible assets	3.8	0.0
Financial fixed assets	3,620.2	3,635.4
Affiliated companies	3,304.2	3,304.2
Participating interests	3,304.2	3,304.2
Other enterprises linked by participating interests	316.0	331.2
Participating interests	315.8	330.9
Other participating interests	0.2	0.2
CURRENT ASSETS	**3,126.9**	**2,570.2**
Amounts receivable after more than one year	0.0	0.0
Trade receivables	0.0	0.0
Other amounts receivable	0.0	0.0
Inventories and contracts in progress	0.4	3.3
Contracts in progress	0.4	3.3
Amounts receivable within one year	2,976.3	2,562.3
Trade debtors	348.9	219.3
Other amounts receivable	2,627.5	2,343.0
Investments	0.0	0.0
Cash at bank and in hand	145.3	0.2
Deferred charges and accrued income	4.9	4.3
TOTAL ASSETS	**6,760.4**	**6,205.5**

EQUITY AND LIABILITIES (in € million)	2020	2019
CAPITAL AND RESERVES	**2,216.9**	**2,111.1**
Capital	2,060.7	2,055.7
Issued capital	2,060.7	2,055.7
Share premium account	0.0	0.0
Reserves	43.7	2.8
Legal reserve	9.0	2.8
Untaxed reserve	1.0	0.0
Available reserves	33.7	0.0
Profit carried forward	112.5	52.6
PROVISIONS, DEFERRED TAXES	**0.8**	0.2
Provisions for risks and charges	0.8	0.2
Other risks and charges	0.8	0.2
LIABILITIES	**4,542.7**	**4,094.2**
Amounts payable after one year	3,609.4	2,682.7
Financial debts	3,609,4	2,682.7
Subordinated debentures	0.0	0.0
Unsubordinated debentures	3,327.4	2,344.5
Credit institutions	282.0	296.0
Other loans	0.0	42.1
Amounts payable within one year	404.9	806.7
Current portion of amounts payable after more than one year	22.3	467.6
Financial debts	8.8	82.8
Credit institutions	0.0	75.0
Other loans	8.8	7.8
Trade debts	350.5	178.2
Suppliers	349.8	178.2
Advances received on contracts in progress	0.7	5.3
Amounts payable regarding taxes, remuneration and social security costs	10.3	9.3
Taxes	1.2	0.0
Remuneration and social security	9.1	9.3
Other amounts payable	12.9	63.6
Accrued charges and deferred income	528.5	604.9

TOTAL EQUITY AND LIABILITIES	**6,760.4**	**6,205.5**

Statement of profit or loss

(in € million)	2020	2019
OPERATING INCOME	**972.1**	**158.2**
Turnover	953.2	154.7
Increase/(decrease) in inventories of finished goods, works and contracts in progress	(1.9)	0.3
Other operating income	20.8	3.2
OPERATING CHARGES	**(863.4)**	**(139.9)**
Services and other goods	(813.6)	(132.2)
Remuneration, social security costs and pensions	(49.0)	(7.9)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	0.2	0.0
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.5	(0.2)
Other operating charges	0.0	0.0
OPERATING PROFIT	**108.7**	**18.3**
Financial income	**108.8**	**56.8**
Income from financial fixed assets	101.7	56.0
Income from current assets	4.8	0.8
Non-recurring financial income	1.0	0.1
Financial charges	**(83.2)**	**(19.8)**
Debt charges	(75.3)	(13.8)
Other financial charges	(7.9)	(6.0)
Non-recurring financial charges	0.0	0.0
PROFIT FOR THE PERIOD BEFORE TAXES	**134.4**	**55.3**
Income taxes	**(8.6)**	**0.0**
Income taxes	(8.6)	0.0
PROFIT FOR THE PERIOD	**125.8**	**55.3**
Transfer to untaxed reserves	1.0	0.0
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**124.8**	**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
- Equity attributable to the owners of the company
- Financial Leverage
- Free cash flow
- 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)
- changes to the measurement of contingent considerations in the context of business combinations;
- Restructuring costs linked to the corporate reorganisation of the Group (i.e. reorganisation project to isolate and ring-fence the regulated activities of Elia in Belgium from the non-regulated activities and regulated activities outside Belgium

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, amortisations and impairments, changes in provisions and other operating expense and plus the share of equity accounted investees – net and plus or minus adjusted items.

(in € million) – year ended 31 December	2020	2019
Results from operating activities	234.4	(0.1)
Share of profit of equity accounted investees (net of tax)	9.2	0.0
EBIT	**243.6**	**(0.1)**
Deduct:		
Corporate reorganisation	(0.3)	0.0
Adjusted EBIT	**243.9**	**(0.1)**

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.

(in € million) – year ended 31 December	2020	2019
Profit for the period	**126.5**	**(0.1)**
Deduct:		
Corporate reorganisation	(0.3)	0.0
Tax impact	0.1	0.0
Adjusted net profit	**126.7**	**(0.1)**

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, amortisations and impairments, changes in provision and other operating expense and plus the share of equity accounted investees.

(in € million) – year ended 31 December	2020	2019
Results from operating activities	234.4	(0.1)
Share of profit of equity accounted investees (net of tax)	9.2	0.0
EBIT	**243.6**	**(0.1)**

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisations) = results from operating activities plus depreciations, amortisation 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, amortisation and changes in provisions of the Group. EBITDA excludes the cost of capital investments like property, plant, and equipment.

(in € million) – year ended 31 December	2020	2019
Results from operating activities	234.4	(0.1)
Add:		
Depreciations, amortizations and impairments	187.2	0.0
Changes in provisions	1.1	0.0
Share of profit of equity accounted investees (net of tax)	9.2	0
EBITDA	**431.8**	**(0.1)**

Equity attributable to the owners of the company

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

(in € million) – year ended 31 December	2020	2019
Equity	2,312.2	2,198.1
Deduct:		
Non-controlling interests	0.0	0.0
Equity attributable to the owners of the company	**2,312.2**	**2,198.1**

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.

(in € million)	2020		
	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
Net cash from operating activities	84.5	(11.1)	73.4
Deduct:			
Net cash used in investing activities	345.4	(27.3)	318.1
Free cash flow	**(260.8)**	**16.1**	**(244.7)**

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.

(in € million)	31 December 2020			31 December 2019		
	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group	Elia Transmission	Nemo Link and non-regulated activities	Elia Transmission Belgium Group
Non-current liabilities:						

Loans and borrowings	3,433.6	191.1	3,624.7	2,505.7	198.8	2,704.6
Add:						
Current Liabilities:						
Loans and borrowings	67.7	10.2	77.9	578.5	14.5	593.0
Deduct:						
Cash and cash equivalents	195.7	(7.1)	188.6	59.5	(17.5)	42.0
Net financial debt	**3,305.6**	**208.4**	**3,514.0**	**3,024.8**	**230.8**	**3,255.6**

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.

(in € million) – year ended 31 December	2020
Profit for the period	126.5
Deduct:	
Profit attributable to non-controlling interests	0.0
Profit attributable to equity holders of ordinary shares	**126.5**
Divide by:	
Equity attributable to ordinary shares	2,312.2
Return on Equity (adj.) (%)	**5.47%**

Equity attributable to owners of the company per share (in €)

Equity attributable to owners of the company dividend by the number of shares outstanding at year-end.

(in €) – year ended 31 December	2020	2019
Equity attributable to ordinary shares	2,312,237,356.7	2,198,037,055.3
Divide by:		
Number of shares outstanding (at year end)	206,071,931	205,585,980
Share capital and reserves per share	**11.2**	**10.7**

5. Elia Transmission Belgium Sustainability Report

5.1 About the company

GRI 102-3, GRI 102-4

As the sole operator of the Belgian high-voltage grid, Elia Transmission Belgium has a natural monopoly and is therefore subject to regulatory supervision. Its public mandate and responsibilities are an integral part of the legislation regulating the Belgian electricity market. It is also overseen nationally by the CREG[9], the federal electricity market regulator for the extra-high voltage electricity grid (110 kV-400 kV) and tariffs, and regionally by VREG[10], CWAPE[11] and BRUGEL[12], the regional electricity market regulators for the high voltage electricity grid (30 kV-70 kV). The regulatory system has a significant impact on the business model. Elia is also part of the Nemo Link consortium, which operates the first subsea interconnector between Belgium and the UK. Elia operates a modular offshore grid in the Belgian North Sea, connecting offshore wind production on an offshore platform and transporting it to the mainland.

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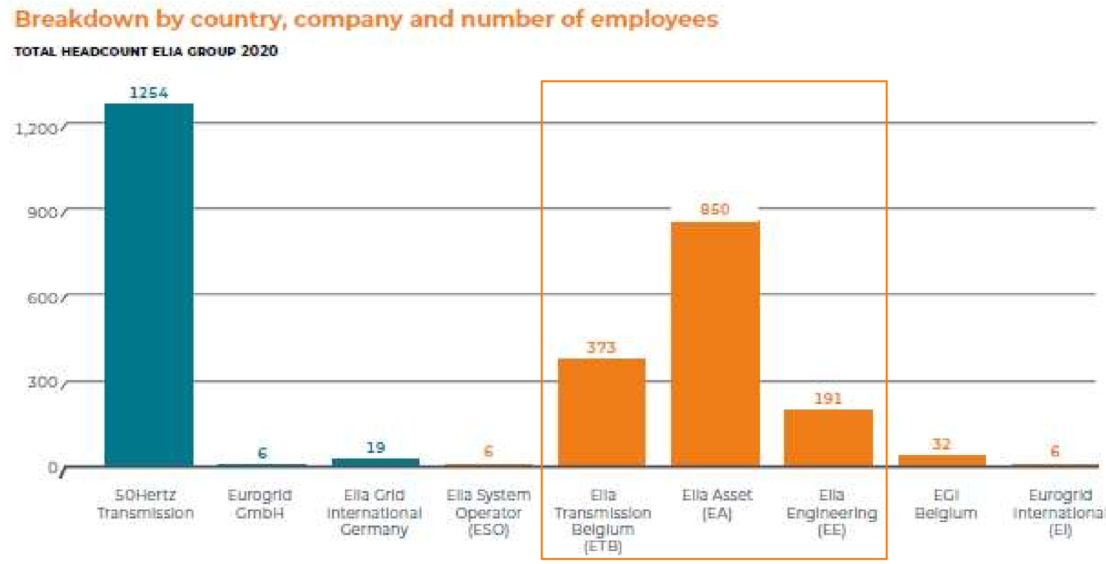
[9] CREG: Commission for Electricity and Gas Regulation.
[10] VREG: Vlaamse Regulator van de Elektriciteits- en Gasmarkt.
[11] CWAPE: Commission Wallonne pour l'Energie.
[12] BRUGEL: Régulateur Bruxellois pour les marchés du Gaz et de l'ELectricité/BRUsselse Reguleringscommissie voor de Gas- en Electriciteitsmarkt.

5.1.1 Size of the company

GRI 102-1



N.B. Three of Elia's chief officers are included both in Elia System Operator and Elia Transmission Belgium and are thus counted twice in the diagram above.

5.1.2 Grid

G4-EUS-EU4

Elia Transmission Belgium operates the extra-high-voltage transmission grids (110kV - 525 kV), as well as inter-connectors to other extra-high-voltage grids. In addition, Elia Transmission Belgium operates the high-voltage grid (30kV - 70kV) in Belgium.

5.1.2.1 Length of lines

	2018		2019		2020	
Voltage	Underground cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)
400 kV (DC)	9	-	70*	-	70*	
380 kV	40	919	40	918	40	923
					49	
220 kV	47	301	135	300	161	301
150 kV	573	1,973	628	1939	686	1,935
110 kV	-	8	-	8		8
70 kV	293	2,290	317	2,404	304	2,399
36 kV	1,938	8	1,917	8	1,915	8
30 kV	84	22	75	22	75	22
Total Lines/Cables	2,984	5,521	3,182	5,599	3,300	5,596
TOTAL	8,505		8,781		8,896	

* 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.

5.1.2.2 Substations and switches

	2018	2019	2020
substations >= 150 kV	297	300	299
substations < 150 kV	516	507	507
HVDC Converter station	1	1	1
TOTAL	**814**	**808**	**807**

5.1.3 Guiding principles

5.1.3.1 Memberships

GRI 102-12, GRI 102-13, SDG17

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

	Energy	Climate	Environment	Human rights	Elia
World Energy Council	✔				✔
CIGRE - Conseil International des Grands Réseaux Electriques	✔				✔
Go15 - Reliable and Sustainable Power Grids	✔		✔		✔
UNGC - United Nations Global Compact		✔	✔	✔	✔
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	✔	✔	✔	✔	✔
Synergrid - Fédération des gestionnaires de réseaux électricité et gaz en BelgiqueBelgique	✔				✔
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	✔	✔			✔

5.1.3.2 Values, principles, standards and code of conduct

GRI 102-16, GRI 102-17, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-32GRI 102-33, GRI 205-1

Elia Transmission Belgium has defined six behaviours that apply to all employees. These six core values reflect fundamental principles that are deeply rooted in the Elia group. They form the basis for our Code of Ethics, the guidelines and principles that drive all our activities.

