

47				9	EUR	
Nr.	Date of the deposition	No. 0476.388.378	PP.	B.	D.	CONSO 1

CONSOLIDATED ANNUAL ACCOUNTS IN THOUSAND EURO

NAME OF THE CONSOLIDATING ENTERPRISE OR THE CONSORTIUM (1)(2) :

ELIA System Operator

Legal form: **PLC**

Address: **Keizerslaan**

Nr.: **20**

Postal Code: **1000**

City: **Brussel 1**

Country: **Belgium**

Register of Legal Persons (RLP) - Office of the commercial court at: **Bruxelles**

Internet address (3): **www.elia.be**

Company number:

0476.388.378

CONSOLIDATED ANNUAL ACCOUNTS presented to the General Meeting of

20/05/2014

concerning the financial year covering the period from

1/01/2013

till

31/12/2013

Previous period from

1/01/2012

till

31/12/2012

The amounts of the previous financial year are ~~are not~~ (1) ** identical to those which have been previously published.

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise, OF DIRECTORS, MANAGERS AND AUDITORS

Enclosed to these consolidated accounts:

REGARDING THE CONSOLIDATED ACCOUNTS OF A FOREIGN COMPANY:

Name of the Belgian subsidiary which filed the consolidated accounts (Article 113, § 2, 4^a of Company Law)

Total number of pages deposited:
of service:

Number of the pages of the standard form not deposited for not being

Signature

(name and position)

VAN NEVEL LUC

President of Board of Directors

Signature

(name and position)

VERMEIREN FRANCIS

Vice-President of Board of Directors

(1) Delete where appropriate.

(2) A consortium shall complete section CONSO 4.4.

(3) Optional statement.

DECLARATION BY RESPONSIBLE PERSONS

The undersigned Chairman of the Management Committee and Chief Executive Officer Jacques Vandermeiren and Chief Financial Officer Catherine Vandendorre declare that to the best of their knowledge:

- a. the consolidated financial statements for the year ending 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and give a true and fair view of the consolidated financial position and results of the Elia Group and of its subsidiaries included in the consolidation;
- b. the annual report for the year ending 31 December 2013 gives, in all material aspects, a true and fair view of the evolution of the business, the results and the situation of the Elia Group and of its entities included in the consolidation, as well as a description of the most significant risks and uncertainties with which the Elia Group is confronted.

Brussels, 27 March 2014

Catherine Vandendorre

Jacques Vandermeiren

The image shows two handwritten signatures in black ink. The signature on the left is more complex and cursive, while the signature on the right is simpler and more stylized. Both signatures are written over a faint horizontal line.

CONSOLIDATED FINANCIAL STATEMENTS IFRS

CONSOLIDATED INCOME STATEMENT

(in million €) - Year ended 31 December		Notes	2013	2012
Continuing operations				
Revenue	(5.1)	1.323,0	1.228,0	
Raw materials, consumables and goods for resale*	(5.3.1)	(32,2)	(35,4)	
Other income	(5.2)	66,5	78,6	
Services and other goods*	(5.3.1)	(665,3)	(625,6)	
Personnel expenses	(5.3.2)	(178,9)	(170,7)	
Depreciation, amortization, impairment and changes in provisions	(5.3.3)	(141,5)	(150,1)	
Other expenses	(5.3.4)	(26,2)	(19,4)	
Results from operating activities (EBIT)			345,4	305,4
Net finance costs		(5.4)	(108,5)	(134,8)
Finance income		14,5	12,9	
Finance costs		(123,0)	(147,7)	
Share of profit of equity accounted investees (net of income tax)		(5.6)	0,4	0,6
Profit before income tax			237,3	171,2
Income tax expense		(5.5)	(61,5)	(16,2)
Profit from continuing operations			175,8	155,0
Profit for the period,			175,8	155,0
Profit attributable to:				
Owners of the Company		175,8	155,0	
Non-controlling interest		0,0	0,0	
Profit for the period			175,8	155,0
Earnings per share (€)				
Basic earnings per share	(5.7)	2,90	2,57	
Diluted earnings per share	(5.7)	2,90	2,57	

* These sections include a reclassification of the figures per 31 December 2012 for comparison reasons. For more details we refer to note 5.3.1.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In million €) - Year ended 31 December	Notes	2013	2012
Profit for the period		175.8	155.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(5.8)	9.2	(1.5)
Tax on items that are or may be reclassified subsequently to profit or loss	(5.8)	(3.1)	0.5
Exchange differences on translation of foreign operations		(0.1)	0,0
Items that will never be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.12)	11.0	(14.9)
Tax on items that will not be reclassified to profit or loss	(6.12)	(3.7)	5.0
Other comprehensive income for the period, net of income tax		13.3	(10.9)
Total comprehensive income for the period		189.1	144,1
Profit attributable to:			
Owners of the Company		189.1	144.1
Non-controlling interest		0.0	0.0
Total comprehensive income for the period		189.1	144.1

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million €)		Notes	31 December 2013	31 December 2012
Assets				
Non-current assets			5.662,3	5.370,5
	Property, plant and equipment	(6.1)	3.629,8	3.319,3
	Intangible assets	(6.2)	1.758,4	1.757,0
	Trade and other receivables	(6.3)	132,4	126,5
	Investments in equity-accounted investees	(6.4)	23,4	34,3
	Other financial assets (including derivatives)	(6.5)	89,4	90,3
	Deferred tax assets	(6.6)	28,9	43,1
Current assets			869,9	816,5
	Inventories	(6.7)	16,4	15,0
	Trade and other receivables	(6.8)	402,0	625,7
	Income tax receivable		4,7	4,7
	Cash and cash equivalents	(6.9)	437,7	166,2
	Deferred charges and accrued revenues	(6.8)	9,1	4,9
Total assets			6.532,2	6.187,0
Equity and liabilities				
Equity			2.209,1	2.108,5
Equity attributable to owners of the Company		(6.10)	2.209,1	2.108,5
	Share capital		1.506,9	1.506,5
	Share premium		8,8	8,8
	Reserves		97,2	83,7
	Hedging reserve		(18,1)	(24,3)
	Retained earnings		614,3	533,8
Non-controlling interest			0,0	0,0
	Non-controlling interest		0,0	0,0
Non-current liabilities			2.845,6	2.650,2
	Loans and borrowings	(6.11)	2.598,0	2.351,1
	Employee benefits	(6.12)	106,9	118,6
	Derivatives	(7.2)	27,5	36,7
	Provisions	(6.13)	62,3	58,4
	Deferred tax liabilities	(6.6)	32,8	66,0
	Other liabilities	(6.14)	18,1	19,4
Current liabilities			1.477,5	1.428,3
	Loans and borrowings	(6.11)	573,5	725,9
	Provisions	(6.13)	21,6	29,6
	Trade and other payables ¹	(6.15)	506,9	414,9
	Income tax payables		76,9	40,9
	Accruals and deferred income ¹	(6.16)	298,6	217,0
Total equity and liabilities			6.532,2	6.187,0

¹ These sections include a reclassification of the figures per 31 December 2012 for comparison reasons. For more details we refer to notes 6.15 and 6.16.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million €)	Notes	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Total	Non controlling interests	Total equity
Balance at 1 January 2012		1.500,6	8,5	(23,3)	0,1	67,6	493,4	2.046,9		2.046,9
Profit for the period							155,0	155,0		155,0
OCI: cash-flow hedges	5.8			(1,0)				(1,0)		(1,0)
OCI: actuarial gain/(loss)	6.12						(9,9)	(9,9)		(9,9)
Total comprehensive income for the period				(1,0)			145,1	144,1		144,1
Transactions with owners, recorded directly in equity										
<i>Contributions by and distributions to Owners</i>										
Shares issued	6.10	5,0	0,3					5,3		5,3
Share-based payment expense	6.10	0,9						0,9		0,9
Transfer to legal reserve	6.10					16,1	(16,1)			
Dividends	6.10						(88,7)	(88,7)		(88,7)
Total transactions with Owners		5,9	0,3			16,1	(104,8)	(82,5)		(82,5)
Balance at 31 December 2012		1.506,5	8,8	(24,3)	0,1	83,7	533,7	2.108,5		2.108,5
Balance at 1 January 2013		1.506,5	8,8	(24,3)	0,1	83,7	533,7	2.108,5		2.108,5
Profit for the period							175,8	175,8		175,8
OCI: cash-flow hedges	5.8			6,1				6,1		6,1
OCI: actuarial gain/(loss)	6.12						7,3	7,3		7,3
OCI: exchange differences					(0,1)			(0,1)		(0,1)
Total comprehensive income for the period				6,1	(0,1)		183,1	189,1		189,1
Transactions with owners, recorded directly in equity										
<i>Contributions by and distributions to Owners</i>										
Shares issued	6.10	0,3	0,1					0,4		0,4
Share-based payment expenses	6.10	0,1						0,1		0,1
Transfer to legal reserve	6.10					13,5	(13,5)			
Dividends	6.10						(89,0)	(89,0)		(89,0)
Total transactions with Owners		0,4	0,1			13,5	(102,5)	(88,5)		(88,5)
Balance at 31 December 2013		1.506,9	8,9	(18,2)		97,2	614,3	2.209,1		2.209,1