Code of Ethics

Integrity and ethics are a critical aspect of our interactions internally. The Executive Board and management communicate regularly about these principles to make the mutual rights and responsibilities of the company and its employees transparent and tangible. These rules are communicated to all new employees and their compliance is formally included in employment contracts. The Code of Ethics, Guidelines and Policies defines what Elia considers to be proper ethical behaviour and establishes a set of principles in order to avoid conflicts of interest. Management consistently ensures that employees comply with internal values and procedures and, where applicable, takes actions deemed necessary as set out in company regulations and employment contracts. The Code of Ethics, as well as the policies derived from it, also helps to ensure that employees do not violate laws on the use of privileged information or market manipulation and suspicious activities. Acting honestly and independently towards all stakeholders is an important guiding principle for all our employees. The Code of Ethics explicitly states that Elia prohibits bribery in any form, abuse of prior knowledge and market manipulation. Elia and its employees do not accept gifts or hospitality to gain competitive advantage. Elia does not allow facilitation payments. Disguising gifts or hospitality as charitable donations is also a violation of the Code of Ethics. In addition, the Code of Ethics ensures that discrimination is not tolerated within the organisation by prohibiting all forms of racism and discrimination and promoting equal opportunities for all employees. This applies regardless of race, colour, gender, religion, political opinion, ethnic background, social origin, age, sexual orientation or physical ability. It also aims to ensure that all employees are given equal opportunities through fair assessments. Elia's internal policy on discrimination and equal opportunities is based on the International Labour Organisation's Convention C111 on Discrimination. Lastly, the Code of Ethics ensures the protection and confidential use of IT systems.

Supplier Code of Conduct
All parties involved in procurement must comply with Elia's Supplier Code of Conduct and all related regulations. Elia's Supplier Code of Conduct 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 employees involved in the procurement and payment processes provides regular opportunities for training and awareness-raising on these topics.

Elia complies fully with the corporate governance requirements. In addition, internal management systems based on recognised standards such as environmental management (according to ISO 14001) and early public acceptance are used in sustainability core areas. In the area of Health and Safety, Elia obtained, Safety Culture Ladder level 3 certification in November 2020. In the area of information and security management, Elia launched a programme in line with ISO27001 with a view to obtaining ISO27001 Certification in 2022.

5.1.3.3 Roles and responsibilities

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-32. GRI 102-33, GRI 103-3

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

To that end, 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 move forward on the Sustainable Development Goals for 2030. Both companies are also committed to and actively working on topics included in the 10 Principles of the UNGC.

With a view to more closely integrating the management of the sustainable aspects of Elia and 50Hertz, Elia Group Officers have been established at Elia Group for a number of key areas, including Safety, Risk Management, Talent Management, Procurement, Strategy and EU Affairs. As Group officers they are acting for the benefit of Elia and 50Hertz. Elia Group CEO Chris Peeters, is responsible for the Group functions.

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 reporting and sustainable communication to external stakeholders is coordinated by the Community Relations department.

5.1.3.4 Legal and regulatory framework

Elia complies with all applicable legislation. Its business activities are subject to numerous regional, national and European laws and regulations. Elia actively monitors the emergence of European, national or local regulations.

GRI 419-1

During the reporting year Elia did not receive any significant fines or non-monetary sanctions for failure to comply with social or economic legislation and regulations.

One of the core principles of corporate governance laid down by the legislation governing the electricity industry in Belgium is the strict separation between the composition of and responsibilities incumbent upon Elia Transmission Belgium and Elia Asset Board of Directors and Executive Board respectively. Additional information on the legislation and regulations relevant to our business activities can be found on our website.

5.1.3.5 Anti-corruption

GRI 205-1, GRI 205-2

Due to its legal status as electricity transmission system operator, Elia Transmission Belgium is subject to a wide range of legal and regulatory rules in their respective countries. These stipulate three basic principles: non-discriminatory behaviour, confidential treatment of information and transparency towards all electricity market participants for non-confidential market information.

A policy on bribery and corruption has been formulated as part of our Code of Ethics, which defines 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. Employees are given trainings to enable them to recognise behaviours or incidents where bribery or corruption may be at play, and to provide them with a safe, anonymous space to report any such matter, i.e. the whistleblower system.

Elia's compliance officer states that no such breaches were reported by internal employees or external stakeholders in 2020.

With a view to meeting the three basic principles described above, Elia has drawn up an Engagement Programme approved by the Corporate Governance Committee. Any violations of the company codes can be reported to the Compliance Officer, who handles them objectively and confidentially. The Compliance Officer reports annually to the relevant regulatory bodies in this regard. The annual internal audit programme includes a number of measures and verification checks designed to serve as specific safeguards against fraud. All findings are systematically reported to the Audit Committee. In 2020, no relevant findings related to fraud were reported during the specific fraud risk audits in the finance and purchasing processes.

Since 2018, Elia has had a policy in place that regulates the external reporting point for business integrity breaches via an external whistleblowing system. If 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.

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.

5.1.3.6 Political influence

GRI 102-16, GRI 415-1

Laws and regulations have a strong influence on Elia's operations. The various governments at federal and regional level grant Elia the operating licence and contribute to the determination of the legal framework in which the public mission of the transmission system operators has to be realized. The regional governments and authorities are responsible for granting permission to build the transmission infrastructure. Regulatory authorities determine the regulatory framework in which these activities have to be developed.
In this context, Elia acts in compliance with all the regulations that affect the operation of the transmission grid. It is also the responsibility of Elia to contribute to the political debate and to the orientation of the regulation. We assure these advocacies in a transparent manner that is visible to the public. As a legal monopoly responsible for such important public missions, Elia establishes its viewpoints having the interest of society as priority.

Elia is a trusted advisor on topics such as the fundamental design of the energy transition, the secure supply of electricity with a simultaneously increasing share of renewable energies, and the expansion of the grid.
When developing viewpoints, Elia is committed to involve political stakeholders and regulators as early as possible. This gives all parties the opportunity to present their point of view, improves the quality of information and

builds trust. Elia ensure that employees who are active in societal and energy policy are guided by clearly defined principles in their communication and actions.

In order to strengthen political contacts at EU level in particular, the position of Elia Group Head EU Affairs was created. Elia is registered in the EU Transparency Register and committed to its Code of Conduct.

The Public & Regulatory Affairs and External Relations department is among others responsible for political communication. A Corporate Reputation Committee composed of representatives of all internal departments that have external coordinates contacts with (political) stakeholders has been set up to coordinate the different contacts with these stakeholders.

Elia is an important player in Belgium at national level that has a global view of the electricity system, but also incorporates a regional and local approach. This puts us in a singular position to provide analysis, advice and recommendations to the authorities so that informed decisions can be made.

Elia has its Code of Ethics applicable to all our employees that frames aspects as respect of legislation, conflict of interests, professional deontology. In 2020 (and as in the past), Elia made no donations to politicians or political parties.

5.1.3.7 Risk management

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

Elia is committed to avoiding risks that could potentially harm its existence, to reducing risk positions as far as possible and to optimising the risk-opportunity profile. Elia group has a Head of Group Risk Management, who reports directly to the CFO of the Elia Group. In the reporting year, the Elia group launched an initiative to further develop the management of environmental, social and governance risks (ESG) that will have an influence on the risk management at Elia Group companies . In 2021, climate risks will be assessed and integrated even more firmly into risk management at all Elia group companies. Since 2017, Elia has been responding to the CDP Climate Change Questionnaire that addresses the company’s management of environmental impacts, climate risks and opportunities. Elia obtained a B score in 2020 for the year 2019.

As part of their systematic risk management, Elia regularly surveys and assesses the following risk areas:
- Profit & loss
- Health & safety
- Cash
- Security of supply
- Reputation

Risk guidelines set out how risks are systematically identified, recorded, assessed and monitored each financial quarter. A risk conference/workshop is held once a year during which all division heads (second management level) as risk owners as well as the risk manager discuss the most significant risks and risk-related topics together with the Executive Board. With respect to infrastructure project management, an integrated process has been established for the associated planning of schedule, budget and risk management. With regard to sustainability, various risks are assigned to environmental, social and governance (ESG) domains. These risks pertain, for example, to occupational safety, environmental damage, data security and transparency. Additional information on risk management can be found in the Corporate Governance Statement.

5.1.3.8 Security and emergency management

Critical infrastructure

For Elia, security does not stop at the company's boundaries. For example, personnel are trained in crisis management and crisis communication with internal and external stakeholders during regular crisis team exercises. Not only are the existing structures, processes and reporting channels reviewed and continuously improved, but crisis team members and employees are also intensively trained in the skills needed to deal with unexpected events in a level-headed manner under high stress and to make quick and appropriate crisis management decisions. These and other measures serve the goal of continuously increasing the resilience of Elia in a holistic manner. In addition to the training concept for all members of the crisis team, this also includes the review of property protection concepts and the further development of general corporate security.

In 2020 the framework and specific modus operandi on screening for our most critical zones (NCC/RCC/Data Rooms)[13] received a final approval by the competent authority. In order to optimally guarantee the privacy of personal data, a special GDPR[14] protocol was developed between Elia and the Belgian Federal Public Service Economy. After a positive test phase, full implementation and roll out started in November. Our goal is to have all access to these specific zones screened by the end of 2021.

Despite the challenges related to COVID, the predetermined CAPEX plan regarding the specific security policy for Critical and Strategic Infrastructure was fully implemented. In addition, in the context of innovation, a proof of concept for new security technologies for specific high-voltage substations was provided. The positive outcome of this may enable us to optimally secure sensitive infrastructures in the future.

In order to optimally guarantee security as regards access to our substations, we are planning to switch to an online access control system. In 2020, pilot projects for this were carried out simultaneously in various zones

[13] NCC: National Control Center; RCC: Regional Control Center(s)
[14] GDPR: General Data Protection Regulation

across the country. The new system allows us to (de)activate access rights with immediate effect and to have real-time online reporting.

In accordance with the European legislation on critical infrastructure (EPCIP[15] Directive), Elia, in consultation with the relevant authorities, set out the new criteria and analysed the current infrastructure. This multidisciplinary study resulted in a short list of potential new Elia Critical Infrastructures, which may be officially confirmed in 2021.
In consultation with and under the guidance of the Security Department, both the Federal Public Service and the Federal Agency for Nuclear Control carried out several inspections of our Critical Infrastructures in 2020. The objective is to check the Operator's Security Plan (Beveiligingsplan van de Exploitant - BPE) against the reality in the field. Any points of attention are included in the revision of the specific BPE per Critical Infrastructure.
At the specific request of the relevant government department, Elia, in coordination with the energy supplier ENGIE, elaborated a joint Operator Security Plan for the Critical Infrastructure associated with the Tihange nuclear power plant. This was officially notified to the relevant government department in 2020.
The security conditions relating to access to the infrastructures at the Doel nuclear power station were tightened up in 2020. The requirement for security clearances for persons with access to the technical installations was extended to the entire site (administrative buildings, workshops, 150kV post substations, etc.). A total of approximately 150 additional security clearances were requested for this purpose.

Concerning the COVID pandemic, Elia set up a special Elia Corona Task Force as soon as it was first reported in Europe. The Head of Security was designated as crisis manager. (see further details in 9. COVID-19 pandemic management).

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 national level in the utility sector (Synergrid), as well as at 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 taken in 2020 in this field are listed below:

[15] European Programme of Critical Infrastructure Protection

- 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 the reporting year, no targeted cyber-attacks on Elia were recorded.
- Launch of the ISMS programme as part of good governance and as an enabler to meet regulatory requirements (NIS Directive, ENTSO-E): Design, create and implement an Information Security Management System (ISMS) in line with ISO27001. The ISMS is a framework of policies and controls to manage security and security risks systematically across the entire organisation. The objective is to obtain ISO27001 certification in 2022.
- Appointment of a Data Protection Officer (DPO) to ensure that Elia processes the personal data of the data subjects (staff, customers, providers or any other individuals) in compliance with the applicable data protection regulation (GDPR).

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 crisis management plan describes the roles, responsibilities and processes related to crisis management. The emergency management is based on scenario emergency plans, e.g. Standardized Emergency Preparedness Plan (SEPP) The emergency plans contain measures and the definition of reporting and information processes.
- The system defence plan: automatic and manual measures aiming to prevent a blackout at any cost, 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 a number of demands to be manually or automatically disconnected, when necessary to prevent the propagation or worsening of an electricity crisis.
- The restoration plan: a set of actions that can be used after a disturbance with large scale consequences (e.g. blackout) to bring the electricity system back to its normal state.

Elia regularly trains its operator teams by means of simulated exercises and life excercises in small scale, including relevant stakeholders and partners. i.e. Distribution System Operators or Generation Companies. In general system operators continuously practice the handling of abnormal as well as crisis situations by means of theoretical and practical trainings by various means.

A transmission system operator must regularly test its capability of restarting the system. These restart tests - also called black start tests - are part of the grid reconstruction plans of transmission system operators, who must regularly test this capability in their respective grid areas so that the power supply can be restored as quickly as possible after a power outage.

Simulator trainings and theoretical training sessions are given to the operators of the national control center and the regional control centers on the application of the emergency and restoration plans.

In the reporting year 2020, Elia successfully conducted two black start tests and various emergency exercises such as risk preparedness tests of crisis personnel and 'National Backup Control Center' tests (Real-time net-out from the Backup control room of the national control center in Merksem for several hours).

During several virtual consultation moments in 2020, the crisis organization was prepared to adequately respond to a crisis situation during the Covid-19 Pandemic.

5.1.3.9 Grid reliability

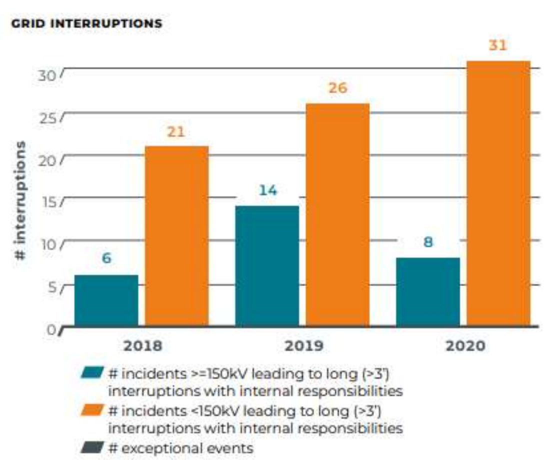
G4 EUS Security of Supply

In order to meet electricity demand at all times, Elia must assure its customers that its grid is reliable. As a transmission system operator (TSO), Elia provides infrastructure with adequate electricity interconnections for smoothly functioning markets and systems. This is the best guarantee of security of supply.
However, even where markets and systems function well and are interconnected, the risk of an electricity failure still exists.

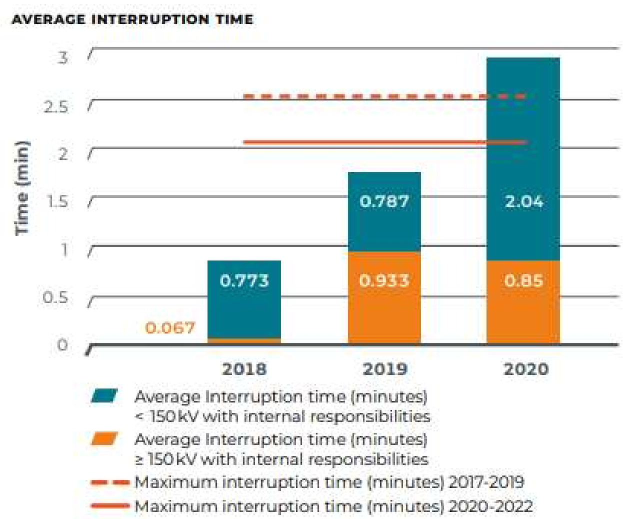
The actions established to cope with a large-scale electricity failure caused by an exceptional event are described in the previous section.

Grid availability and interruptions

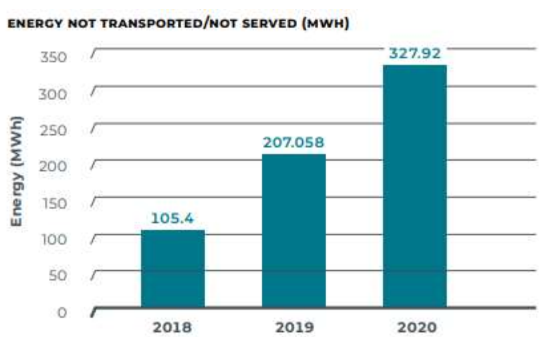
In order to assess grid availability on one year, we record the number of incidents leading to at least one customer interruption that lasted more than three minutes (international standard) and for which Elia is responsible. Any interruption caused by customer errors, thunderstorms, third parties, birds, etc. are not considered here.
No exceptional event occurred in 2020.



Most interruptions take place on the local transmission grid (< 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) is also considered. This 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) Incentive relating to continuity of supply by CREG, the Belgian federal regulator. For the period 2020-2022, its value is 2.1 minutes.



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.



The ENS score achieved is higher than last year due to several technical failures i.a. as consequences of a series of storms in January-February 2020.

The ENS score achieved is higher than last year due to several technical failures i.a. as consequences of a series of storms in January and February 2020.

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:

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

	2018	2019	2020
Onshore grid availability at connection points	0.99999039	0.99999671	0.999994

In 2020, onshore availability in Belgium remained at a very high level (above 0.99999).

5.2 Strategy

GRI 102-15, 102-29, GRI 201-2

5.2.1 Act Now – the Elia group Sustainability Initiative

In 2020, the Elia group launched "Act Now", its sustainability initiative. This ambition has been translated into sustainability goals in five key areas (or lighthouses):

These five lighthouses are linked to the United Nations's global Sustainable Development Goals (SDGs). The 17 global SDGs are intended to be a "blueprint" and make explicit the contributions towards a better and more sustainable future for all - to be achieved by 2030. Under Act Now, we are defining long-term goals in the areas of carbon neutrality, biodiversity and eco-design of our assets, health and safety, diversity and inclusion, ethical values and governance. Sustainability will become a stronger compass to guide business plan decisions in order to reach a level sufficiently ambitious for our projects and activities.

With regard to climate change, the electricity sector has major potential for decarbonisation. Electricity as an energy carrier is already the most cost-efficient solution in most sectors. Accordingly, further electrification based on renewable energy integration is the most efficient way to realise the energy transition. The Elia group is positioned at the very centre of the energy system and thus well placed to identify the levers for decarbonizing the system. In addition to developing the necessary grid infrastructure to integrate and transport additional volumes of renewable energy, the Elia group is identifying the necessary sources of flexibility to cope with the variability of renewable energy and is preparing the market and system to operate in a 100% renewable energy context.

Collaboration has been established with with several other TSOs (Terna, RTE, Tennet, Amprion, Red Electrica, Swissgrid and APG) to identify the main levers for decarbonising the energy system. A paper will be published by mid-2021.

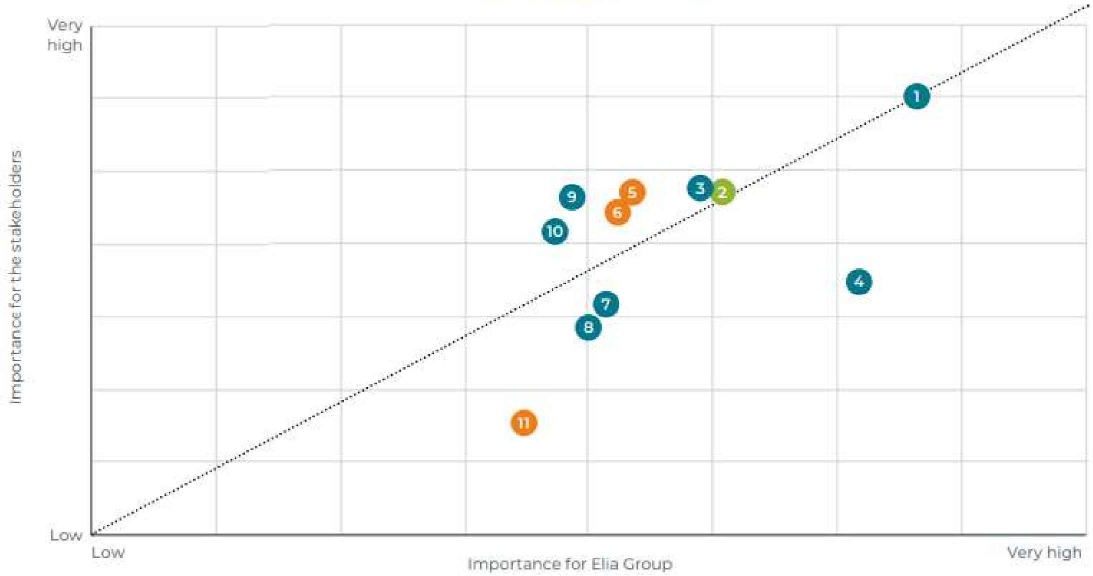
The Elia group companies, including Elia Transmission Belgium supports the European Green Deal in its core business. The demand-driven grid development and our innovation programmes enable the continually increasing integration of renewable energies, and the operation of interconnectors enables barrier-free European electricity trading. We cover the high investments required for this - where this makes economic sense - through green bonds that we place in the European and international financial markets. We are therefore committed to the efforts of the EU taxonomy to make this market more transparent.

5.2.2 Materiality and objectives

GRI 102-15, GRI 102-46, GRI 102-47, GRI 103-1, GRI 102-29

We consolidated our material economic, environmental and social topics at Elia Group level back in 2019. As a result, 15 material topics of high and very high importance were identified, which determine Elia group's guidelines for reporting and stakeholder dialogues. These topics are shown in the materiality matrix below.

MATERIALITY MATRIX ELIA GROUP



Topics of high and very high relevance

ESG - Environmental, Social, Governance

1. Network availability and reliability
2. System and market integration of RE
3. Corruption and bribery
4. Legal and regulatory environment
5. Transparent dialogue
6. Customer orientation and satisfaction
7. Risk management
8. Technology development and access
9. Transparency and openness
10. Cost and process efficiency
11. Employment creation and skills development

Topics resulting of the Act Now initiative

In addition to the existing topics of high and very high relevance, the following fields of action have come into sharper focus:

- Climate-relevant emissions and climate adaptation
- Bio-Diversity
- Operational environmental protection
- Diversity and equal opportunities

ESG criteria

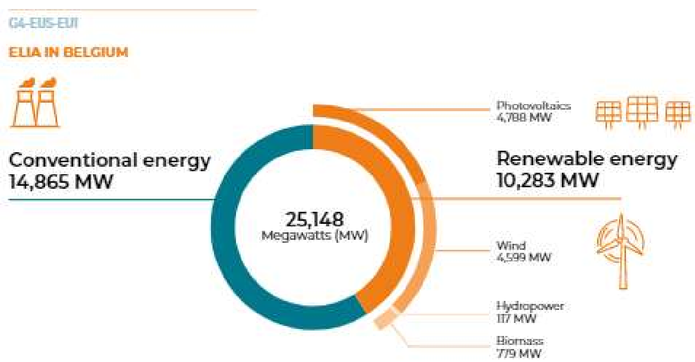
The Elia group transparently documents the implementation of its consistently sustainable business orientation. ESG (Environmental, Social, Governance) criteria are increasingly becoming driving factors in investors' capital decisions. The Elia group also relies on green financing, i.e. green bonds, for the high financing costs that are necessary to finance the expansion of the grid and thus the energy transition. This is why we have constantly expanded and improved our sustainability reporting in recent years. This is being rewarded and is subsequently reflected in the good and ever higher ratings that the Elia Group receives from internationally recognised rating agencies, such as Sustainalytics, MSCI and Vigeo Eiris.

In the reporting year, Elia signed a €650 million revolving credit facility (RCF) agreement with a pricing mechanism linked to three of Elia's sustainability performance targets.

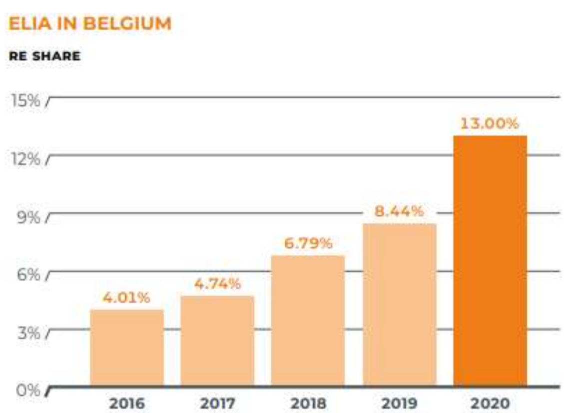
5.3 Energy – Market and integration of renewables