⁽¹⁾ OCI = Other Comprehensive Income

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in million €) - Year ended 31 December	Notes	2013	2012
Cash flows from operating activities			
Profit for the period		175,8	155,0
Adjustments for:			
Net finance costs	(5.4)	108,5	135,1
Other non-cash items		0,1	4,6
Income tax expense	(5.5)	87,3	50,1
Profit or loss of equity accounted investees, net of tax	(5.6)	(0,4)	(0,6)
Depreciation of property, plant and equipment and amortisation of intangible assets	(6.1 - 6.2)	149,7	148,3
Gain on sale of property, plant and equipment and intangible assets	(6.1 - 6.2)	7,7	3,2
Impairment losses of current assets	(5.3.4)	13,0	1,5
Change in provisions	(5.3.3)	(5,7)	0,3
Change in fair value of derivatives	(7.2)	(1,4)	0,7
Change in deferred taxes	(6.6)	(25,9)	(34,0)
Changes in fair value of financial assets through profit or loss		0,0	0,3
Cash flow from operating activities		508,7	464,5
Change in inventories	(6.7)	(1,8)	0,6
Change in trade and other receivables	(6.8)	215,4	(351,2)
Change in other current assets	(6.8)	(4,4)	0,4
Change in trade and other payables	(6.15)	56,6	2,5
Change in other current liabilities	(6.14 - 6.16)	90,6	112,6
Changes in working capital		356,4	(235,1)
Interest paid	(5.4)	(134,3)	(142,8)
Interest received*	(5.4)	3,2	6,1
Income tax paid	(5.5)	(51,3)	(30,0)
Net cash from operating activities		682,8	62,8
Cash flows from investing activities			
Acquisition of intangible assets	(6.2)	(10,1)	(11,9)
Acquisition of property, plant and equipment	(6.1)	(450,2)	(305,3)
Acquisition of subsidiary net of cash acquired		0,0	0,2
Acquisition of equity accounted investees		(0,1)	(3,1)
Acquisition of investment	(7.1)	(3,7)	(0,3)
Proceeds from sale of property, plant and equipment		1,6	1,9
Proceeds from sales of investments		11,6	0,0
Net cash used in investing activities*		(450,9)	(318,5)
Cash flow from financing activities			
Proceeds from issue share capital		0,4	5,3
Expenses related to issue share capital		0,0	(0,2)
Dividends paid (-)	(6.10)	(89,3)	(88,7)
Repayment of borrowings (-)		(619,7)	0,0
Proceeds from withdrawal borrowings (+)		748,2	120,0
Net cash flow from (used in) financing activities		39,6	36,4
Net increase (decrease) in cash and cash equivalents		271,5	(219,3)
Cash & Cash equivalents at 1 January		166,2	385,6
Cash & Cash equivalents at 31 December		437,7	166,3
Net variations in cash & cash equivalents		271,5	(219,3)

* These sections include a reclassification of the figures per 31 December 2012 for comparison reasons. According to IAS 7.33 "Interest received" can be disclosed either under "Net cash used in investing activities" or under "Net cash from operating activities". In 2013 the Group decided to show interest received under Net cash from operating activities, which resulted in an increase of the Net cash from operating activities in 2012 from € 56.7 million to € 62.8 million, and in a similar decrease in Net cash used in investing activities, from € (312.4) million to € (318.5) million. This change in accounting policy has been applied to provide more relevant information about the effect of the interest received on the cash from operating activities and will be applied consistently from period to period going forward.

The accompanying notes are an integral part of these consolidated financial statements.

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1 REPORTING ENTITY

Established in Belgium, Elia System Operator SA (the 'company' 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The company's consolidated financial statements for the 2013 financial year include those of the company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint ventures and associates.

The company is a limited liability company, with its shares listed on NYSE Euronext Brussels, under the symbol ELI.

The Elia Group develops, maintains and operates two major electricity networks located in Central and North West Europe: the Belgian transmission grid interconnected with France and the Netherlands and 50Hertz transmission grid interconnected with Poland, the Czech Republic and Denmark. These two grids connect generators to major industries and distribution system operators and ensure electricity imports and exports from and to other European countries in an efficient, reliable and secure way. Elia owns the entire Belgian very high voltage grid (150 to 380 kV) and some 94% (ownership and user rights) of the high-voltage grid (30 to 70 kV) with 5,561 km of overhead lines and 2,809 km of underground cables. 50Hertz owns the entire network (220 to 380 kV) in its geographical area as well as the transmission grid in the Hamburg area and offshore connections in the Baltic Sea. The 50Hertz grid comprises 9,860 km of overhead lines and 150 km of underground cables. Elia Group's investment in interconnection capacity with its neighbours makes it the most open and interconnected transmission system operator in Europe.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in 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 2013.

2.2 Functional and presentation currency

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

2.3 Basis of measurement

The financial statements have been prepared on a historical-cost basis, except for the financial instruments, which are measured at fair value. Non-current assets and disposal groups held for sale are valued at the lowest of the carrying amount and the fair value less cost to sell, and employee benefits are valued at the present value of the defined benefit obligations, less plan assets. Changes in fair value of financial assets are recorded through profit and loss.

2.4 Use of estimates and judgements

The preparation of 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.

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 is included in the following notes:

- Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities (see note 6.6). Tax receivable: recovery of the tax receivables of Elia System Operator is deemed highly probable (see note 5.5);
- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (cf. note 7.2);
- Employee benefits: the Group has defined benefit plans which are disclosed in note 6.12. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. This is for example

the case for the present value of future pension liabilities. The present value is amongst others impacted by changes in discount rates, and financial assumptions such as future increases in salary. Next to that demographic assumptions, such as average assumed retirement age, also impact the present value of future pension liabilities;

- 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 external expert. The extent of remediation costs is dependent on a limited number of uncertainties, amongst others, the identification of new soil contaminations;
- Provisions for "litigation" and for "rights to use land" 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 (cf. note 6.13);
- Impairment: the Group performs impairment tests on goodwill and on cash-generating units at reporting date, and whenever there are indicators that the carrying amount might be higher than the recoverable amount. This analysis is based upon assumptions such as market evolution, market share, margin evolution and discount rates (see note 6.2);
- Lease accounting: more information can be found in note 7.3;
- Hedging: 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 7.2).

The accounting policies set out hereafter have been applied consistently to all the periods presented in these financial statements and have been applied by all Group entities.

2.5 Approval by the Board of Directors

These consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Initial application of new, revised or amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amended or revised IASB pronouncements that have been adopted as of January 1, 2013:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income;
- Amendments to IAS 12 – Recovery of underlying assets;
- Amendments to IAS 19 Employee Benefits;
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Improvements to IFRS (issued May 2012);
- IFRS 13 Fair Value Measurements;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and
- Amendments to IFRS 1 Government Loans.

Not all of these standards and amendments impact the Group's consolidated financial statements. If a standard or amendment affects the Group, it is described, together with the impact hereunder.

The impact of the initial application of the amended IAS 1 is shown in the consolidated statement of comprehensive income, in which a distinction was made between the items that may be reclassified subsequently to profit or loss (such as exchange differences on foreign operations or the effective portion of changes in fair value of cash flow hedges) and the items which will never be reclassified to profit or loss (such as actuarial gains or losses on defined benefit plans).

The Group applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have not been impacted by the application of IAS 19R (we refer to note 6.12) for the following reasons:

- Both the rate of return on plan assets (compliant with the previous version of IAS 19 applicable until 31 December 2012) and the discount rate used to calculate the defined benefit liability/asset are independently calculated by different actuarial experts. These calculations resulted in an expected rate of return on plan assets close/equal to the discount rate used to calculate the defined benefit liability/asset at the start of each annual reporting period.
- All actuarial gains or losses were already directly recognized in other comprehensive income; and
- There were no unrecognized past service costs.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. The fair value hierarchy is provided in Note 6.17.

Elia Group did not early adopt any new IFRS standards, amendments to standards or interpretations.

3.2 Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the company. Control means that the company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been 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 causes the non-controlling interests to have a deficit balance.

ASSOCIATED COMPANIES

Associated companies are those companies in which the company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised profits and losses of associated companies on the basis of the equity method, 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 associated company, the Group's 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 associated company.

JOINT VENTURES

'Joint ventures' refers to jointly controlled entities, established pursuant to a contractual agreement and subject to the required approval for strategic, financial and operating decisions. Investments in joint ventures are consolidated proportionally: a proportionate part of the assets, equities & liabilities and income and expenditure statements must be in accordance with IFRS as applied by Elia, with similar items in the consolidated figures grouped into the same category. The gain or loss realised via the acquisition will be recognised as a surplus or as gain on bargain purchase.

LOSS OF CONTROL

Upon the loss of control, the Group derecognizes 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 recognized in profit or loss. If the Group retains any interest in the previous 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 an available-for-sale financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

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

Unrealised gains from transactions with associated companies 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 for impairment.

3.3 Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Group, at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the balance sheet 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, associate, joint venture or branch of the reporting entity, the activities of which 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:

- Balance sheets are translated at the exchange rate at reporting date,
- Income statements are translated at the average exchange rate of the year,
- Shareholder's equity is translated at historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, joint ventures and associates at closing exchange rates are included in shareholder's equity under "OCI: exchange differences" as part of the "Other comprehensive income". At (partial) disposal of foreign subsidiaries, joint ventures and

associates, (part of) cumulative translation adjustments are recognized in the income statement as part of the gain/loss of the sale.

3.4 Financial instruments

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 recognised initially at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the income statement. Where derivative financial instruments qualify for hedge accounting, the reflection of any resultant 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.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. 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 terminates, 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 of foreign currency gains and losses.

3.5 Balance sheet items

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 chapter "Impairment"). 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.

Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Fixed assets used via a finance lease are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the start of the lease, less accumulated depreciation (see hereafter) and impairment losses (see chapter "Impairment"). Lease payments are accounted for as described in the chapter "Expenses".

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, 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 hereafter.

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	2.00%
Industrial buildings	2.00 – 4.00%
Overhead lines	2.00 – 4.00%
Underground cables	2.00 – 5.00%
Offshore cables	2.50 – 5.00%
Substations (facilities and machines)	2.50 – 6.67%
Remote control	3.33 – 12.50%
Dispatching	4.00 – 10.00%
Other property plant and equipment: fitting out rented buildings	contractual period
Vehicles	6.67 – 20.00%
Tools and office furniture	6.67 – 20.00%
Hardware	25.00 – 33.00%

Dismantling obligation

Provision is made for decommissioning and environmental costs, based on future estimated expenditures, 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 expenditures that relate 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 income statement.

The unwinding of the discount is included within the income statement as a financing charge.

De-recognition

An asset is no longer recognised on the balance sheet 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 de-recognition of the asset from the balance sheet (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 / other expenses, during the year in which the asset was derecognised from the balance sheet.

INTANGIBLE ASSETS

Business combinations and goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and 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 achieved 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 bargain purchase gain 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, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination 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 re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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 chapter "Impairment"). In the case of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associated company.

Computer software

Software licences acquired by the Group are stated at cost less accumulated amortisation (see hereafter) and impairment losses (see chapter "Impairment").

Expenditure for research activities undertaken with the prospect of developing software within the Group is recognised in profit or loss as expenditure as incurred. Expenditure for 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 likely,
- 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.

Licenses, 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 are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it is 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.

INVESTMENTS

Each type of investment is recognised on the date of the transaction.

Investments in equity securities

Investments in equity securities are undertakings in which the Group does not have significant influence or control. This is the case in undertakings where the Group owns less than 20% of the voting rights. Such investments are designated as available-for-sale financial assets and are measured at fair value. Any resulting changes in fair value, except those related to impairment losses, are recognised directly in other comprehensive income ("OCI"). On disposal of an investment, the cumulative gain or loss previously recognised directly in OCI is recognised in profit or loss.

The equity investees are measured at cost if there is no quoted price in an active market and the fair value cannot be measured reliably.

Investments in debt instruments

Investments in debt securities classified as held for trading purposes or as being available-for-sale are carried at fair value, with any resulting gain or loss respectively recognised in profit or loss or directly in equity. The fair value of these investments is determined as the quoted bid price at the end of the reporting period. Impairment charges and foreign exchange gains and losses are recognised in profit or loss. Investments in debt securities classified as held to maturity are measured at amortised cost.

Other investments

Other investments held by the Group are classified as available-for-sale and are measured at fair value, with any resulting gain or loss recognised directly in equity. Impairment charges are recognised in OCI (see chapter "Impairment").

TRADE AND OTHER RECEIVABLES

Construction work in progress

Construction work in progress is stated at cost price plus profit based on progress made to date, less a provision for foreseeable losses and less progress billing. The cost price comprises all expenditure directly related to specific projects, plus an allocation of fixed and variable overheads incurred during the Group's contract activities based on normal operating capacity.

Lease receivables

Receivables from lease contracts are stated at an amount equal to the present value of the future net lease payments at the start of the contract. The values of the receivables are reduced in the course of the lease contract by the amount of the lease payments associated with the reimbursement of the principal amount.

Trade and other receivables

Trade receivables and other receivables are measured at amortized cost, less the appropriate allowance for amounts regarded as unrecoverable.

INVENTORIES

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less 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-offs 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 and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

IMPAIRMENT – NON FINANCIAL ASSETS

The carrying amount of the Group's assets, excluding inventories (see chapter "Inventories") and deferred taxes (see chapter "Income taxes"), are 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 an 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 adjusted for the future.

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 to sell or 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 flow that is independent from other assets and the recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage network) to which the asset belongs. This is also the level at which the Group administers its goodwill and reaps 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.

IMPAIRMENT – FINANCIAL ASSETS

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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.

INTEREST-BEARING LOANS

Interest-bearing loans are recognised initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost price with any difference between cost price 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

Obligations related to contributions to defined-contribution pension plans are recognised as an expense in profit or loss as incurred.

Defined-benefit plans

For defined-benefit plans, the pension expenses are assessed on an annual basis by accredited actuaries separately for each plan by using the projected unit credit method. The estimated future benefit that employees have earned in return for their service in the current and prior 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 as at the end of the reporting period on high-quality bonds which have maturity dates that approximate 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:

- a) When the plan amendment or curtailment occurs; or
- b) When the entity recognizes 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.

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 as at the end of the reporting period on high-quality bonds having maturity dates that approximate 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 as 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 estimated reliably.

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.

If the Group expects to recover some or all of the provisions from a third party, the compensation is only included as a separate asset if it is virtually certain that said compensation will be awarded. The cost connected to a provision is included in profit or loss net of any compensation.

The total estimated cost of dismantling and disposal of an asset are, 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 of the provision due to the lapse of time is classified as finance expenses.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

GOVERNMENT GRANTS

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

3.6 Income statement items

REVENUE

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably and recovery of the compensation due is likely.

Revenues include the changes in the balance settlement mechanism. See note 6.16.

Revenue represents the fair value of the consideration received in the ordinary course of the Group's activities.

Goods sold and services rendered

Revenue from services and the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Construction work in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. An expected loss on a contract is immediately recognised in profit or loss.

Transfer of assets from customers

The revenue from customers (financial contribution) for the construction of connections and related grid enhancement to the high-voltage grid is recognised in profit or loss on the basis of the stage reached in recovery of the underlying property, plant and equipment.

Other income

Other income is recognized when it is earned or when the related service is performed.

EXPENSES

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received to conclude the leasing agreement are recognised in profit or loss as an integral part of the total lease expenses.

FINANCE INCOME AND EXPENSES

Finance expenses comprise interest payable on borrowings, calculated using the effective interest rate method, 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 available-for-sale financial assets as well as any losses from hedge ineffectiveness. Net finance expenses comprise interest on loans, calculated using the effective interest rate method and foreign exchange gains and losses.

Finance income includes amongst others interest receivables on bank deposits, recognised in profit or loss as it accrues using the effective interest rate method.

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 to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on taxable income of 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 jointly controlled entities to the extent that it is probable that they will not reverse 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 they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available

against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.

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

3.7 Standards and Interpretations issued but not yet effective

THE STANDARDS, INTERPRETATIONS OR AMENDMENTS LISTED HEREAFTER ARE PUBLISHED ON THE DATE OF APPROVAL OF THESE CONSOLIDATED FINANCIAL STATEMENTS BUT ARE NOT YET EFFECTIVE, AND THE GROUP DID NOT OPT FOR EARLY ADOPTION:

- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 - (applicable for annual periods beginning on or after January 1, 2014, endorsed by the EU). The amendment adds application guidance to the existing financial asset and financial liabilities offsetting requirements in IAS 32. The Group believes that the initial application of the amendment should have minimal impact on its consolidated financial statements.
- IFRS 9 Financial instruments (effective date still to be determined) – the Group continues reviewing the revised guidance and the ongoing progress and subsequent changes made by the IASB with respect to the new standard in order to assess the full impact IFRS 9 might have on its consolidated financial statements, but will only be able to conclude once the IASB has finalized the development of IFRS 9.
- IFRS 10 Consolidated Financial Statements and amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after January 1, 2014, endorsed by the EU) (see below table);
- IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after January 1, 2014, endorsed by the EU);
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after January 1, 2014, endorsed by the EU) – The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The disclosures are generally more extensive than under current IFRS guidance.
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (applicable for annual periods on or after January 1, 2014, endorsed by the EU): On June 28, 2012, the IASB issued an amendment to IFRS 10, IFRS 11 and IFRS 12 which clarifies that the “date of initial application” means “the beginning of the annual reporting period” in which these standards have to be applied for the first time. The requirement means that for Elia Group the date of initial application of these standards will be January 1, 2014.
- Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (applicable for annual periods beginning on or after January 1, 2014, endorsed by the EU): On October 31, 2012, the IASB issued an amendment to IFRS 10, IFRS 12 and IAS 27 that introduced an exception to the principle that all subsidiaries shall be consolidated. This amendment defines the term investment entity and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IAS 39. The Group expects that the new guidance will have no impact on its consolidated financial statements.
- IFRIC 21 Levies (applicable for annual periods beginning on or after January 1, 2014) – the adoption of this new interpretation and her impact on the results of the Group is currently being investigated.
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36 (applicable for annual periods beginning on or after 1 January 2014, endorsed by the EU). The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. In general the amendments increase the number of disclosures. The Group believes that the application of these amendments will have minimal to no impact on its consolidated financial statements.
- IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after January 1, 2014, endorsed by the EU).
- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments which become mandatory for the Group’s 2015 consolidated financial statements, are not expected to have a material impact on the Group’s consolidated financial statements.
- Amendments to IAS 39 Financial Instruments (endorsed by the EU) – Novation of Derivatives and Continuation of Hedge Accounting add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments will become mandatory for the Group’s 2014

consolidated financial statements, with retrospective application. It is expected not to have a material impact on the Group's consolidated financial statements.

- Annual Improvements to IFRS 2010-2012 cycle is a collection of minor improvements to 6 existing standards. This collection, which becomes mandatory for the Group's 2015 consolidated financial statements, is not expected to have a material impact on the Group's consolidated financial statements.
- Annual Improvements to IFRS 2011-2013 cycle is a collection of minor improvements to 4 existing standards. This collection, which becomes mandatory for the Group's 2015 consolidated financial statements, is not expected to have a material impact on the Group's consolidated financial statements.

As described under section 3.2 of the accounting rules, the group is applying the proportionate consolidation method for the entities mentioned in note 7.5, the quantitative impact on its consolidated financial statements as per 31 December 2013 (conform IAS 8) of the implementation of IFRS 10 and 11 is set out here below:

Key figures IFRS (in million €)	PROPOR- TIONATE	EQUITY METHOD	DIFFERENCE	DIFFERENCE
Consolidated results (in million €)	31 December 2013	31 December 2013	31 December 2013	Difference (%)
Total revenues and other income	1.389,5	832,7	(556,8)	-40,1%
Depreciation, amortization, impairment and changes in provisions	(141,5)	(104,5)	37,0	-26,2%
EBITDA*	487,0	313,9	(173,1)	-35,5%
Operating profit (EBIT*)	345,4	209,3	(136,1)	-39,4%
Net finance costs	(108,5)	(109,2)	(0,7)	0,7%
Income tax expenses	(61,5)	(23,4)	38,2	-62,0%
Share of profit of equity accounted investees	0,0	99,0	99,0	n.r.
Profit attributable to the Owners of the Company	175,8	175,8	0,0	0,0%
Consolidated statement of financial position	31 December 2013	31 December 2013	31 December 2013	Difference (%)
Total assets	6.532,2	5.555,7	(976,5)	-14,9%
Equity, attributable to the Owners of the Company	2.209,1	2.209,1	0,0	0,0%
Net financial debt	2.733,9	2.628,4	(105,5)	-3,9%

*EBIT = earnings before interest and taxes

*EBITDA = EBIT + depreciation / amortization/impairment and changes in provisions

4 SEGMENT REPORTING

The Group has opted for a geographical segmentation since this segmentation forms the basis of the Company's internal management reporting and enables the Chief Operating Decision-Maker (CODM) to evaluate and assess the type and financial profile of its 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 Elia System Operator and the companies of which activities are directly linked to the role of Belgian transmission system operator (i.e. group before the acquisition of 50Hertz);
- 50Hertz Transmission (Germany), which comprises Eurogrid International SCRL and companies of which activities are directly linked to the role of transmission system operator in Germany.

The two operating segments also have been identified as the cash generating units of the group, as the group of assets managed by both segments independently generates cash flows.