GRI 302-2, SDG7

5.3.1 Installed capacity



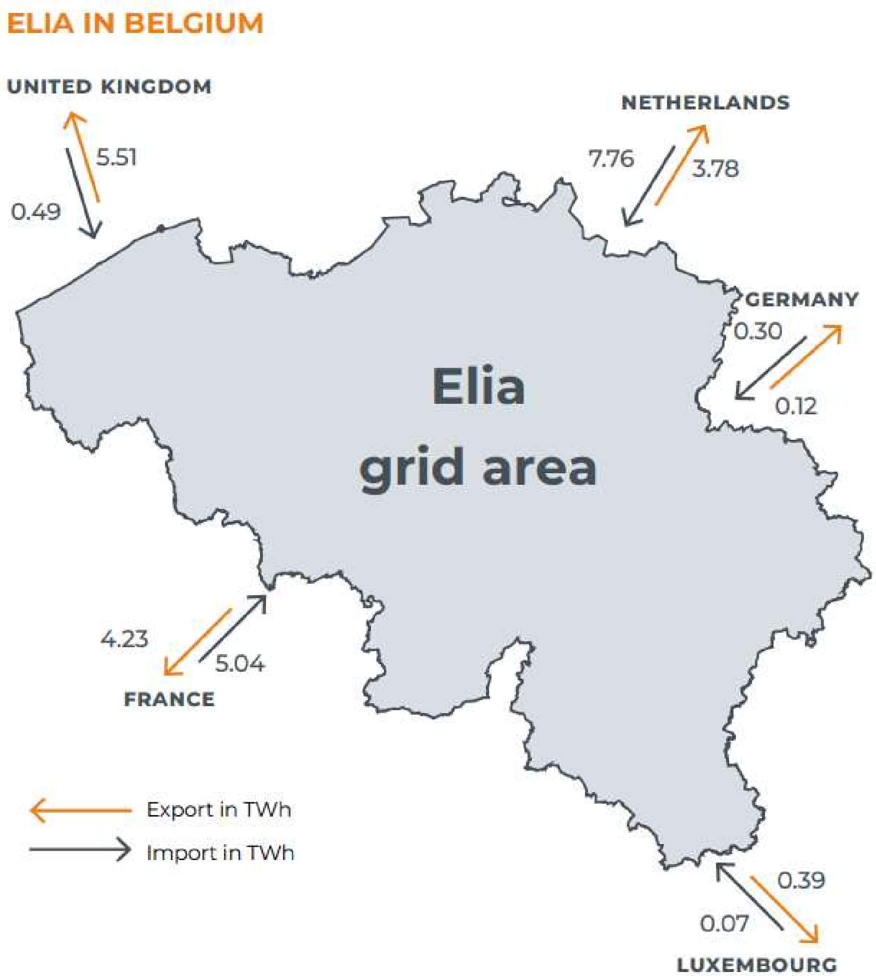
5.3.2 Evolution



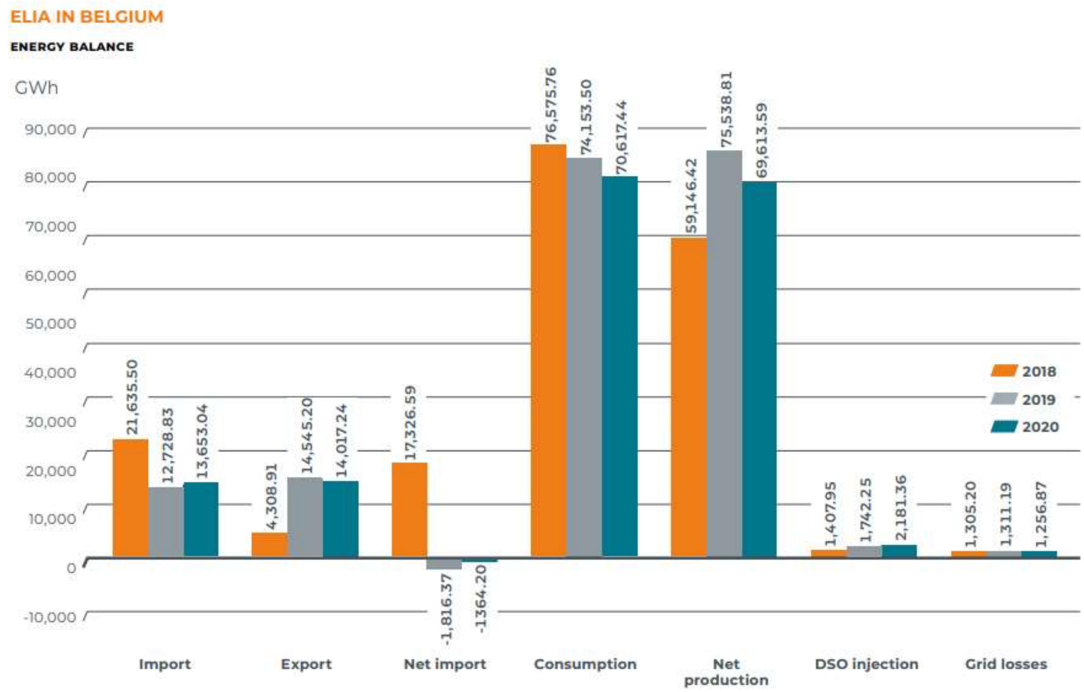
5.3.3 Energy import and export

GRI 102-6, GRI 302-2

ALEGrO, the first interconnector between Belgium and Germany, was inaugurated in November 2020. The connection will enable the two countries to exchange 1,000 MW (1 GW) of additional electricity (approximately equivalent to the electricity consumption of a city with a population of one million).



5.3.4 Energy balance



5.3.5 Grid losses

G4-EUS-EU12

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

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

When assessing the carbon footprint of a TSO following the GHG Protocol, grid losses are accounted for in its Indirect emissions (Scope 2). For further details on our Carbon assessment, see Section 8.2.1. Emissions – GHG Emissions.

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

- Losses on the grid monitored at federal level (> 150 kV) compensated with kind in accordance with federal legislation;
- Losses on the grid monitored at regional level (< 150 kV)
- In 2020 the grid losses of Elia totalled 1.3 TWh.

Grid losses	unit	2020
Federal level (from 150 kV)	MWh	717,811
Regional level (less than 150 kV)	MWh	539,061
Grid losses total	**MWh**	**1,256,872**

The losses are calculated using the EMS State Estimator. The EMS models the entire Belgian network, listing each network element. The State Estimator will estimate the state of each network element on the basis of measurements taken in real time and the system modelling parameters.

5.4 Human resources

GRI 102-7, GRI 102-8, GRI 401-2, GRI 401-3, GRI 405-1, SDG5, SDG8, GRI 103-2

5.4.1 Management approach

GRI 102-41

Elia owes its success entirely to the success of its employees. It is the company's responsibility 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 extending beyond 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 set out in the UN Global Compact.

Elia is committed to promoting diversity out of conviction and in accordance with ILO Convention 111 and strictly condemns any discriminatory action in all work-related situations. All employees are equal regardless of their ethnic origin, age and gender, sexual identity, religious affiliation, political views, national or social origin or other factors. Elia is committed to valuing all employees and their abilities equally - regardless of their individual identity. There were no cases of discrimination in 2020.

As part of the Group's sustainability initiative "Act Now", we have a Group Diversity and Inclusion charter. In 2021, we will launch a Diversity & Inclusion Scan to better understand where we stand today in relation to these areas of action. This will lead us to a specific roadmap to work on our improvement. We also pursue our efforts in "occupational health and safety". The maintenance and further development of ours values-based corporate culture is one of the top goals for the company and the strategic basis for all personnel-related decisions. Within the management team, responsibility for personnel strategy issues lies with the Group Chief Alignment Officer and the Group Talent Management Officer.

In 2020, Elia received the **Top Employer** label for the third time in a row. According to the jury's report, Elia is particularly successful in the recruitment and selection of new talent. Efforts promoting corporate culture and the values and behaviours we want to develop were also rewarded with the highest score. Other HR policy strengths highlighted in the report are the progress made in the areas of employer branding, the policy for onboarding new employees and the integration of sustainability into our HR policy.

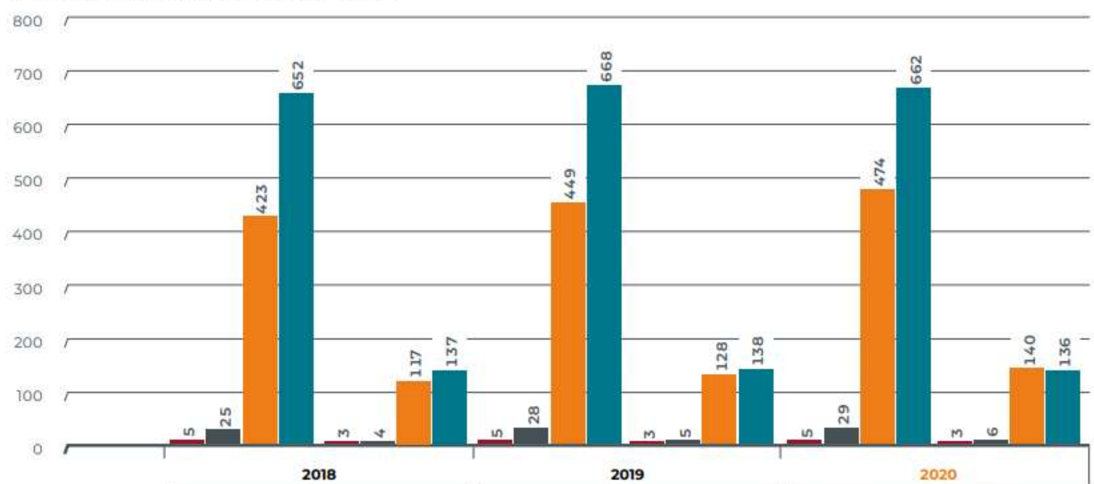
The proportion of women in Elia's overall workforce is 19.59%. As of 31 December 2020, the share of women in the first and second management levels among the extended management was 20.93%, in the third management level 22.8%, in the Board of Directors 35.71% and in the Executive Committee 37.5%.

The average age of employees at Elia is 42.4 years, which is stable compared to the previous years.

5.4.2 Headcount

GRI 102-8, GRI 102-41, GRI 405-1, GRI 102-7

BREAKDOWN BY RESPONSIBILITY LEVEL AND GENDER



	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Directors	5	3	5	3	5	3
Senior Managers	25	4	28	5	29	6
Line Managers	423	117	449	128	474	140
Employees	652	137	668	138	662	136
Total	1100	258	1145	271	1165	282w

(subsidiaries included: ESO, ETB, EE, EA, EGI and Eurogrid International)

5.4.3 Workability

GRI 401-1, GRI 401-2

Elia employees benefit from a family-friendly work environment and the opportunity to strike 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.

In order to improve our HR environment continuously, there is always an exit interview for leavers to better understand the reasons of departure.

New hires and turnover

(subsidiaries included: ESO, ETB, EE, EA, EGI and Eurogrid International)

Employee Turnover		2018		2019		2020	
		Number	rate* (%)	Number	rate* (%)	Number	rate* (%)
Total		46	3.4%	43	3.1%	47	3.2%
Employees who left Elia per gender	Men	31	2.3%	34	2.4%	34	2.3%
	Women	15	1.1%	9	0.6%	13	0.9%
Employees who left Elia per age category	< 30 year	7	0.5%	9	0.6%	6	0.4%
	30 < 50 year	36	2.7%	34	2.4%	23	1.6%
	>= 50 year	3	0.2%	0	0.0%	18	1.2%

* Turnover rate = # employees who left (#employees begin of year+#employees end of year)/2

New Hires		2018		2019		2020	
		Number	rate (%)	Number	rate (%)	Number	rate (%)
Total		89	7%	132	9%	100	7%
New hires per gender	Men	66	74%	107	81%	73	73%
	Women	23	26%	25	19%	27	27%
New hires per age category	< 30 year	36	40%	51	39%	26	26%
	30 < 50 year	47	53%	70	53%	55	55%
	>= 50 year	6	7%	11	8%	19	19%

- *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, retirement or resignation from 1 January to 31 December of the year concerned*

Parental leave

GRI 401-3

In Belgium, every worker has the right to take four months of parental leave (either fulltime or fractional).

NOTE: It is not possible to report on the total number of employees within Elia Transmission Belgium who are entitled to this type of leave as they may have already taken this leave while working at another company.

		2018		2019		2020	
		Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
TOTAL	Men	57	66%	75	67%	111	66%
	Women	30	34%	37	33%	58	34%
Full time parental leave (>=1 month)	Men	31	-	39	-	34	-
	Women	16	-	21	-	18	-
	Total	47	54%	60	54%	52	31%
Parental leave as a deduction of full time employment	Men	26	-	36	-	77	-
	Women	14	-	16	-	40	-
	Total	40	46%	52	46%	117	69%

Retirement

G4-EUS-EU15

	5 years	10 years
Percentage of employees eligible to retire in the next 5 and 10 years	11,40%	11,80%

5.4.4 Employee survey

In 2020, for the first time, the employee survey was organised at group level using the same questionnaire and approach. For the first time, questions on the topic of diversity were asked in a section on corporate culture.

87% of Elia Group employees answered the questionnaire, showing a great level of interest.

The results of the survey were also positive. The commitment index is around 70, which is above the average of other companies that conducted a similar survey and demonstrate the high engagement of our workforce.

The detailed results will be discussed across the organisation and throughout the hierarchy. In a follow-up process starting in the first quarter of 2021, company-wide fields of action and measures for the individual teams will be derived.

5.4.5 Training

GRI 404-1

To realise our vision and master the challenges of tomorrow, Elia needs motivated employees, since they are a key success factor in times of constant change. In addition to training on technical and safety skills required to perform tasks specific to our core business, Elia employees are offered individually tailored further training and relevant additional qualifications.

Systematic succession planning ensures that sufficient numbers of potentially suitable employees are available for all management positions and that vacancies can be filled internally wherever possible. To this end, talent is identified and promoted - for example through programmes for "young professionals" that are jointly developed and offered within Elia Group. Programmes for upgrading employee skills and career transition assistance programmes (including innovation, “intrapreunership”, leading the change and external education programmes).

Elia attracts qualified young talent via its own in-house training, via a 24-month trainee programme and via the supervision of internships as well as diploma, bachelor's and master's theses in cooperation with universities and universities of applied sciences.

An Elia Group talent programme was launched in the third quarter of 2020 to complement the existing programmes. Talent@Elia Group is one of the top projects in the Elia Group Business Plan. Against the backdrop of an ever-changing environment and digital transformation, the project team will develop a common - and sustainable - integrated and comprehensive framework for group-wide talent and competency management.

In addition, managers can take specific training modules to develop their own leadership skills.

In 2020, 8 students joined Elia in the context of internships or theses and 34 “internal consultants” (who follow the 24-month trainee program) were employed at the company.

The average number of hours for training and further education, excluding regular safety instructions, was 22 hours per male employee and 11 hours per female employee in the reporting year.

5.4.6 Remuneration policies

GRI 102-35 – GRI 102-38, GRI-102-41, GRI 405-2

Elia’s remuneration policy focuses on attracting and retaining our best talents, rewarding performance and supporting the culture of feedback and continuous development when possible.

Remuneration is in line with requirements and performance, regardless of gender, and is supplemented by extensive social benefits and a company pension scheme.

In addition, with the Elia group share programme, employees have the opportunity to participate in the success of the previous financial year. For the eighth time in 2020, every employee was offered shares at a preferential price.

Elia transparently discloses the total remuneration of the management team in the consolidated financial statements and shows the fixed and variable total remuneration as well as company pensions and other benefits for management. The basic features of the remuneration system are explained and detailed in the corporate governance statement.

Elia negotiates collective agreements for the 'non-exempt population' together with the energy sector. For the 'exempt population', our remuneration practice is based on internal equity combined with market competitiveness, maturity in the role, respect for corporate values and safety leadership, and performance – all irrespective of gender.

Elia is willing to disclose its annual total compensation ratio. We are working internally on the calculation method and making every effort to achieve this soon.

5.4.7 Incentive systems

The remuneration of employees includes success and performance-related elements that provide an incentive to achieve our common corporate objectives as well as the individual objectives derived from them. All employees receive regular performance and career development reviews. Some collective objectives also relate to the environment of sustainable corporate governance, such as compliance with occupational health and safety..

5.4.8 Social dialogue and codetermination

GRI 402-1

Elia is committed to freedom of association, collective bargaining and the protection of employee representatives. Particular emphasis is placed on trust and constant cooperation with all trade-unions. On a local level of Elia a works council with representatives of employer and employees is already since years in place. A cross-company dialogue takes place in Elia Group's European Works Council with representatives of Elia and 50Hertz.

Social consultation at Elia involves information provision, dialogue and negotiation via the statutory consultative bodies, such as 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 for certain matters and a decision-making mission for certain matters.

In addition to these legal bodies, we involve our social partners in social consultation and dialogue via involvement in workgroups to jointly prepare the implementation of our strategy.

5.5 Safety

GRI 403-1, GRI 403-2, GRI 403-3, GRI 103-2

5.5.1 Management approach

As a high-voltage electricity transmission operator, Elia operates facilities where accidents, asset failure or external attacks may cause harm to people. The safety and welfare of all individuals (Elia's staff, the staff of contractors and third parties) is a key priority and a daily preoccupation for the company and the relevant subcontractors. Elia has implemented a Health and Safety policy and they undertake safety analyses and promote a safety culture.

The Elia group applies the highest safety standards for its employees, contractors and everyone coming into contact with its infrastructure. An Elia Group Safety Officer position has been established.

Every employee is instructed to consciously recognise hazards, report them immediately, and submit suggestions for promoting safe and healthy working conditions.

Employees' personal Protective Equipment (PPE) is always kept up to date, new PPE is tested by wearing it and the catalogue is adapted to requirements.

As part of our commitment to safety, Elia is continuously working towards a zero accident rate for all types of work-related accidents, not just electrical risks.

Accordingly, occupational health and safety and injury and illness prevention are integrated into our corporate strategy and are part of the group's Act Now sustainability programme.

In the year under review, the Elia group companies joined the European Union's Vision Zero health and safety initiative to actively promote benchmarking and peer learning.

The early detection and prevention of work-related illnesses and the preservation of employability are also fixed components of occupational health and safety at Elia. To achieve these goals, Elia ensures appropriate occupational health care, which focuses on individual protection and the prevention of health hazards. In addition, Elia provides regular company medical consultations, protective vaccinations and advice on ergonomics at the workplace for all employees. Qualified external counselling is available to employees in confidence at any time in the event of individual stress, conflicts or addiction problems. Employees can also take part in various public sports events.

The GO FOR ZERO safety programme (started in 2015) aims to embed the safety culture within Elia and with contractors; it includes all projects.

For Elia, it was important to measure our safety culture – the way safety is experienced at Elia – to know where we are and what we can still improve. In November 2020, Elia obtained "Safety Culture Ladder" level 3 certification. We were awarded this certification following an audit of our company in September 2020 by the external organisation KIWA. The Safety Culture Ladder measures the maturity level of a company’s safety culture. This exercise shows that we must continue to strengthen our security management tools, in line with the Go4zero project.
This audit will be used to identify our priorities and establish our global prevention plan for 2020-2025.

Elia has also signed a two-year-partnership with VIAS, the Belgian road safety Institute, in order to promote road safety among its employees and raise their awareness of risks and good practices as road users (motorists, cyclists and pedestrians) in their professional and private travel.

In addition to the sector-specific risks, we also address risks related to the wellbeing of our employees with the Care4Energy programme that ensures their wellbeing by targeting their mental, physical, emotional and personal development.

Pulse check surveys: in the new and difficult context of the Covid-19 pandemic (and subsequent lockdowns), Elia regularly invited its employees to fill in surveys in order to better understand how they were coping with the situation and to determine what could be done to better support them. Online relaxation sessions were also organised.

5.5.2 H&S training

GRI 403-5

Elia continuously trains its staff. There is a compulsory training path for all field employees that is updated periodically. All employees are regularly instructed about workplace-specific hazards and measures to avoid them.

In addition to the refresher trainings for our operational teams, we also ensure that they are continually informed about the evolution of procedures and working methods, and that they are able to learn from our experience feedback.

Safety flashes are also sent out to our own staff and contractors on an ad hoc basis when Elia identifies specific risks associated with working with specific tools or reminders of our good practices.

5.5.3 Inspections

GRI 403-2

Occupational health and safety protection is not limited to our own employees. Elias stringent standards also apply to external contractors working on Elia sites. During the contracting process and later, every effort is made to ensure that suppliers comply with Elia's strict safety requirements. Both the safety team and management carry out inspections on a regular basis.

Within the context of the Safety Culture Ladder certification trajectory (see above), external auditors visited some of our administrative sites, made six site visits and organised 25 interviews with management and 49 with employees and contractors.

These audits will be used to identify our priorities and establish our global prevention plan for 2020-2025. Operational managers and the Safety team regularly go out into the field to observe how activities are organized and carried out, both for our own teams and those of our contractors.

Safety-related visits to workplaces and worker behavior are an essential part of the dynamic risk management system. Listening to and observing management allows adaptations of methods or equipment, management coaching allows a better adherence of the staff to the company's methods and behaviors.

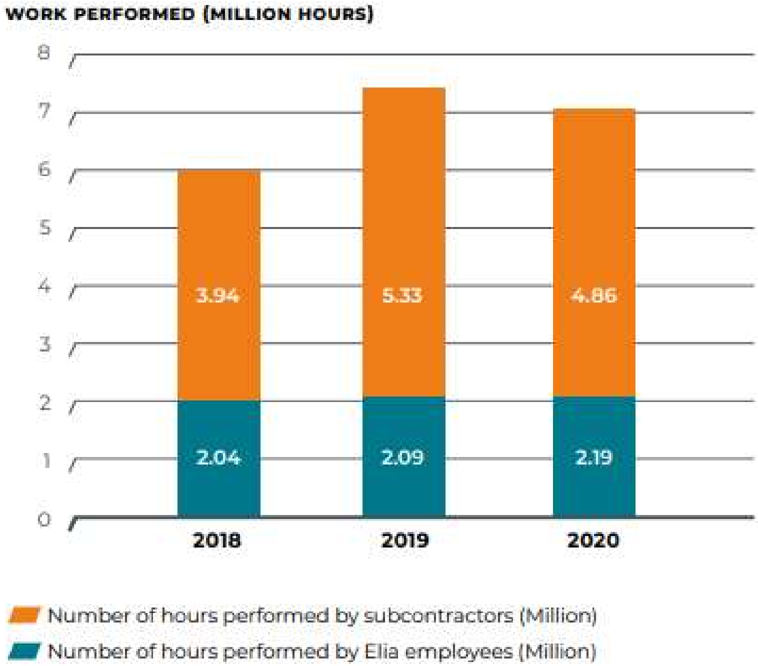
We have adapted our safety visit system to better put this approach into practice, with the aim of promoting specific behaviors that characterize a proactive safety culture throughout the company: Transparency and the Willingness to Learn.

In the reporting year, 1142 construction sites visits were carried out.

5.5.4 Accidents

GRI 403-9

Our goal is zero accidents, not only for our own employees, but also for our contractors, distribution system operators and anyone else near our facilities.



The key indicators show very good performance in 2020. The Covid-19 pandemic did not slow down our activities for guaranteeing grid reliability. Our entire maintenance and investment programme was executed as planned with a remarkably low number of accidents. Safety is always Elia's number-one priority; therefore we provided figures for both employees and contractors.

ELIA ACCIDENT STATISTICS

			2018	2019	2020
Employees	#employees injured with at least 1 missed workday	Men	4	4	1
		Women	2	0	0
	#work related fatalities	Men	0	0	0
		Women	0	0	0
	Accident rate (1)		2.9	1.9	0,5
	Total recordable injury (TRI) rate (2)		7.3	5.7	5
	Accident severity (3)		0.11	0.05	0
	Fatal accidents	Nr.	0	0	0
Contractors	#accidents (with & without lost time)	Total	44	41	27
	Accident rate (1)		5.6	3.4	3,9
	Total recordable injury rate (TRI) (2)		11.1	7.7	5,5
	Fatal accidents	Nr.	1	0	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

5.6 Suppliers and human rights

5.6.1 Management approach

SDG 12, GRI 102-9, GRI 204-1, GRI 308-1, GRI 308-2, GRI 414-1, GRI 103-2

Elia Group is required to comply with 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 processes for selecting suppliers and signing new contracts are based on an evaluation of multiple criteria. Elements relating to sustainability are integrated in the tendering contract and the general purchasing terms and conditions, which are signed by the suppliers.

The Elia group is committed to incorporate its strong ethical principles in the procurement process, and to having a positive impact on its wider environment via the purchases performed. It also aims to avoid risks arising from non-compliance with certain rules and norms within the supply chain. The position of Head of Group Procurement was established in order to enhance this process.

In 2018, Elia drafted a Supplier Code of Conduct containing internationally recognised principles regarding ethical conduct, health and safety, the environment and social aspects. This code now applies to the entire Elia Group and is systematically included in the documents for European procurement procedures.

In order to deploy 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 those suppliers, who are most relevant from that risk perspective.
We started the roll-out of an in-house, Sustainability Supplier Self-Assessment questionnaire aimed at high-risk suppliers and some hand-picked, medium-risk suppliers to understand their level of engagement in terms of ethical conduct, social aspects, health and safety and environment.

In a joint statement entitled The Greener Choice, high-voltage grid operators from Austria, Belgium, France, Germany, Italy, the Netherlands, Spain and Switzerland announced that they want to help stimulate an ever greener economy as soon as possible by making their purchasing more “green” and thus sustainable – a reference to the European Green Deal.

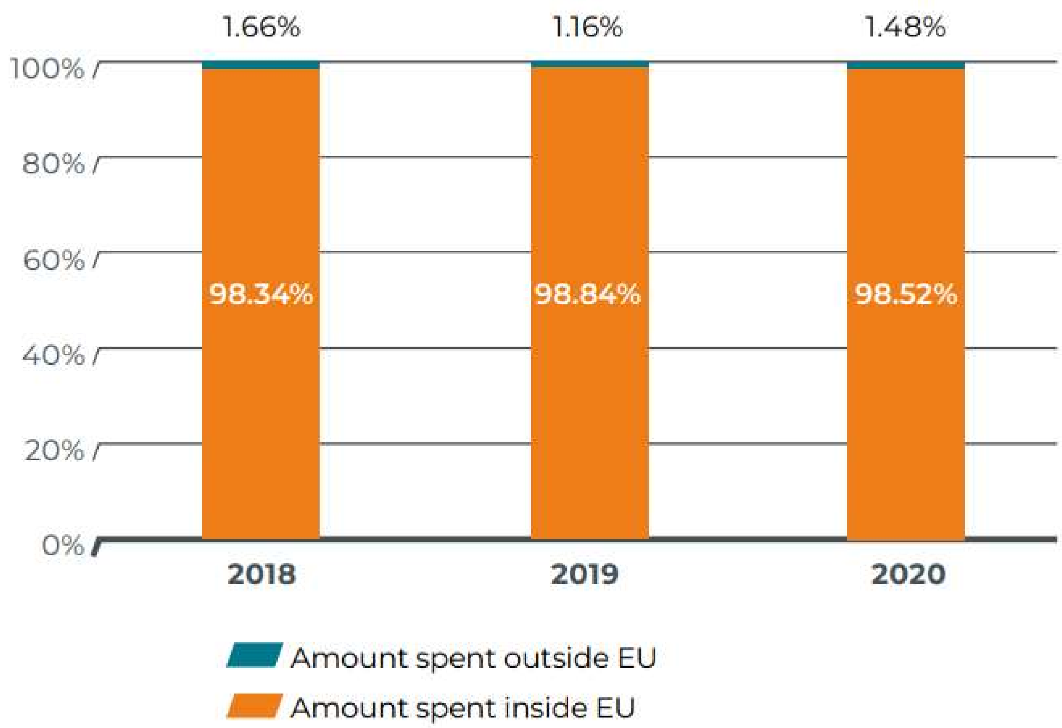
5.6.2 Suppliers and expenditure in the EURO-Zone

GRI 204-1

Procurement outside the EURO-zone countries is very limited (below 5%) and the large majority of it is IT and consultancy related. The environmental impact is also considered in the awarding criteria. 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.

	2018	2019	2020
# EURO-zone suppliers	2,305	2,271	2,236
# Non EURO-zone suppliers	116	109	101
# non-EURO countries within Elia suppliers	19	16	17

SPLIT YEARLY SPEND EURO VS NON-EURO



5.6.3 Human rights

GRI 414-1

Elia acknowledges its responsibility to respect human rights and naturally respects the rights to privacy, personal safety, freedom of expression and property rights of employees, residents and customers. Elia also takes responsibility for compliance with social standards in the supply chain. For this reason, Elia is not only member of the United Nations Global Compact, but is also committed to the core labour standards of the International Labour Organisation (ILO).

In order to ensure that business partners also comply with internationally valid rules on human rights - such as the ban on forced labour and child labour - sustainability and ethics are essential components of the supplier and service provider evaluation. Elia suppliers commit to a common, binding Code of Conduct in their cooperation. This is an integral part of all Elia ‘s supplier contracts. In addition, both raise awareness of sustainable action in regular discussions and thus convey an understanding of compliance with ethical principles and guidelines for sustainable development. All orders are placed centrally in Belgium. In this respect, all Elia business locations are screened for human rights due diligence issues and anti-corruption.

5.7 Stakeholder engagement

5.7.1 Management approach

GRI 102-40, GRI 102-42, GRI 102-43, GRI 103-2

Involving stakeholders upstream helps to improve their understanding of the need for grid in benefit for the society and can optimise the associated processes, Elia regularly contacts and exchanges information with various stakeholder groups.

Elia’s stakeholder environment is continuously analyzed 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, and agricultural or other interests) or clients directly connected to their grid.

GRI 102-42, GRI 413-1

Within Elia, 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 various stakeholder contacts organised by the relevant departments in Elia.

Elia has many stakeholders’ initiatives. The method and frequency of engagement for each stakeholder group and the link to the material topics are summarised in the table below:

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

5.7.2 Community relations and public acceptance

GRI 102-21, GRI 102-29, GRI 102-43, GRI 102-44, G4 EUS Stakeholder Participation

Elia is convinced that early involvement with all stakeholders is vital to the success of the energy transition and the huge projects needed in order to achieve a sustainable grid expansion. Our approach is to contact and inform all parties for having their point of view, in order to improve the exchange and dialogue and build 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 must be clearly communicated to the various stakeholders from the outset of projects so that many concerns and anxieties can be reduced 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 society.