The Chief Operating Decision-Maker (CODM) has been identified by the Group as being the Boards of Directors, the CEO's and the Management Committees of each segment. The Chief Operating Decision-Maker periodically reviews the Group's segments performance against a certain number of indicators such as revenue, EBITDA and operating profit.

The Company's geographical segments are mainly characterized by common revenue and cost drivers and the same public service mission in their respective geographical area, but they distinguish themselves mainly at the

level of the specific country related regulatory frameworks. For more details around this topic we refer to the chapter on "Regulatory framework and tariffs".

The information presented to the CODM follows the IFRS accounting policies of the Group, therefore no reconciling items have to be disclosed. Intergroup transactions are concluded on an at arm's length basis.

As described by IFRS 8 the Group is required to report segment information about each operating segment that exceeds certain quantitative thresholds. Since the operational activities of Atlantic Grid do not exceed the threshold, its operations have been aggregated in the reporting segment 50Hertz Transmission (Germany), because its activities are regularly evaluated by the CODM of that segment.

4.1 Segment Elia Transmission (Belgium)

KEY FIGURES

Results Elia Transmission (in million €) - Year ended 31 December	2013	2012	Difference (%)
Total revenues and other income	832,7	770,1	8,1%
- Revenues and other income	832,7	809,1	2,9%
- One-off revenues and other income	0,0	(39,0)	n.r.
EBITDA*	313,9	291,6	7,6%
Operating profit (EBIT*)	209,3	188,6	11,0%
Finance income	13,7	10,7	28,0%
Finance costs	(122,9)	(128,2)	-4,1%
Income tax expenses	(23,4)	17,5	+233,7%
- Income tax expenses	(23,4)	(21,5)	8,8%
- One-off income taxes	0,0	39,0	n.r.
Profit attributable to the Owners of the Company	77,1	89,2	-13,6%
Consolidated statement of financial position (in million €)	31.12.2013	31.12.2012	Difference (%)
Total assets	4.885,9	4.618,4	5,8%
Capital expenditures	223,2	150,0	48,8%
Net financial debt	2.628,4	2.488,3	5,6%

* EBIT = earnings before interest and taxes

* EBITDA = EBIT + depreciation / amortization/impairment and changes in provisions

In 2013, Elia Transmission's revenue in Belgium rose by 8.1% to €832.7 million compared with the same period last year. This increase is due mainly to the one-off deduction in 2012 of the deferred tax advantage on the transferable notional interest deduction reserve, and to higher costs in connection with ancillary services and use of the European grid. The table below provides more details of changes in the various revenue components.

Detail revenues and other income (in million €) – Year ended 31 December	2013	2012	Difference (%)
Grid connection revenue	41,1	40,9	0,5%
Grid use revenue	495,8	605,4	-18,1%
Ancillary services revenue	143,7	147,7	-2,7%
International revenue	67,8	31,1	118,0%
Transfers of assets from customers	8,0	5,4	47,2%
Other revenue	4,3	5,9	-27,1%
Other income	45,2	49,6	-8,9%
Subtotal revenue and other income	805,9	886,0	-9,0%
Balance Settlement mechanism: deviations from approved budget	(4,8)	(33,6)	n.r.
Balance Settlement mechanism: to be refunded to the tariffs of current period	31,6	(43,3)	n.r.
Subtotal recurring revenues and other income, incl. Balance settlement mechanism	832,7	809,1	2,9%
- One-off revenues and other income	0,0	(39,0)	n.r.
Total revenues and other income	832,7	770,1	8,1%

Grid connection revenue remained stable compared with 2012 at €41.1 million.

Grid use revenue and **ancillary services revenue** fell by 18.1% and 2.7% respectively owing to the adjustment of the costs charged to generators following introduction of the new tariffs approved by CREG. Following the Court of Appeal ruling of 6 February 2013, which annulled the earlier decision approving the transmission tariffs for 2012–2015, CREG approved an adjusted tariff proposal on 16 May 2013. In the adjusted proposal, the tariff components for generators were revised downwards and offset in the tariff components for consumers. The new tariffs for ancillary services and system operation, which are applied to the offtake of energy, took effect on 1 June 2013. The new tariffs for grid use, which are applied to power, came into effect on 1 January 2014. The excess costs charged to generators since the start of the regulatory period 2012–2015 have been reimbursed and will be recovered through the new tariffs over the period 1 June 2013 to 31 December 2015.

International revenue rose by €36.7 million (up 118%), mainly due to higher congestion and auction revenue on the interconnections with the Netherlands and France owing to the unavailability of the Doel 3 and Tihange 2 nuclear power station units.

Following a significant decline in 2012 (down 56.1%), **revenue** from customer contributions to investments ("transfers of assets from customers") recovered partially and rose by €2.6 million (47.2%) compared with 2012.

Other revenue fell by 8.9% compared with 2012, primarily due to lower amounts being recovered from insurance policies.

The **settlement mechanism** encompasses deviations from the **budget approved by CREG** with regard to the non-controllable costs and revenue. The operational result was up by €4.8 million, primarily as a result of higher international revenue (€39.5 million), the lower actual average OLO (€17.2 million) and lower non-controllable costs (€5.1 million). This was largely offset by the higher incentive on replacement investments (–€1.6 million) and the lower tariff sales (down €62.9 million) following introduction of the new tariffs approved by CREG (see below). There was also a temporary tariff deficit (€31.6 million), which is being carried forward within the current tariff period.

The **passing on of the deferred tax benefit in future tariffs** (€39 million) booked in 2012 is the main reason for the increase in "total revenues and other income". This passing on, which does not impact the net profit, is the result of the recognition of the deferred tax benefit following a change in the legislation concerning notional interest deduction, which can now be effected on the basis of the transferable notional interest deduction reserve built up during the period 2010–2011. This deferred tax benefit, booked as a tax reduction, was recognised as a tariff liability in 2012 seeing as the benefit will be passed on to the customer in full in the form of a reduction in future tariffs.

EBITDA (up 7.6%) and **EBIT** (up 11%) rose significantly in 2013 compared with 2012, mainly due to the one-off booking in 2012 (see "Passing on of the deferred tax benefit in future tariffs"). Furthermore, fair remuneration fell due to a decline in the OLO from 2.98% in 2012 to 2.43% in 2013, which was partially offset by the increase in the amount passed on in the tariffs for decommissioning of fixed assets. Finally, compared with 2012 the recalculation of the provisions for future personnel liabilities also impacted on the result.

Net finance costs (down 7.1%) fell by €8.3 million compared with 2012, mainly due to increased activated borrowing costs following higher levels of investment in 2013, and lower financial costs on loans with variable interest rates.

Income tax expense (up 233.7%) was negatively affected by the one-off recognition in 2012 of a deferred tax receivable for the future tax benefit arising from the notional interest deduction reserve. However, this had no impact on the net result, as the benefit will be channelled back into future tariffs (see "Passing on of the deferred tax benefit in future tariffs").

Consolidated IFRS profit after income tax fell 13.6% from €89.2 million in 2012 to €77.1 million in 2013 due to the following items :

- decrease in regulated profit due to lower OLO (down €7.1 million);
- increase in the amount passed on in the tariffs for decommissioning of fixed assets (up €5.8 million);
- increase in the incentive on replacement investments (up €1.5 million);
- lower cost savings and revenue (down €0.9 million);
- one-off impact of CREG's decision concerning regulated balances from 2012 (down €1.2 million); and
- decrease in IFRS adjustments in 2013 compared with 2012 (down €10.2 million), mainly due to changes in pension commitments (we refer to note 6.12).

Total assets increased by 5.8% to €4,885.9 million, while **net financial debt** rose by €140.1 million (5.6%).

4.2 Segment 50Hertz Transmission (Germany)

The table hereafter shows the 2013 results of 50Hertz Transmission's transmission system operator activities in Germany:

Results 50Hertz Transmission (Germany) (in million €) 60% proportional consolidation – Year ended 31 December	2013	2012	Difference (%)
Total revenues and other income	557.6	539.4	3.4%
EBITDA*	173.1	163.9	5.6%
Operating profit (EBIT*)	136.1	116.8	16.5%
Net finance costs	0.7	(17.5)	-104.0%
Income tax expenses	(38.2)	(33.6)	13.7%
Profit attributable to the Owners of the Company	98.7	65.8	50.0%
Consolidated statement of financial position (in million €)	31 December 2013	31 December 2012	Difference (%)
Total assets	1,646.5	1,569.0	4.9%
Net financial debt	105.5	422.5	-75.0%

*EBIT = earnings before interest and taxes

*EBITDA = EBIT + depreciation / amortization/impairment and changes in provisions

50Hertz Transmission's revenue was up 3.4% compared with the same period last year. This increase is mainly due to higher volumes of investment, which were partially offset by the disappearance of the EEG bonus and lower customer contributions to investment projects. Furthermore revenues were positively impacted for the last time by the change in the regulatory system, which already took effect last year. In 2013 costs for new investments were charged twice, namely for 2011 and for 2013. The total revenues are detailed in the table below.

Detail revenues and other income (in million €) - Year ended 31 December	2013	2012	Difference (%)
Vertical grid revenue	543,7	392,2	38,6%
Horizontal grid revenue	49,7	36,0	38,1%
Ancillary services revenue	50,7	77,7	-34,7%
Transfers of assets from customers	1,4	3,9	-64,1%
Other income	21,8	32,3	-32,5%
Subtotal revenue and other income	667,3	542,1	23,1%
Balance settlement mechanism: deviations from approved budget	(109,7)	(2,6)	n.r.
Total revenues and other income	557,6	539,4	3,4%

Vertical grid revenue (tariffs end customers) rose by €151.5 million (38.6%). Due to the required expansion of the transmission system in Germany, the increased investment activities (onshore and offshore) are generating higher returns from vertical network tariffs. Revenue also rose due to the rise in planned energy costs (primarily redispatch), and the recovery of higher levels of costs for past ancillary services. Finally, the more significant offtake in peak volumes in 2013 resulted in increased revenue from vertical network tariffs.

Horizontal grid revenue (tariffs to TSOs) generally rose (up 38%) due to the higher volume of offshore investments, given that in Germany all offshore connection investments are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs. In view of the investment programme, these costs have risen sharply resulting in higher amounts being passed on in the tariffs.

Ancillary services revenue (down 34.7%) decreased by €27 million, primarily due to a fall in revenue from imbalances.