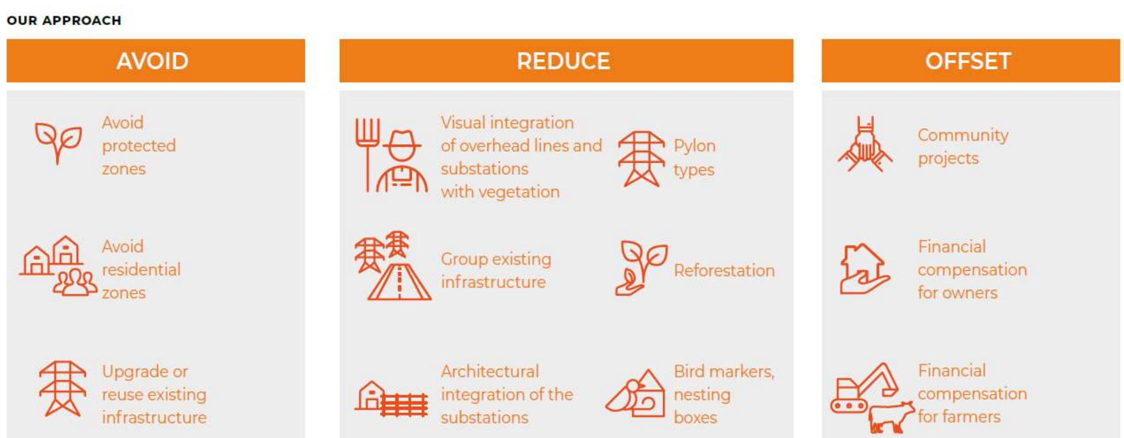
Dialogue with the relevant stakeholders begins at a very early stage of project planning. In the concept phase of our projects, we are mainly working with civil society, local municipalities and academics. There is also a public consultation on the grid development plan. In a later phase, when projects are more concrete, an intensive dialogue is set up with the citizens.

Against the backdrop of the Covid-19 pandemic, we also adapted how we inform the citizens and the local authorities using more digital communication tools. We set up various information and consultation formats ranging from digital formats to one to one consultations. This approach gave us the possibility to maintain contacts with the stakeholders while complying with the restrictions and rules in effect during this difficult period.

For the two most important projects in Wallonia and Flanders, Elia started an early participation process with civil society and some regional experts. The objective was to define the best project (responding to environment, economic and agricultural interests) and collect their opinion based on their different expertise. These processes are still ongoing and include now more representative parties and organizations. Specific reports on technology options for the project were delivered. For the Flanders project, a participative approach was set up with a project facilitator, a group of independent experts, representatives of citizens, municipalities and civil society in order to answer all questions and scenario's proposed by the local communities.

Elia communicates and cooperates transparently throughout the entire development process. In addition to the legally required preliminary 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. During 2020, 8 information sessions linked to the official permit process were organised to inform more than 11,000 people. These information moments were supported by several communication tools: invitation letters, citizen's information pack, brochures, flyers and roll-ups for the paper part; Press conferences and press releases; digital newsletters, Facebook posts, didactic videos; telephone hotlines with or without appointment and mailbox provision.

In 2020, Elia collaborated with the University of Liège and the ILVO[16] and the Belgian professional associations of farmers on a literature review study to better understand the impact of high voltage infrastructure on agriculture. Moreover, we developed a public reference framework to mitigate the impact of the realization of new infrastructure projects.



16 Flanders Research Institute for Agriculture, Fisheries and Food

5.7.3 Stakeholder dialogues

GRI 102-21, GRI 102-44

Communication events

Despite the special circumstances in 2020, the dialogue between the Elia group and the group'sstakeholders continued. Communication options were expanded to include virtual and hybrid events, and hygiene guidelines were established for the various occasions. The Elia Group Stakeholder Day was held for the first time as a hybrid, with simultaneous events in Berlin and Brussels. The programme included panel discussions and presentations. Around 300 guests from Germany and Belgium took part virtually.

The most important event was held on Monday 9 November, system operators Elia and Amprion inaugurated ALEGrO, the first electricity interconnector between Belgium and Germany. The livestreamed event took place in the City Hall of the German city of Aachen and was attended, either in person or digitally, by German Chancellor Angela Merkel, Belgian Prime Minister Alexander De Croo, North Rhine-Westphalia Minister- President Armin Laschet and Belgian Energy Minister Tinne Van der Straeten. Additionally to this main event, another nine events were held during this particular year: stakeholder's events, press conferences and participation to fairs. Some were physical or digital and other were a hybrid version.

Customer satisfaction survey

Elia regularly measures the customer satisfaction level of its key stakeholders (distribution system operators, grid users, producers, access responsible parties, Users' Group, etc.). The main objective of these surveys is to provide an overview of the Key Performance Indicators (KPIs) related to service quality and their evolution over time. In 2020, customer surveys were conducted within Elia .

250 stakeholders took part in the biennial survey. The KPIs measured by the Elia Satisfaction Index reflect how stakeholders evaluate the Elia's products and services in general. The Customer Effort Score reflects the ease of doing business with Elia, the customer satisfaction regards account management and image, etc. The overall aim is to identify our strengths and weaknesses among the different stakeholders in order to further optimize the customer relationship. Elia scored 69% for the Satisfaction Index, reflecting the high quality of products and services. The majority of the stakeholders still describe collaboration with Elia as "easy".

Elia Transmission Belgium Users' Group

Elia regularly organises 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 market participants and stakeholders about important and strategic topics related to our business.

User'Group Plenary meetings	Session
18.02.2020	- Storm Ciara: return of experience of the off-shore integration - Daily procurement of mFRR
20.04.2020	Impact of Covid-19
17.06.2020	Elia's E-mobility study
08.09.2020	- Elia Customer satisfaction survey: feedback results - ALEGrO
01.12.2020	- Elia's E-mobility study - Consumer centricity: Elia's vision

In support of these plenary meetings, there are three working groups, which usually meet four times per year (more if necessary).

Working Groups	System Operation and European Market Design	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	addresses issues associated with the Elia grid and related mechanisms, products and services that are of interest to Elia's customers
	Balancing	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 there are two 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:

Task Forces	Implementation of Strategic Reserves	aimed at informing and consulting market players and stakeholders about all relevant issues linked to the implementation of strategic reserves
	iCAROS	aims to discuss topics related to future asset coordination procedures with the relevant stakeholders

Contact centres

Elia's two Contact Centres receive and handle requests for information from various sources: local residents, contractors, engineering firms, public authorities, utilities and project developers, to name just 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).

In 2020, our contact centers received 70,567 requests, 99.97% 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 2020, we performed 108 measurements.

5.7.4 Cooperation and innovation

SDG 11, GRI 203-2

For Elia, active lead management and participation in research and development projects are an integral part of innovation management. In diverse cooperations with academic and industry partners, the focus is mainly on activities in the areas of new technology and digitalisation, energy markets and system security, the integration of renewable energies and the required development of the electrical system as well as on supporting the industry in decarbonising its processes.

In light of the increasing electrification, decentralisation and integration of the continuously growing share of renewable energies, the Elia group launched its own incubator in May 2020: “The Nest”. The aim is to promote digital transformation projects in an agile manner and overcome the increased complexity of various processes. Furthermore, the company strives to develop new business models in this interdisciplinary space and enhance the quality and efficiency of its activities and internal processes at all levels.

Elia and 50Hertz, along with 18 other organizations signed a joint declaration of intent, the Offshore Coalition, an initiative of the RGI (Renewables-Grid-Initiative) members. The Elia group was one of the founding members of this initiative that promotes the integration of 100% renewably-generated electricity into the European grid. TSOs and NGOs join forces in RGI to support the build-up of a sufficient grid infrastructure in Europe for both decentralised and large-scale renewable energy sources.

In January 2020, the Elia group launched its fourth Open Innovation Challenge. The competition invites start-ups from around the world to present solutions to any of the many challenges system operators face.
The 2020 Challenge focused on the development of digital solutions promoting more secure grid and data management. Every year, the competition allows the Elia group to innovate faster in specific sectors by creating synergies with start-ups and SMEs (small and medium-sized companies).

In October 2020, the Elia group launched re.alto, its own corporate start-up to accelerate digitalisation of the energy sector. The aim of the re.alto marketplace is to make energy data easy to access and integrate, enabling the industry to take a giant digital stride towards more widespread adoption of Energy-as-a-Service business models and ultimately drive a low carbon energy future.

Belgium's energy system operators teamed up with 60 companies, public bodies and academic institutions in a collaborative innovation initiative, IO.Energy, launched in February 2019 to bridge the gap between digitalisation and sustainability and to promote innovation in the energy sector. It aims to develop new services through the exchange of data between all sector players. The focus is on end users, who will be able to tailor their generation and consumption to grid needs using a digital communication platform. In October 2020, the first sandboxing of the Internet of Energy (IO. Energy) project came to an end. Eight Belgian pilot projects were completed.

In its vision paper "Accelerating to net-zero: redefining energy and mobility", published in November 2020, the Elia group describes how better alignment between the power and mobility sectors can deliver societal benefits and push electric mobility to widespread adoption. However, successful convergence between the power and mobility sectors can only be achieved if current barriers are removed and additional value streams are unlocked and developed.

5.7.5 Community engagement

Eliais committed to creating a sustainable future for all stakeholders. This also means that we take our social responsibility seriously.

Local added value / Supporting local initiatives

Since 2017, Elia has been collaborating with the Be Planet Foundation to develop and support local citizen initiatives promoting ecological transition. Elia has established a structural partnership with the public utility foundation Be Planet to develop and support ecological transition initiatives by citizens in municipalities where Elia infrastructure projects are underway.

Through this collaboration we are setting up a fund and a methodology (call for citizen projects) to compensate municipalities for the impact of an overhead line.

The role of the Be Planet Public Benefit Foundation is to ensure that the general objective of the fund and the selection criteria for citizen projects are respected. Within this framework, each project supported must have a positive impact on ecological transition and must contribute to sustainable development.

The ecological engineering consultant, Ecofirst, is our partner in the implementation of various biodiversity measures (for further details, see 8.3. Biodiversity and Landscape integration).

Donations

In 2020, 2.9 tonnes of our hardware (laptops, docking stations, printers, screens and carrying cases) received a second life when, they were donated to schools or non-profit organisations.

	2017	2018	2019	2020
Hardware donated (ton)	1.75	2.55	5.2	2.9

The employee participation to the company survey enabled us to donate €5,920 to the COVID-19 Fund for the fight against poverty of the King Baudouin Foundation.

A series of donations were made in the context of the Covid-19 pandemic (See section 9. Covid-19 pandemic management).

5.8 Environmental aspects

5.8.1 Management approach

GRI 102-11, GRI 103-2

High-voltage transmission grids play an essential role in the energy transition and the decarbonisation of society and industry. That is why Elia is developing its transmission grid with an eye on the long term and in line with demand. To that end, Elia is investing large sums in the development of the onshore and offshore high-voltage grid in order to drive the integration of renewable energies, and in the construction of interconnectors to enable the integration of the European energy market. One of the biggest challenges we face is maintaining and expanding this grid while ensuring a sustainable approach to environmental impacts.
Ecological and social sustainability as well as a clear commitment to environmental and climate protection and resource conservation are integral parts of the corporate strategy. Under Act Now, the Group's sustainability initiative, Elia haw set itself clear ambitions for action on climate protection as well as the biodiversity and eco-design of its assets.

When developing and building our grid, we always strive for socially acceptable and economically efficient solutions. To this end, we try to limit the construction of new infrastructure and prefer to optimize and improve existing infrastructure wherever possible.

Our goal is to keep the impact of our corporate and construction sites and other activities on people and natural habitats as low as possible.

The planning, operation, maintenance and environmentally compatible conversion and expansion of the transmission grid in Belgium is based on national and European framework conditions and regulations. These environmental requirements are implemented and constantly updated and adapted.
In the geographical areas where we operate, an environmental impact assessment (EIA) makes part of the permitting requests and is conducted in the early stages of infrastructure projects. It allows the identification, prediction and analyse of the potential impacts on the physical environment, as well as social, cultural, and health impacts during both the construction and operation phases.

There are also binding laws determining emissions thresholds (among others noise, EMF) taken into account in the permitting phase.

Moreover, we adopt the precautionary principle to reduce and avoid possible negative impacts by conducting studies (e.g. studies in EMF), by calculating our carbon footprint , implementing mitigation measures and including climate risks into the regular risk management process.
The Eliasupplier code of conduct contains additional principles on environmental protection and resource conservation.

We apply the avoid-reduce-offset approach described in 5.7.2. Community Relations and Public Acceptance with the least impact on environment in mind.

The Community Relations department 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 Environment & CSR team provides advice on process control and ensures the stringent implementation of the environmental and quality strategy and legal compliance.

A team member is involved in multi-functional teams for the procurement processes for specific goods and services (e.g. waste management, transformers). The Policies related to all types of compensations are available on our website.

Employees are trained in the environmentally friendly operation of our systems We also work on the awareness of our contractors on sustainable aspects (environment and mobility) during construction phase by working on guidelines and specifications detailing the quality expected by Elia on its construction sites.

As part of Act Now, we have reflected on the different ways to integrate sustainability in the management of our assets, Elia is going to put the focus on energy efficiency of our substations, eco-design and the enhancement of biodiversity in and around them (avoidance of herbicides).

As two new overhead high voltage lines are planned, Elia realized a comparative study on the type of pylons that could be used to reduce environmental impact (visibility, EMF) also looking at technical feasibility and costs. The results of the comparative study confirmed that the current use of the compact tower is most favourable but also adding the possibility to use another pylon type – the Wintrack pylon - from an environmental perspective.

5.8.2 Emissions

SDG 13, SDG7, GRI 201-2, GRI 305-1 – GRI 305-2 – GRI 305-3

5.8.2.1 Greenhouse gas emissions

The transmission of electricity does not release effluents or emit significant amounts of gases such as SOx and NOx. Elia has been assessing its Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions since 2018.