Other revenue fell by €10.3 million, mainly due to the disappearance of the EEG bonus granted in 2012 in respect of 2011. The mechanism for awarding EEG bonuses was completely overhauled in 2013 meaning that the amounts allocated and feasibility of securing a bonus at all were reduced substantially.

The **settlement mechanism** includes at 50Hertz, on the one hand, the annual offsetting of deficits and surpluses arising before 2013 (€2.5 million) and, on the other, the deviations in 2013 between the costs allowed to be passed on and the actual costs (-€112.2 million). The significant operational deviation is mainly due to the

exceptionally low redispatch costs as a result of the low level of renewable energy generation, and the higher peak volumes invoiced compared with the budgeted volumes.

The sharp rise in **EBITDA** (up 5.6%) and **EBIT** (up 16.5%) is mainly due to investment. The disappearance of EEG bonuses, lower customer contributions to investment projects and higher personnel expenses were offset by lower regulatory provisions.

Net **finance costs** were positively influenced (down 104%) by a drop in interests that will be payable in the event of ongoing court cases being lost, and by a substantial discount effect on long-term provisions. In 2013, the German Federal Network Agency (BNetzA) decided that congestion and auction revenue no longer needed to be incorporated into tariffs within two years but could instead be spread over a 30-year period. This is because since 2012, congestion and auction revenue has to be used to fund investment which results in better congestion management. Due to this decision the congestion and auction revenue for 2012 and 2013, which need to be passed on in the tariffs, need to be discounted and result in an important and largely one-off financial income.

In addition to the significant increase in remuneration from investments, **net profit** (up 50%) was also boosted by exceptionally low net finance costs.

The increase in **income tax expense** is mainly the result of the change in pre-tax profit.

Total assets rose by 4.9% to €1,646.5 million. **Net financial debt** improved significantly due to the partial repayment of pre-financing of the EEG mechanism (€484.8 million as at the end of 2012, compared with €45.5 at the end of 2013). The charging of the new offshore levy and the repayment of the two term loans totalling €200 million prompted the substantial fall in net financial debt.

4.3 Reconciliation of segments with total of group

Consolidated results (in million €) – Year ended 31 December	2013	2013	2013	2013
	Elia Transmission (Belgium)	50Hertz Transmission (Germany)	Consolidation entries	Elia Group
Total revenues and other income	832,7	557,6	(0,8)	1.389,5
Depreciation, amortization, impairment and changes in provisions	(104,5)	(37,0)	0,0	(141,5)
EBITDA	313,9	173,1	(0,1)	486,9
Operating profit (EBIT)	209,3	136,1	0,0	345,4
Finance income	13,7	0,9	(0,1)	14,5
Finance costs	(122,9)	(0,2)	0,1	(123,0)
Income tax expenses	(23,4)	(38,2)	0,1	(61,5)
Profit attributable to the Owners of the Company	77,1	98,7	0,0	175,8
Consolidated statement of financial position (in million €)	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Total assets	4.885,9	1.646,5	(0,2)	6.532,2
Capital expenditures	223,2	247,7	0,0	470,9
Net financial debt	2.628,4	105,5	(0,1)	2.733,8

The Group has no concentration of customers in neither of the operating segments.

5 ITEMS OF THE CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

5.1 Revenue

(in million €)	2013	2012
Revenue	1.313,6	1.218,7
Transfers of assets from customers	9,4	9,3
Total revenue	1.323,0	1.228,0

We refer to the segment reporting for a breakdown of the significant categories within the revenue of the Belgian (Note 4.1) and German segment (Note 4.2).

5.2 Other income

The following table details the "Other income":

(in million €)	2013	2012
Services and technical expertise	1,6	0,9
Own production	30,2	28,4
Changes in other financial assets	(4,6)	5,6
Optimal use of assets	12,8	12,1
Other	26,5	31,5
Other income	66,5	78,6

The group's own production represents the valuation of time worked on investment projects.

The optimal use of assets represents mainly income generated from contracts with Telecom operators for making available high voltage towers to several telecom operators as supporting structure for their mobile network antennas.

The section "Other" mainly consists of gains on sale of property, plant and equipment, recoverable amounts of claims paid by insurance companies, etc.

5.3 Operating expenses

5.3.1 Cost of materials, services and other goods

(in million €)	2013	2012
Raw materials, consumables and goods for resale ¹	32,2	35,4
Purchase of Ancillary services	439,9	417,3
Services and other goods (excl. purchase of ancillary services ¹)	225,4	208,3
Total	697,5	661,0

¹ As result of further alignment in the reporting and consolidation tool of the Group, certain prior year comparatives have been reclassified to conform to the current year's presentation. A reclassification for an amount of € 29.1 million occurred from Services and other goods (amounting to €237.4 million in the Group's IFRS annual report of 2012) to Raw materials, consumables and goods for resale (amounting to €6.3 million in the Group's IFRS annual report of 2012).

The "purchase of ancillary services" includes the costs for services which enable the Group to balance generation with demand, to maintain voltage levels and to manage congestions on its grids. The increase compared to last year is generated both by Elia Transmission (Belgium) and by 50Hertz Transmission (Germany), and can be explained by:

- again exceptional weather conditions (very windy in December);
- the continued effect of the decision of the German government to close eight nuclear power plants in 2012. These costs are recovered in future tariffs;
- the unavailability of 2 nuclear power plants in Belgium (Doel 3 and Tihange 2).

The "services and other goods" are related to maintenance of the grid, services provided by third parties, insurance, consultancy, etc.

5.3.2 Personnel expenses

(in million €)	2013	2012	2012 as reported
Salaries and wages	127,2	121,5	121.5
Social security contributions	31,1	29,8	29.8
Pension costs*	8.1	9.8	6.5
Other personnel expenses	3.4	3.9	3.9
Share based payment expenses	0,1	1,0	1.0
Employee benefits (excl. pensions)*	9.0	4.7	8.0
Total	178,9	170,7	170.7

* These sections include a reclassification of the figures per 31 December 2012 for comparison reasons. The pension costs now also include the obligation for pre-retirement and "exit mechanism", which was previously shown under the "post-employment benefits other than pensions" or in the above table as "Employee benefits (excl. pensions)". We refer to note 6.12 and 7.8 for more details around the reclassifications.

The increase in personnel expenses can mainly be explained by the salary increases in Germany (approx. 2.8%), the increase in the number of full time equivalents and the inflation.

For more information regarding employee benefits, see Note 6.12 Employee Benefits.

5.3.3 Depreciation, amortisation, impairment and changes in provisions

(in million €)	2013	2012
Amortisation of intangible assets	9,0	8,7
Depreciation of property, plant and equipment	140,6	139,9
Total depreciation & amortisation	149,6	148,6
Impairment of inventories and trade receivables	0,4	0,7
Total impairment	0,4	0,7
Other provisions	(7,9)	1,1
Environmental provisions	(2,9)	2,0
Provisions for litigations	2,3	(2,3)
Total changes in provisions	(8,4)	0,9
Total	141,5	150,1

The variance for impairment in respect of receivables during the year can be found in note 7.2 "Financial risk and derivative management".

A detailed description of provisions is provided in Note 6.13.

5.3.4 Other expenses

(in million €)	2013	2012
Taxes other than income tax	13,7	13,9
Loss on disposal/sale of property, plant and equipment	7,9	4,5
Other	0,3	0,1
Bonus-malus settlement of previous year	1,5	0,0
Impairment on receivables	2,9	(0,2)
Payments to municipalities	0,0	1,0
Other expenses	26,2	19,3

The 2013 expenses classified as "Bonus-malus settlement of previous year" occurred in the Belgian segment as a result of the review of the Belgian regulator (CREG) of the 2012 regulatory accounts. The regulator considered some recognized revenues as non-controllable, whereas Elia Transmission (Belgium) considered them as controllable (gross impact of €1.5 million – net impact €1.2 million).

The taxes other than income tax line mainly exist of property taxes and taxes on pylons supported by Elia

Transmission (Belgium).

The impairment on receivables mainly relates to impairment losses recorded on KWK receivables of the year 2002 (German segment) for an amount of €2.6 million.

5.4 Net finance costs

(in million €)	2013	2012
Finance income	14,5	12,9
Interest income on investment trust, bank deposits, cash and cash equivalents	2,1	3,7
Other Financial Income	12,5	9,2
Finance costs	(123,0)	(147,8)
Interest expense on eurobonds and other bank borrowings	(117,7)	(135,8)
Interest expense on derivatives	(8,3)	(12,3)
Other Financial costs	3,0	0,4
Net finance costs	(108,5)	(134,8)

The decrease in interest income is mainly due to the further decrease of the returns on deposits.

The other financial income consists mainly of the moratorium interests which are computed on the tax claim (we refer to Note 5.5 below).

The interest expenses on eurobonds and other bank borrowings decreased as a result of the expiration of the bank loan of €200.0 million of 50Hertz Transmission (Germany), partially cancelled out by the increased bond position of Elia Transmission (Belgium) (we refer to Notes 4.1 and 4.2 and Note 7.2). In addition the decrease can also be explained by the lower variable interest rates on Elia Transmission's shareholder's loan, and the increased capitalisation of borrowing costs as a result of the Group's significant investments.

For more details on net debt and loans, see Note 6.11.

5.5 Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million €)	2013	2012
Current year	90,0	47,5
Adjustments prior years	(2,6)	2,6
Total current income tax expenses	87,4	50,1
Origination & reversal of temporary differences	(25,9)	(33,9)
Total deferred taxes	(25,9)	(33,9)
Total income taxes recognised in profit and loss	61,5	16,2

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the company'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 as follows:

(in million €)	2013	2012
Profit after tax	175,4	154,5
Share of profit equity accounted investees	0,4	0,6
Profit for the period	175,8	155,1
Income tax expenses	61,5	16,2
Profit before income tax	237,3	171,2
Income tax using the domestic corporation tax rate	80,7	58,2

Domestic corporate income tax	33,99%	33,99%
Effect of the foreign tax rate	(6,1)	(4,8)
Non-deductible expenses	3,5	2,7
Adjustments prior years	(3,5)	4,0
Gain on disposal of shares	(1,0)	(0,2)
Tax losses	0,1	0,0
Tax incentives (notional interest deduction)	(18,7)	(19,2)
Recognition of DTA on NID carried forward	3,6	(39,0)
Tax effect of recognition of DTA on NID not previously recognized	(1,2)	13,3
Fairness tax	1,7	0,0
Other tax free income	(0,1)	(0,4)
Other	2,6	1,6
Total income tax expenses in profit or loss	61,5	16,2

1 DTA = Deferred tax asset ; NID = Notional Interest Deduction

In 2012 a DTA on NID reserves (accumulated notional interest deduction reserve over past couple of years in Elia Asset SA) has been recognized. As a result of changes in legislation and regulatory framework in 2012 the probability significantly increased of full recovery in the future of the NID reserves and resulted in a recognition of a deferred tax asset of €39 million (See also note 4.1 – 6.6).

As per 31 December 2013 an amount of €3.6 million was utilized (notional interest deduction reserve as per end of 2013 amounted to €104.1 million).

In 2013 the Belgian fiscal legislation changed resulting in the recognition of an additional income tax, called "Fairness tax", amounting to €1.7 million. This new fiscal topic mainly impacts companies making use of the notional interest deduction mechanism (especially Elia Asset NV).

Deferred income taxes are further discussed in Note 6.6 ('Changes in deferred tax assets and liabilities resulting from movements in temporary differences during the financial year').

Tax assessment

Elia received a tax assessment in early 2008 in view of taxation of the remaining tariff surpluses as at 31 December 2004. The income taxes paid total €93.8 million, including an administrative charge of 10% and an increase due to insufficient prepayments. Having consulted its tax advisor and CREG and given that similar tariff surpluses accounted for by other companies in the sector were not taxed, Elia management decided to file a complaint that was rejected by the tax authorities. By matter of consequence, Elia filed a judicial claim for the full amount, including moratorium interest.

In 2009, the tax authorities made a similar decision on the increase of tariff surpluses in 2005 and 2006. Elia received a tax assessment of €35.8 million, including an administrative charge of 10% and an increase due to insufficient prepayments, and decided to file a complaint about this in line with the case of 2004.

The tariff surpluses that led to the additional assessment are systematically settled in tariffs over the years to come (refund to consumers) in accordance with CREG decision, meaning that this solely is a matter of a timing difference between a surplus generated in the past and a refund in the subsequent years.

If Elia's complaint is rejected, the corporate income tax paid on the remaining surpluses will automatically be offset by 'recoverable taxes' on the refund given to consumers in 2005, 2006 and 2007 and subsequent periods. In that way the basic amount of the corporate income tax can be recovered in full. If a balance is still outstanding, it will be settled using the tariff mechanism.

On Friday 23 December 2011, the Brussels Court of First Instance ruled in favour of Elia in its tax dispute¹ with the Belgian tax authorities. As a result of the ruling, the tax authorities must reimburse Elia €118.4 million, consisting of €80.2 million in taxes that were paid twice and which therefore must be reimbursed with 100% certainty, €5.1 million in prepayments, €8.5 million in administrative tax increase and €24.6 million in interest. However the tax authorities lodged appeal on 6 February 2012, thus suspending the ruling by the Court of First Instance. The Court of Appeal is not expected to rule on the case until 2016 at the earliest.

¹ Elia's tariffs are based on estimated income and costs as well as budgeted volumes. At the end of each tariff period, this results in tariff surpluses or deficits that must be factored into future tariffs. However, in 2008 the tax authorities ruled that tariff surpluses from the past (2003-2004) should be taxed immediately while Elia, in consultation with the regulator, considered this to be a debt in respect of future tariffs. All such tariff surpluses have actually been returned to consumers since the end of 2011.

5.6 Share of profit of equity accounted investees

(in million €)	2013	2012
CORESO	0,0	0,0
HGRT SAS	0,3	0,3
APX (Amsterdam Power Exchange)	0,3	0,2
AMPACIMON	(0,2)	0,0
Total	0,4	0,6

The share in the results of joint ventures can be found in note 4.2 Segment 50Hertz Transmission (Germany). All companies related to the 50Hertz Transmission segment are joint ventures. There are no joint ventures in other segments.

5.7 Basic earnings per share

The basic earnings per share (EPS) are calculated by dividing the net profit attributable to the shareholders of the company (€175.8 million) by the weighted average number of ordinary shares outstanding during the year (60,565,541).

Weighted average number of ordinary shares	2013	2012
Issued ordinary shares on 1st of January	60,555,809	60,355,217
Impact of shares issued in December 2012		7,144
Impact of shares issued in March 2013	9,732	
Weighted average number of shares on 31st of December	60,565,541	60,362,361

Diluted earnings per share

Diluted earnings per share (EPS) is 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 granted to employees.

The diluted profit is equal to the ordinary profit per share, since there are no convertible bonds or share options.

Share capital and reserves per share

Share capital and reserves per share totalled €36.5 per share on 31 December 2013, compared with a value of €34.9 per share at the end of 2012.

5.8 Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the income statement and the other comprehensive income recognised in equity. Other comprehensive income includes all changes in equity other than owner-related changes, which are analysed in the statement of changes in equity.

The deferred taxes and the changes in fair value booked in equity by item of other comprehensive income are as follows:

(in million €)	2013	2012
Derivatives	(3,1)	0,5
Actuarial gains (losses) on employee benefits	(3,7)	5,0
Total	(6,9)	5,5

The defined benefit plan actuarial gains and losses impacted positively the OCI by an amount of €11.0 million, less the deferred taxes amounting to -€3.7 million, which can mainly be explained by changes in pension age assumptions (increase in presumed retirement age), partially cancelled out by the lower discount rate.

(in million €)	2013	2012
Net changes in fair value of interest rate swaps	(6,1)	1,0
Finance income	(6,1)	1,0
<i>Recognised in:</i>		
Hedging reserve	(6,1)	1,0

The increase in net changes in fair value of the Group's IRS can mainly be attributed to the slight increase in coupon rates which occurred at the end of 2013 as compared to end of 2012. This also impacts the deferred tax which was recorded on the derivatives and explains the increase as reflected in the 1st table.

The figures for 2012 have been adapted in above table to reflect the actual net change, instead of the gross change (€1.5 million).

The hedging reserve is discussed in detail in Note 7.2.

6 ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Property, plant and equipment

(in million €)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
Acquisition value						
Balance at 1 January 2012	202,5	4.992,4	130,4	11,1	294,1	5.630,5
Additions	3,4	57,0	8,0	0,5	244,9	313,8
Disposals	(0,8)	(27,1)	(3,4)	(1,1)	0,0	(32,4)
Transfers from one heading to another	0,6	115,4	1,0	1,1	(118,0)	0,1
Balance at 31 December 2012	205,8	5.137,7	136,0	11,6	421,0	5.912,0
Balance at 1 January 2013	205,8	5.137,7	136,0	11,6	421,0	5.912,0
Additions	19,7	60,5	14,7	0,0	365,9	460,7
Disposals	(0,2)	(50,3)	(5,8)	0,0	0,1	(56,3)
Transfers from one heading to another	16,1	128,7	2,4	1,7	(149,0)	(0,0)
Balance at 31 December 2013	241,3	5.276,5	147,2	13,3	638,0	6.316,3

(in million €)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
Depreciation and impairment						
Balance at 1 January 2012	(24,1)	(2.335,2)	(110,9)	(9,7)	0,0	(2.479,9)
Depreciation	(2,5)	(130,6)	(6,5)	(0,3)	0,0	(139,9)
Disposals	0,3	22,4	3,4	1,1	0,0	27,2
Transfers from one heading to another	0,0	1,1	(0,0)	(1,1)	0,0	0,0
Balance at 31 December 2012	(26,3)	(2.442,3)	(114,0)	(10,0)	0,0	(2.592,7)
Balance at 1 January 2013	(26,3)	(2.442,3)	(114,0)	(10,0)	0,0	(2.592,7)
Depreciation	(2,6)	(129,8)	(7,6)	(0,8)	0,0	(140,8)
Disposals	0,2	40,9	5,8	0,0	0,0	47,0
Transfers from one heading to another	0,0	1,5	(0,0)	(1,5)	0,0	(0,0)
Balance at 31 December 2013	(28,7)	(2.529,7)	(115,9)	(12,3)	0,0	(2.686,6)

Carrying amount						
Balance at 1 January 2012	178,5	2.657,2	19,5	1,4	294,1	3.150,7
Balance at 31 December 2012	179,5	2.695,4	21,9	1,6	421,0	3.319,3
Balance at 1 January 2013	179,5	2.695,4	21,9	1,6	421,0	3.319,3
Balance at 31 December 2013	212,6	2.746,8	31,4	1,0	638,0	3.629,8

The majority of the invested amount in 2013 in Belgium is related to the reinforcement of the high voltage substations and the construction of overhead lines.

The most important projects in Belgium are the high-voltage substations at Beerse (70 kV), La Croyère (150 kV), Bevercé (70 kV), Rechtoever (36 kV), Nieuwe Vaart (150/36 kV), Montignies (150 kV), Antoing (150 kV), Lixhe (220 kV) and Villeroux (220 kV) among others were upgraded, decontaminated and/or renovated. Furthermore, new cables were laid between Schelldorp, Hoboken and Wilrijk (70 kV), between Rodenhuijze and Arcelor (150 kV), and between the BNP Paribas datacenters at Vaux-sur-Sûre and Bastogne, and the high-voltage lines between Van Eyck and Zutendaal (380 kV) and between Les Isnes and Waret (70 kV) were upgraded. Construction of a new administrative building on the Quai Monnoyer in Brussels was also completed.

The main onshore investments in Germany were in the South-West Coupling Line, the expansion of the Perleberg high-voltage substation and first-wave investment in the new 50Hertz headquarters.

The offshore capital expenditure in Germany includes the connection with the offshore wind farm Baltic II, in the Baltic Sea.

During 2013, an amount of €5.0 million borrowing costs have been capitalised on the 2013 acquisition of the assets using an average interest rate of 4.0915%.

Other liabilities relating to new investments are described in Note 7.3.