Scope 1- Direct emissions of greenhouse gases from owned or controlled sources
These are mainly due to SF_6 gas losses from our installations and natural gas consumption for heating.
Elia falls under the loss rate to which SF_6 producers and users have voluntarily committed (0.6%).

Sulphur hexafluoride (SF_6) is now used as insulation and switching gas for gas-insulated high-voltage switchgear. It has great electrical properties, is non-toxic and is also very stable in the chemical sense. However, the greenhouse potential per unit of SF_6 is 23,000 times higher than CO_2. Thus, SF_6 is used in a close circuit in switchgears, as a result of which emissions into the environment are almost fully eliminated. The pressure vessels are always under technical monitoring for potential leakage. Despite all of these protective measures, some leakage due to the seal technology and the necessary gas handling cannot be avoided entirely.

Scope 2 - Indirect emissions of greenhouse gases resulting from the generation of purchased or acquired energy consumed by the organisation
These are mainly due to grid losses that are unavoidable when transmitting electricity and over which Elia has no direct influence.

Scope 3 - All other indirect emissions of greenhouse gases (not included in scope 2) that occur in the value chain (outside the company), including both upstream and downstream emissions by buying goods and services, employee commuting, business travel, etc. We are currently in the process of reviewing our scope 3 emissions at the Elia group level. Works and materials were identified as the main categories, possible measures will be identified within the Act Now programme.

Furthermore, the Elia group is committed to the Greener Choice Initiative (see section 6.1.) of the leading European transmission system operators.

For the reporting year, the full CO2 emissions from air travel were offset and the (small amount of) SF6 losses were offset via service provider Atmosfair,Elia Group supports the EU's carbon reduction targets as well as those of the Belgian and German governments to reduce CO_2 emissions, mainly by integrating large volumes of renewable energy via the development of its grid.
The scope of Elia's carbon assessment is emissions by Elia Transmission Belgium, Elia Asset and Elia Engineering.

Elia has developed an investment and maintenance policy to minimise 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. Our maintenance policy aims to maintain operations involving compartments filled with SF_6 to a minimum.
The total volume of SF_6 gas installed on the Elia grid (36 kV to 380 kV inclusive, excluding the NEMO substation) in 2020 was 134.89 tonnes. 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 2020.

Research on SF_6-free high voltage equipment (switching gear/circuit breakers) is supported by integrating a series of proof-of-concepts in new framework agreements with manufacturers to be installed in the coming years

In order to mitigate emissions from the commuting of our personnel, in the context of the Act now programme, a new mobility and commuting programme has been set up called Orange is the New Green:

- This new plan aims to transform our employees' idea of mobility and change their behaviour accordingly. It is in line with the Group's efforts to promote further soft mobility, encompassing measures to promote the use of public transport, cycling, facilitate teleworking, and expand the electrification of our vehicle fleet.
- Under the new plan, 75% of commutes by Group staff will be low carbon (i.e. made via public transport, bicycle, electric vehicle or some form of shared mobility, or otherwise avoided altogether as staff will be working remotely) by 2025 and in 2030, all the company car fleet will be electric.
- We will offset the remaining CO_2 emissions produced by our vehicle fleet (approximately 2,000 tonnes of CO_2 per year) by contributing to projects aimed at promoting the development of renewable energy.
- With regard to our fleet of vehicles for technical interventions (small vans and trucks), as technology is not mature yet, we provided in our procurement contracts, the possibility to buy and test upcoming alternatives.

Since 2017, Elia has taken part in the CDP initiative, an international, nonprofit organisation providing a global disclosure system for companies, investors and cities. We answered the climate change questionnaire in which a company has to describe how climate-related risks and opportunities are handled and disclose its carbon footprint.

The calculated value of the carbon footprint corresponds to 1.65 tonnes of CO_2 equivalents per TWh transmitted including grid losses and 0.34 tonnes of CO_2 equivalents per TWh transmitted excluding grid losses (basis: 69.937 TWh).

GREENHOUSE GAS EMISSIONS IN 2020 IN T CO_2 EQUIVALENT*

Direct (scope 1)		
SF_6 leakage	5,663.00	4.91%
Heating (natural gas)	632.67	0.55%
Heating (fuel)	34.92	0.03%
Vehicle fleet (diesel)	3,156.61	2.74%
Vehicle fleet (fuel)	324.41	0.28%
Airco gas leakage (R134 A)	188.50	0.16%
Airco gas leakage (R410 A)	7.70	0.01%
TOTAL SCOPE 1	**10,000.11**	**8.68%**
INDIRECT (SCOPE 2)		
Electricity consumption*	13,614.93	11.81%
Grid losses*	91,640.37	79.51%
TOTAL SCOPE 2	**105,255.30**	**91.32%**
TOTAL	**115,255.41**	**100.00%**

*The following assumptions have been made for this calculation:
- only regional grid losses are taken into account
- the consumption of the HV substations is the result of an estimate based on metering data of 60 sample stations

5.8.2.2 Energy consumption

GRI 302-1, SDG7, SDG13

The energy consumption of Elia can be subdivided into two categories:

• Core: energy used by all the infrastructure directly related to its business model e.g. all substations.

• Non-core: energy used by support services, administrative centres.

Electricity consumption represents the biggest share (~96%) of consumption.

Our more recent administrative centers are built following internationally recognised energy-efficiency standards. Audits have been conducted in other buildings in order to identify optimisation potentials in line with the BATNEEC principles (Best Available Technology Not Entailing Excessive Costs). These measures are then gradually implemented.

Elia's two most recently built administrative centres, Monnoyer in Brussels and Crealys in Wallonia, are BREEAM certified. As required by Belgian regional regulations, energy audits were conducted on our administrative buildings and service centres.

	2020	
	MWH	%
Electricity Non Core - Total (green electricity)	2,737.84	3.15%
Electricity Core - Substations with meters (green electricity)	3,288.03	3.78%
Electricity Core - Substations without meter (estimate)*	77,350.00	88.98%
Heating - Natural gas	3,419.82	3.93%
Heating - Fuel	136.98	0.16%
TOTAL	**86,932.67**	**100.00%**

*result of an estimate based on metering data from a sample of 60 stations

N.B. the electricity consumption of our substations is based on internally calculated assumptions

5.8.2.3 EMF

SDG 3, GRI 416-1

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 looking at each project on the electricity grid and also supporting scientific studies that improve the knowledge on the subject.

Elia continues to contribute, yearly €370,000, to support scientific research on the subject. In that regard, it supports the Belgian BioElectroMagnetics Group (BBEMG) whose scientific independence is enshrined in a cooperation agreement.

At international level, Elia concluded a research contract with the Electric Power Research Institute (EPRI - a non-profit organisation 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 Centre. 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.

In 2020, Elia collaborated with the University of Liège and the ILVO[17] and the Belgian professional associations of farmers on a literature review study to better understand the impact of high voltage infrastructure on agriculture (including EMF).

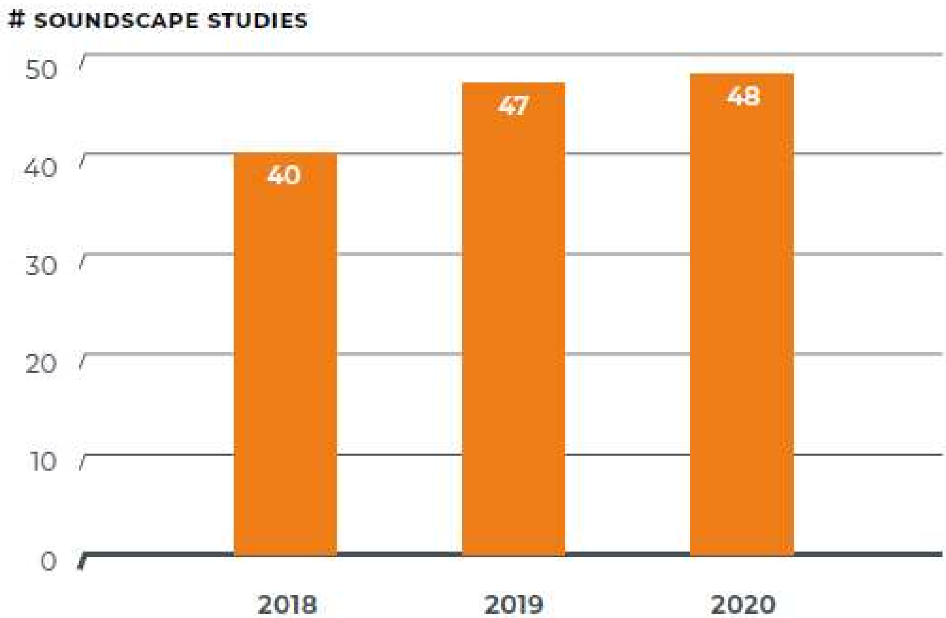
5.8.2.4 Noise

SDG 3

Noise can be caused by transformers in high-voltage substations, high-voltage lines, pylons and other equipment. Underground lines do not cause any noise. Strict guideline values apply (no noise/acoustic pollution).

[17] Flanders Research Institute for Agriculture, Fisheries and Food

Elia always carries out soundscape studies prior to the realization of its infrastructure projects to ensure that acoustic standards are not exceeded. Elia also conducts noise studies in the event of complaints (see also Contact Centres).



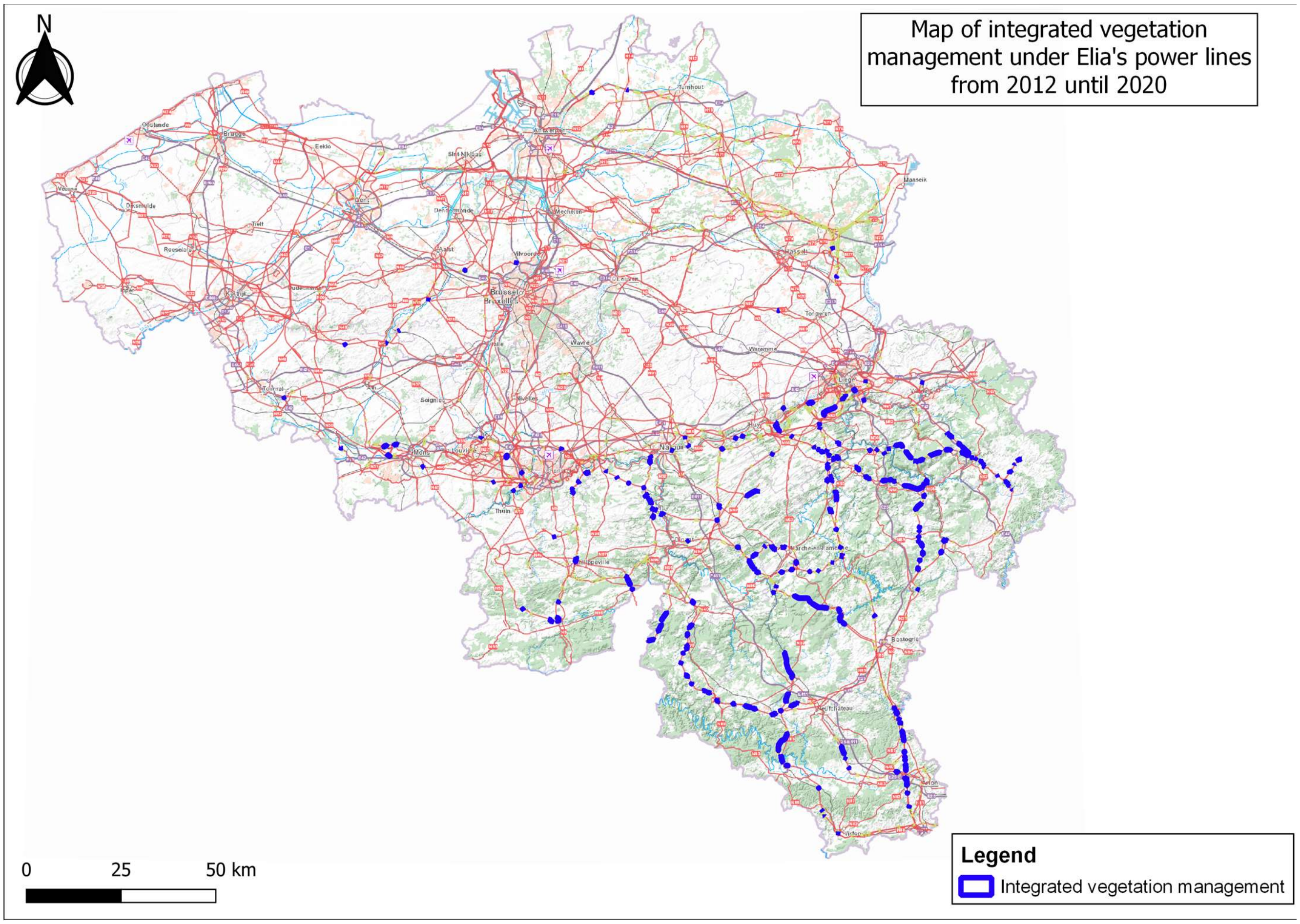
5.8.3 Biodiversity and landscape integration

SDG 14 GRI 304-1 – GRI 304-2 – GRI 304-3, G4-EUS-EN12

When planning projects, not only are economic efficiency, the concerns of local residents and the technology taken into account during the approval procedures, but so are the protection of flora and fauna. In the run-up to such procedures, environmental impact assessments are carried out to minimise nature conservation conflicts at an early stage. A corridor is then identified for the exact route of the electrical line and defined in a subsequent step. At the same time, protection and compensation measures are identified. All these investigations are carried out together with external environmental planners, routing experts and, if necessary, other science and nature conservation experts. Nature requirements are included in the contractual requirements of the infrastructure projects.