6.2 Intangible assets

(in million €)	Goodwill	Software	Licences / Concessions	Total
Acquisition value				
Balance at 1 January 2012	1.707,8	55,9	21,7	1.785,4
Acquired, own construction capitalised	(0,0)	12,0	0,1	12,1
Balance at 31 December 2012	1.707,8	67,9	21,8	1.797,5
Balance at 1 January 2013	1.707,8	67,9	21,8	1.797,5
Acquired, own construction capitalised	0,0	10,4	0,2	10,6
Disposals	0,0	(0,2)	(0,0)	(0,2)
Balance at 31 December 2013	1.707,8	78,0	22,0	1.807,8

(in million €)	Goodwill	Software	Licences / Concessions	Total
Amortisation and Impairment				
Balance at 1 January 2012	0,0	(29,4)	(2,4)	(31,8)
Amortisation	0,0	(7,4)	(1,2)	(8,6)
Balance at 31 December 2012	(0,0)	(36,8)	(3,6)	(40,4)
Balance at 1 January 2013	(0,0)	(36,8)	(3,6)	(40,4)
Amortisation	0,0	(7,8)	(1,2)	(9,0)
Disposals	0,0	0,1	0,0	0,1
Balance at 31 December 2013	(0,0)	(44,6)	(4,8)	(49,4)

Carrying amount				
Balance at 1 January 2012	1.707,8	26,5	19,3	1.753,6
Balance at 31 December 2012	1.707,8	31,1	18,2	1.757,1
Balance at 1 January 2013	1.707,8	31,1	18,2	1.757,1
Balance at 31 December 2013	1.707,8	33,5	17,2	1.758,5

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

See Note 5.3.3 for the impact of depreciations in intangible assets on profit or loss.

The goodwill, which is allocated to the CGU Elia Transmission (Belgium), amounting to €1,707.8 million, relates to the following past transactions:

(in million €)	2013	2012
Acquisition of participations in Elia Asset by Elia System Operator - 2002	1.700,1	1.700,1
Acquisition of participations in Elia Engineering by Elia Asset - 2004	7,7	7,7
Total	1.707,8	1.707,8

IMPAIRMENT TEST FOR CASH-GENERATING UNIT ELIA TRANSMISSION (BELGIUM) CONTAINING GOODWILL

In 2002, the acquisition of Elia Asset by the company for an amount of EUR 3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference is the result of the difference between acquisition value of this economic entity and carrying amount of the assets of Elia Asset. This difference consists of different elements such as the fact that (i) Elia was appointed as a TSO for a period of 20 years, (ii) Elia has unique resources in Belgium as Elia is the owner of the whole very-high-voltage network and is the owner of (or has the right to use) 94% of the high-voltage network, and hence only Elia is entitled to propose a development plan, and (iii) Elia has the TSO know-how. At the date of acquisition, the qualification or the quantification in euro of these elements 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. Therefore, this difference has been recognised as goodwill since the first adoption of IFRS at 1 January 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable as from 2008 onwards, did not have an impact on this accounting treatment. The goodwill, as 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 the 'regulated activity in Belgium', which will also be considered as 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 did not result in recognition of any impairment losses. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually as the higher of their fair value less cost to sell or value in use, applying the assumptions hereafter and using the following valuation methods.

The impairment test was conducted by an independent expert and was based on the following valuation methods and applying the following assumptions (according to fair value less cost to sell methodology):

1. discounting of future cash flows and using the "Regulated Asset Base" or "RAB" as the basis for the estimation of the terminal value;
2. discounting of future dividends;
3. comparison between the previously mentioned impairment methods and those used by some comparable West European listed companies, such as Red Eléctrica España, Enagas, Terna, Snam Rete Gas, National Grid and Fluxys;
4. market valuation based on the company's share price.

The future cash flows and future dividend methods are based on the business plan for the period 2012-2020 of Elia Transmission Belgium.

The key assumptions used for this valuation are

- risk-free rate of 4.0%, based on Belgian 10-year bond rates,
- cost of debt of 4.5%,
- tax rate of 33.99%,
- market risk premium of 6.00%,
- perpetual growth rate of 0.8%.

The independent analysis did not result in the identification of an impairment of goodwill in 2013.

Sensitivity to changes in assumptions

With regard to the assessment of the recoverable amount, management believes, based on the analysis of an external expert, and the current knowledge, that no reasonably possible change in any of the above key assumptions would cause material impairment losses for the cash generating unit Elia Transmission (Belgium).

6.3 Non-current trade and other receivables

(in million €)	2013	2012
Tax receivables	131.6	125.0
Other amounts receivable	0.8	1.5
Total	132.4	126.5

Long-term receivables consist of the basic amount of tax receivable (€93.8 million) and the cumulative moratorium interest that the company could recover in the future. A detailed description can be found in Note 5.5.

6.4 Equity-accounted investees

INVESTMENTS IN ASSOCIATED COMPANIES

(in million €)	2013	2012
At 1 January	34,3	30,6
Change in shareholding	(11,3)	3,1
Share of (loss)/profit	0,4	0,6
At 31 December	23,4	34,3

For more details related to the change in shareholding, see note 7.1.

Summary of financial data on equity-accounted investees, not corrected for the group's ownership percentage:

Name	Assets	Liabilities	Revenues	Profit/(loss)	Interest held %
2012	715,7	639,3	46,9	8,1	
Coreso SA/NV	2,5	1,1	5,3	0,1	28,5%
HGRT SAS	34,7	0,1	0,0	2,5	24,5%
APX - Endex bv	678,5	638,1	41,6	5,5	23,1%
Ampacimon	0,0	0,0	0,0	0,0	0,0%
2013	666,7	595,9	34,2	6,4	
Coreso SA/NV	3,6	2,0	6,2	0,2	28,5%
HGRT SAS	35,8	0,2	0,0	2,9	24,5%
APX - Endex bv	626,7	593,5	27,3	3,8	29,2%
Ampacimon	0,6	0,2	0,7	(0,4)	36,8%

The summary of financial data of joint ventures can be found in Note 4.2 Segment 50Hertz Transmission (Germany).

The above mentioned liabilities only reflect the current liabilities.

6.5 Other financial assets

(in million €)	2013	2012
Immediately claimable deposits	13,3	13,5
Other	76,2	76,8
Total	89,5	90,3

'Immediately claimable deposits' measured at fair value for which the changes in fair value are recognised in OCI. The risk profile of these investments is discussed in Note 7.2.

The item 'Others' is mainly related to a recoverable amount of a portion of the pension liability - see Note 6.12, and also include the available for sale assets measured at cost (see "other participations" in note 7.5).

6.6 Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million €)	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	1,6	(85,6)	1,6	(88,9)
Intangible assets	0,0	(9,0)	0,0	(8,8)
Inventories	0,0	(0,9)	0,0	(1,0)
Interest-bearing loans and other non-current financial liabilities	8,2	(0,5)	12,6	(0,6)
Employee benefits	35,0	0,0	39,0	0,0
Provisions	3,4	(0,8)	2,5	0,0
Accrued charges and deferred income	0,4	(2,4)	4,4	0,0
Other items	42,1	(30,8)	9,7	(32,5)
Notional interest deduction carried forward - previous accounting years	35,4	0,0	39,0	0,0
Tax asset / liability before set off	126,1	(130,0)	108,9	(131,8)
Offsetting of tax	(97,2)	97,2	(65,7)	65,7
Net tax asset / (liability)	28,9	(32,8)	43,1	(66,0)

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

(in million €)	Opening balance	Recognised in income statement	Recognised in comprehensive income	Closing Balance
2012				
Property, plant and equipment	(71,0)	(16,3)	0,0	(87,3)
Intangible assets	(8,2)	(0,6)	0,0	(8,8)
Inventories	(0,9)	(0,1)	0,0	(1,0)
Interest-bearing loans and other non-current financial liabilities	11,4	0,2	0,5	12,1
Employee benefits	35,3	(1,3)	5,0	39,0
Provisions	2,1	0,4	0,0	2,5
Accrued charges and deferred income	(0,3)	4,7	0,0	4,4
Other items	(30,8)	8,0	0,0	(22,8)
Notional interest deduction carried forward - previous accounting years	0,0	39,0	0,0	39,0
Total	(62,4)	34,0	5,5	(22,9)
2013				
Property, plant and equipment	(87,2)	3,2	0,0	(84,0)
Intangible assets	(8,8)	(0,2)	0,0	(9,0)
Inventories	(1,0)	0,2	0,0	(0,9)
Interest-bearing loans and other non-current financial liabilities	12,0	(1,3)	(3,1)	7,7
Employee benefits	39,0	(0,4)	(3,7)	35,0
Provisions	2,5	0,2	0,0	2,7
Accrued charges and deferred income	4,4	(6,4)	0,0	(2,0)
Other items	(22,8)	34,1	0,0	11,3
Notional interest deduction carried forward - previous accounting years	39,0	(3,6)	0,0	35,4
Total	(22,9)	25,9	(6,9)	(3,9)

UNRECOGNISED DEFERRED TAX ASSETS

As per 31 December 2013 there are no unrecognized deferred tax assets.

As of 2012 a deferred tax asset has been recognized on the notional interest deduction reserve (€114.8 million per end of 2012) accumulated over the past couple of years, amounting to €39.0 million.

This recognition took place as a result of the changes brought in the mechanism of recuperation of notional interest reserves, which was published end of 2012, and changes to the regulatory framework.

As per 31 December 2013 an amount of €3.6 million was utilized (notional interest deduction reserve as per end of 2013 amounted to €104.1 million).

6.7 Inventories

(in million €)	2013	2012
Raw materials and consumables	29,4	27,6
Write-off	(13,0)	(12,6)
Total	16,4	15,0

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.

6.8 Current trade and other receivables

(in million €)	2013	2012
Work in progress	0,8	1,2
Other trade receivables and advance payments	236,6	207,6
Levies	132,3	360,6
Vat, other taxes	4,0	18,5
Other	28,2	37,8
Deferred charges and accrued revenues	9,2	4,9
Total	411,1	630,5

The decrease in current trade and other receivables is mainly driven by the decrease in the levies in Germany (EEG) (€17.2 million versus a receivable of €287.3 million last year), slightly counterbalanced by an increase in Belgium (€115.1 million versus a receivable of €73.3 million in 2012). This decrease can mainly be allocated to the fact that 50Hertz Transmission recuperated a major part of the prefinancing of renewable energy mechanism through higher prices charged to end-users (5.277 ct/kwh in 2013 versus 3.592 ct/kwh in 2012).

Trade receivables are non-interest bearing and are generally on terms of 10 to 30 days.

The decrease in VAT and other taxes can mainly be allocated to decreased outstanding VAT receivables.