The use of wind at sea to generate electricity is enormously important and indispensable for climate protection. At the same time, the of offshore wind energy and the submarine cables on the seabed needed to transport the electricity require intervention in the natural environment. In addition to the Marine Grid Declaration co-signed by Elia and 50Hertz - with which Renewables Grid Initiative (RGI) members set the standards for the early involvement of stakeholders and for nature and species protection in offshore grid expansion beyond the legal requirements in

2019 – Elia Group is committed to growing responsibility in this sensitive environment as a co-signatory of the Off-shore Coalition declaration of intent.The total length of our utilities located in Natura 2000 areas (on land and sea) was 665 km in March 2020.



5.8.3.1 Mitigation and compensation measures

GRI 304-2

If preventive or corrective measures cannot prevent certain environmental impacts, then mitigation and compensatory measures are applied. These can be either voluntary or legally required in order to obtain all the legal authorisations needed prior the execution of a project.

Earlier, a set of measures was developed ad hoc for each project. In 2020, we decided to have clear and structured policies related to compensations transparently available on our website.

Depending on the impacts to mitigate or compensate, there is a wide range of existing measures:

- landscape integration: plantations of shrubs, hedges or trees (green screens), more compact types of pylons, infrastructure grouping, architectural integration
- species protection: bird markers and nests
- forestry: restoration and specific management measures

For our offshore projects, mitigation measures were implemented principally during the work phase with the objective to reduce the impacts on marine mammals e.g. during the installation of the foundation piles of our Offshore Switchyard (OSY) platform (a.o. mitigation of the acoustic nuisance, acoustic deterrent).

5.8.3.2 Ecological isle management

GRI 304-3

Until recently, the standard maintenance policy for overhead lines involved ensuring that a corridor measuring approximately 50 meters wide below the lines was kept clear of all vegetation with a rotary slasher every eight years.[18]

To build an overhead line in forest areas, aisles are usually created. The conductor cables need sufficient clearance to the sides and to the ground because of the necessary safety distances, which means, trees have to be removed in sections and at regular intervals on the aisles. However, trees and shrubs provide habitats for numerous animals and plants. Therefore, the goal is to impair these natural areas as little as possible in the long term and to increase biodiversity under power lines.

Elia has already for a while been developing ecological aisles management initiatives that are in line with the EU biodiversity strategy. The strategy, which has been officially adopted in May 2020, considers the integration of ecological corridors to be part of a real trans-European nature protection network and, thus, a key obligation to improve biodiversity.
Since 2012, Elia has been a forerunner in the implementation of a seven-year LIFE project that was completed in 2017. Our project partner in this is the ecological engineering consultant, Ecofirst.

The first “Elia LIFE” project, for which Elia joined force with the French TSO RTE, was partly funded by the European Commission and the Walloon Region. It had the aim of creating green corridors to enhance biodiversity under overhead electrical lines in wooded areas. Elia restored in this way 430 ha stable natural environments below the lines (using peat bogs, bushes and grasslands managed by grazing).

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[18] This obligation can be indirectly beneficial to specific ecosystems of 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.

Elia decided in 2018 to pursue this action for another five years without subsidies under the name “Life2” by adding more green corridors (122 ha). In addition to this, the other objective of this project was to further monitor the evolution of these areas and their maintenance in order to assess the impact on biodiversity. The results are highly encouraging, with 98% of evaluated sites showing conclusive outcomes.

(Further information on these projects can be found on http://www.life-elia.eu/)

Elia has again applied to the European Life program for the continuation of this project, the focus being set this time on electrical lines located in Natura 2000 zones.

Elia is currently studying how to develop our internal geographical grid database in order to integrate all the areas where these specific management measures have been put in place.

5.8.3.3 Bird protection

G4 EUS EN12

High-voltage lines can harm bird life. Hence Elia also makes a huge effort to protect birds and minimise negative impacts.

For this reason, Elia is installing bird markers – in order to make the lines more visible for the avifauna and thus more easily avoidable – and nests – to reduce these negative impacts and 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 in 2016). If a project is due to take place on these sections, markers will be installed immediately.

For sections without projects, we will seize the opportunity of scheduled interventions to fit markers on conductors or earth connections.

Bird markers	2017	2018	2019	2020
Lines equipped (km)	13.62	26.24	37.59	43.74

Elia did also apply together with various partners (TSOs RTE and REN and other nature and bird protection organizations) to the European LIFE programme with a project “Safelines4Birds” targeting specific endangered bird species considered as “prioritary”.

5.8.4 Natural resources

GRI 306-5, SDG14

5.8.4.1 Water and soil

Elia is committed to an effective water and soil conservation. Since the company's business activities do not result in significant water consumption or regular releases of process-linked effluents, our corporate responsibility is not so much to reduce water consumption, but rather to pay special attention to water retention in the ground in grid and substation projects and to prevent water and soil pollution by hazardous substances. Elia has installed special safety systems in installations containing oil. Containment systems equipped with coalescence filters are installed beneath transformers in substations to prevent drips from leaking into the ground.Installations are regularly checked by maintenance staff and renovated or renewed if necessary.
In the accidental event of a leakage of hazardous substances, Elia has developed processes to immediately cope with the potential impacts on the environment and the employees are trained to detect early signs of this types of events.

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.

Elia has mapped the soil condition of its own land in order to schedule intervention priorities. Several remediation actions have been launched on our sites. In 2020, EUR 1,4 million has been paid for surveys, follow up and the realization of remediation works.

5.8.4.2 Waste

GRI 306-2

When dealing with waste that cannot be avoided, the motto is reuse - recycle - recover - dispose. Maintenance work and infrastructure projects are our core activities that generate most waste flows. If facilities are newly built, converted or dismantled, specific elements (e.g. transformers that have a very long lifetime) are stored in order to be reused either in refurbished stations or in newly built ones. Those parts that are no longer needed are disposed of in a resource-conserving manner and specific elements are recycled (e.g. metals from the cables and oil).

Elia has established a waste management policy for collecting, sorting and handling its waste in our local technical sites (service centres).

All types of waste generated during the maintenance of assets in this geographical zone are stored in container parks guaranteeing optimal storage in dedicated locations. They are eventually removed periodically or upon request by authorised collectors specialised in the collection, transport and recycling of hazardous and non-hazardous waste. On our construction sites, contractors must comply with environmental legislation as well and organise the sorting of the construction site waste they produce during the execution of their contract.

For consistency's sake, Elia has decided to standardise the sorting rules and procedures which are identical throughout Belgium, regardless of the site even if the regulations might differ slightly depending on the region where the site is located.

Waste is determined to be hazardous on the basis of its waste code from the European List of Waste.
The waste disposal contractor provides Elia with information on the waste disposal method (and certificates), as legally required in Belgium. Depending on the region, Elia is also required to report to the authorities the yearly quantities of specific waste types.

Total weight (ton)	Non-hazardous waste	Hazardous waste
Recycled	628.74	710.59
Disposed of	3.25	18.42
Total	**631.99**	**729.01**

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

5.9 COVID19 pandemic management

The coronavirus pandemic has confronted society with fundamental changes and new challenges. For Elia as a transmission system operator in Belgium, this meant analysing comprehensively, adapting pandemic plans and acting prudently. This enables us to guarantee system stability and security of supply at all times. Thanks to a "COVID-19 Task Force" set up early on, Elia was able to react appropriately and flexibly to the new challenges. In a very short time, our colleagues on the task force developed a broad concept for measures for all Elia locations and communicated recommendations for action transparently and continuously to all employees. Thanks to continuous coordination and communication, both with internal and external partners, a flexible package of measures developed at an early stage, which could be adapted to the changing conditions again and again over the course of the months, Elia was able to maintain its efficiency even in this extreme situation, operate and maintain the grid safely and even expand it further for the energy transition. The impact on projects was reduced to an absolute minimum and Elia was able to guarantee security of supply at all times.

Amongst other things, this was possible due to the fact that Elia was already fully prepared for digital work before the pandemic.

The main objective of this still existing Task Force is to limit contamination on the work floor by providing effective and efficient security measures. This is done by providing effective and efficient preventive measures, resources, testing, tracing and preparation for vaccination.
Within the framework of the COVID-19 pandemic, in addition to the existing risk assessments, additional dedicated hygiene concepts and occupational safety regulations were implemented in the area of occupational health and

safety. In addition, greater emphasis was placed on social aspects and potential psychosocial consequences of the coronavirus crisis.

Despite the special circumstances in 2020, Elia was able to successfully continue the dialogue with its stakeholders: The existing communication options were expanded to include digital and hybrid formats and additional hygiene guidelines were established for the very limited instances of personal contact.
The early involvement of all stakeholders in the planning and implementation of grid expansion projects was particularly important to Elia, even in times of lock-down and contact restrictions. That is why we increasingly implemented digital formats for informal public participation at the beginning of the year.
Communication formats for internal communication were also further digitalised. In particular, large participation formats for employees, such as management information events, were conducted as hybrid events - i.e. live with a small audience plus a livestream transmission for the entire workforce. Regular dialogue events were planned and implemented fully digitally.

Right from the start, Elia has been providing new employees with digital onboarding from home. Introductory events and introductions to the various divisions took place digitally without any problems. Likewise, digital, informal appointments for open discussions in the teams also offered new opportunities to get to know each other.

During the pandemic, Elia has proven to be a resilient organisation thanks to the commitment and dedication of our employees. Despite the difficult circumstances, we have continued our activities and delivered a stable and a secure electricity system in the interest of society.

A series of donations were made in the context of the Covid-19 pandemic in Belgium:
- In April 2020, Elia decided to contribute the budget set aside for the organisation of the Annual General Meeting (the amount was even increased to a total contribution of €100,000) to three King Baudouin Foundation Solidarity Funds. Due to the coronavirus measures, this year's Annual General Meeting was held in writing.
- All the members of Elia's Executive Board have decided to contribute their entire salary for the month of May to the King Baudouin Foundation to finance a special fund to fight poverty in the current context of the coronavirus pandemic. With contributions of the employees, the total amount raised was €255,000.

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Joint auditors' report to the general meeting of Elia Transmission Belgium NV/SA for the year ended 31 December 2020

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 2020, 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 year ended 31 December 2020 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 19 May 2020, 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 2022. The audit of the Consolidated Financial Statements of the Group was performed during respectively 1 year for BDO Bedrijfsrevisoren CVBA and 2 consecutive years 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 2020, 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 year ended 31 December 2020 and the notes, which show a consolidated balance sheet total of € 7,292.9 million and of which the consolidated income statement shows a profit for the period of € 126.5 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 2020, 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.

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.

Calculation of net result

Description

As described in the notes 3.3.17. 'Regulatory deferral accounts', 6.20 'Accruals and deferred income' and 9.1.4 'Tariff Setting' of the Consolidated Financial Statements, the net result of the Group is determined by applying calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the "CREG") (the "Tariff Mechanism").

This tariff mechanism is based on calculation methods that are complex and require the use of parameters (the Beta of Elia's share, return on equity, ...), and accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure ("CAPEX"), subsidies received).

The Tariff Mechanism makes a distinction between income and expenses based on the control that the Group has over the expenses and income. The first type are the non-controllable elements for which deviations are fully passed on to future tariffs. The second type are the controllable elements that the Group can control, and for which under-and overspending is (partly) attributable to the shareholders.

Therefore, the calculation methods of the Group's net result are complex and require judgement from management, more particularly related to the use of correct accounting data, operating data, and parameters imposed by the regulator. The use of incorrect accounting and operating data, and deviations in used assumptions, can have a material impact on the Group's net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanism;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanism;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG;
- Assessing the adequacy of notes 3.3.17, 6.20 and 9.1.4 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

Given the current evolution in the electricity environment towards green energy production, the Group has very significant investment projects ongoing to connect these new productions sites on the Group's network. The timely and on-budget progress of these investment projects is one of the key performance goals for management as set by the Board of Directors. The progress of these network projects is equally a key performance indicator for investors as a key driver of their return on investment is the maintenance and expansion of the network. It is also an important quantitative and qualitative measure for the regulators. This is further explained and evidenced in Note 6.1 'PPE' and in Note 4 'Segment reporting' of the Consolidated Financial Statements.

These assets are classified as Property, Plant and Equipment ("PP&E"), with a total capital expenditure of € 347.6 million in 2020 and a net book value of € 4,427.5 million as at 31 December 2020 or 60.7% of total balance sheet.

The accounting policies describe that all maintenance expenses are considered to be operating expenses ("OPEX") and all new project or replacement investments are considered capital expenditure "CAPEX". As network projects can include both maintenance and investments, the classification as either OPEX or CAPEX requires judgement from management. Given this judgement, the importance of the amount of PP&E on the total balance sheet, and its relevance to the users of the financial statements as well as the prominence in the Group's communication in press releases and in investor presentations on the progress on new projects, this matter is considered a key audit matter.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls, including management review controls, over (i) the appropriate authorization of capitalization, (ii) the compliance of capitalization criteria used with the accounting policies and (iii) the correct classification of expenditure as CAPEX or OPEX;
- Assessing relevant IT application controls with the support of our IT specialists;
- Performing substantive analytical procedures on CAPEX and OPEX by comparing current year figures with the budgeted figures as approved by the regulator at the level of asset classes and projects;

- Testing a selection of additions to PP&E, including those under construction, and assessing whether the expenditure met the criteria for capitalization under IFRS as adopted by the European Union and the Group's accounting policies and whether the CAPEX were allocated to the correct projects, including the assessment of management judgement in case of a project including both maintenance and investments;
- Assessing the adequacy of note 4 and 6.1 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 and other information included in the annual 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.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

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, 14 April 2021

The joint statutory auditors

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represented by

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Partner
*Acting on behalf of a BV

BDO Bedrijfsrevisoren CVBA
represented by

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