The item 'Other' mainly consists:

- receivables on insurance companies (€3 million Elia Asset and €3.1 million in Elia Re);
- subsidy amounts to receive (€1.3 million);
- EEG related items (€2 million);
- Additional and variance margin on future contracts with the German European Energy Exchange (EEX) which were contracted for the first time in 2013 (€16.62 million).

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 7.2.

(in million €)	2013	2012
Not past due	213,8	182,3
Past due 0-30 days	20,1	18,4
Past due 31-60 days	0,7	2,6
Past due 61 - one year	2,0	2,8
More than one year	(0,4)	1,3
Total (excl. impairment)	236,3	207,3
Doubtful amounts	13,8	6,8
Amounts write offs	(13,5)	(6,5)
Total	236,6	207,6

6.9 Cash and cash equivalents

(in million €)	2013	2012
Call deposits	279,2	108,6
Balance at bank	158,5	57,6
Total	437,7	166,2

The cash and cash equivalents of the Group significantly increased, mainly as a result of the new eurobonds which were issued in 2013 for an amount of €750 million, which was partially used to refinance the expired bond of €500 million; and also as a result of the lower pre-financing position linked to the levy mechanism in Germany.

Short-term deposits are invested for periods that vary from a few days and a few weeks to several months (not exceeding 3 months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for the short-term deposits. The interest rate of interest-bearing investments at the end of the reporting period varies from 0.2% to 0.95%.

An amount of €0.06 million is restricted in use as result of contractual conditions related to a subsidy granted by the European community (€6.1 million per end of 2012).

Bank-account balances earn interest in line with the variable rates of interest on the basis of daily bank deposit interest. The Group's interest rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 7.2.

6.10 Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	Ordinary shares	
	2013	2012
Outstanding on 1 January	60.555.809	60.355.217
Issued against cash payment	12.420	200.592
Outstanding on 31 December - paid	60.568.229	60.555.809

The extraordinary shareholder meeting of October 25 2012 decided to execute a capital increase (in two steps/periods: one in 2012 for maximum €5.3 million and one in 2013 for maximum €0.7 million) for a total maximum amount of €6.0 million for her Belgian personnel.

In October 2012 the Elia Group gave its personnel in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase (tax tranche) which resulted in a €5.0 million increase in the share capital and simultaneously in a €0.3 million increase of share premium; the number of shares outstanding rose by 200,592 shares without nominal value.

The capital of Elia System Operator SA increased by €5.9 million from €1,500.6 million to €1,506.5 million in 2012, taking into account the costs for capital increases and the share premium account increased from €8.5 million to €8.8 million.

In March 2013 the second tranche took place, following on above capital increase transaction, resulting in a €0.31 million increase in the share capital and simultaneously in a €0.04 million increase of share premium; the number of shares outstanding rose by 12,420 without nominal value.

The capital of Elia System Operation SA increased by €0.37 million from €1,506.5 million to €1,506.9 million in 2013, taking into account the costs for the capital increase and the share premium account increased from €8,8 million to €8,83 million.

RESERVES

In accordance with Belgian legislation, 5% of the parent company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital.

Within the tariff mechanism, Elia must reserve in shareholders' equity the realised surplus passed on the tariffs as a result of decommissioning fixed assets (decrease in Regulated Asset Base).

In 2012, this amounted to €13.5 million. The General Meeting of 21 May 2013 decided to include that amount in the legal reserve.

As per 31 December 2013 the Group's legal reserve amounts to €97.2 million.

The Board of Directors can propose the payment of a dividend to shareholders up to a maximum of the available reserves and the profit carried forward from previous financial years of the parent company, including the profit of the financial year ended 31 December 2013. 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 in respect of hedged transactions that have not yet occurred.

DIVIDEND

After the balance sheet date, the Board of Directors put forward the dividend proposal indicated hereafter.

(in €)	2013	2012
Per ordinary share entitled to dividend	1,54	1,47

At the General Meeting of Shareholders on 21 May 2013, the Board of Directors proposed payment of a gross dividend of €1.47 per share, which yields a net dividend of €1.10 per share, yielding a total amount of €89.02 million.

The Board of Directors' meeting of 27 February 2014 proposed a gross dividend of €1.54 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 20 May 2014 and is not included as a liability in the consolidated financial statements of the Group.

The total dividend will be calculated on the number of shares outstanding on 27 February 2014, which corresponds to a total of €93.28 million.

The net profit also includes the realised surplus as a result of decommissioning of fixed assets of €23.3 million to be booked in equity. The Board of Directors' meeting of 27 February 2014 decided to suggest to the Annual General Meeting that this amount be allocated to the legal reserve. The amount has not yet been posted in the legal reserve on 31 December 2013.

6.11 Interest-bearing loans and borrowings

(in million €)	2013	2012
Non-current borrowings	2.598,0	2.351,1
Subtotal non-current borrowings	2.598,0	2.351,1
Current borrowings	500,0	654,9
Accrued interests	73,5	70,9
Subtotal current loans and borrowings	573,5	725,8
Total	3.171,6	3.076,9

The non-current borrowings consist of the Eurobond of Elia Transmission Belgium with maturity date May 2014 for an amount of €500.0 million.

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

(in million €)	Maturity	Amount	Interest rate before hedging	Interest rate after hedging	Current proportion - fixed	Current proportion - variable
Shareholders Loan	2022	495,8	2,76%	3,18%	40,34%	59,66%
Eurobond issues 2004 / 10 years	2014	500,0	4,75%	4,75%	100,00%	0,00%
Eurobond issues 2004 / 15 years	2019	499,1	5,25%	5,25%	100,00%	0,00%
Eurobond issues 2009 / 7 years	2016	499,2	5,63%	5,63%	100,00%	0,00%
Eurobond issues 2010 / 10 years	2020	298,2	3,87%	3,87%	100,00%	0,00%
Eurobond issues 2013 / 15 years	2028	546,4	3,25%	3,25%	100,00%	0,00%
Eurobond issues 2013 / 20 years	2033	199,2	3,50%	3,50%	100,00%	0,00%
European Investment Bank	2016	40,0	4,27%	4,27%	100,00%	0,00%
European Investment Bank	2017	20,0	4,79%	4,79%	100,00%	0,00%
Total		3.098,0			90,45%	9,55%

Information concerning the contractual maturities of the Group's interest-bearing loans and borrowings (current and non-current) is given hereafter.

(in million €)	Face value	Less than 1 year	1 - 2 years	3 - 5 years	More than 5 years
Shareholders Loan	495,8	0,0	0,0	0,0	495,8
Eurobond issues	2.550,0	500,0	0,0	500,0	1.550,0
European Investment Bank	60,0	0,0	0,0	60,0	0,0
Total	3.105,8	500,0	0,0	560,0	2.045,8

6.12 Employee benefits

In Belgium collective agreements regulate the rights of company employees in the electricity and gas industries. These agreements provides so called "pension supplements" based on the annual salary and the career within the company of the employee. If the employee deceases, the supplements are partially revertible to the heritor (wife/orphan). The benefits granted are linked to Elia's operating result. There is neither an external pension fund nor group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are qualified as a defined benefit.

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

Personnel remunerated based on a 'salary scale' recruited after 1 June 2002 and management staff recruited after

1 May 1999 are covered by defined-contribution pension plans. For payments made after 1 January 2004, the law requires an average annual return over the career of at least 3.25% for the employer's contributions and at least 3.75% for employees' contributions, with any deficit being covered by the employer. The insurer confirmed as per end of 2013 that the annual return is at least 3.25%, and therefore no provision has been established to cover any deficit.

The expenses related to these plans were €4.7 million in 2013 and €4.1 million in 2012.

Elia Transmission Belgium also has early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and price subsidies, as well as other long-term benefits (seniority payments). Not all of these benefits are funded.

50Hertz Transmission Germany has pension schemes and early-retirement plans, mainly based on collective bargaining and works agreements as well as on individual contract regulations. The level of benefits or contribution to be provided depends on the salary and years of service of the participants.

50Hertz Transmission (Germany) also has some defined contribution plans financed via a congruent reinsured benefit fund.

The group insurance plans (both for Belgium and Germany) with a guaranteed return remain classified as defined contribution plans in accordance with IAS 19R.

Whilst in principal this type of plans result IFRS technically in the classification as a defined benefit plan, due to the lack of specific guidance regarding the valuation of the post-employment obligation for this type of post-employment benefit plan, no provision was recognized as there is no shortfall in the plans compared to the minimum guaranteed return on contributions. In the event of a shortfall, the group will recognize a provision, representing the shortfall in the plans compared to the minimum guaranteed return on contributions.

The total net liability for employee benefits obligations are as follows:

(in million €)	2013	2012
Defined benefit plans	53,5	72,4
Post-employment benefits other than pensions	54,3	47,1
Subtotal	107,8	119,5
Other provisions - employee benefits	0,2	0,4
Total provisions for employee benefits	108,0	119,9

The delta of €1.1 million (€1.3 million in 2012) as compared to the "employee benefits" shown in the consolidated statement of financial statements corresponds to the short term portion of employee benefits of 50Hertz Transmission (Germany) shown under current liabilities "provisions".

In following tables the detail is shown of the outstanding provision for employee benefits, with the split between pension cost ("Pensions") and non-pension costs ("Other"), which exists of healthcare costs, tariff benefits, jubilee benefits...

(in million EUR)	Pensions*		Other	
	2013	2012	2013	2012
Present value of funded defined benefit obligation	(176,8)	(191,6)	(59,4)	(51,9)
Fair value of plan assets	123,3	119,1	5,1	4,8
Funded status	(53,5)	(72,4)	(54,3)	(47,1)
Net employee benefit liability	(53,5)	(72,4)	(54,3)	(47,1)

*Pensions also include the obligation for pre-retirement and exit mechanism ("uitstapregeling"), which was previously shown under the "post-employment benefits other than pensions". For more details we refer to note 7.8.

Movements in the present value of the defined benefit obligation (in million EUR)	Pensions*		Other	
	2013	2012	2013	2012
At the beginning of the period	(191,6)	(180,3)	(51,9)	(49,8)
Current service cost	(4,3)	(4,1)	(2,1)	(1,8)
Interest cost/income	(4,9)	(7,0)	(1,9)	(2,0)
Contributions from plan participants	(0,6)	(0,6)	0,0	0,0
Cost of early retirement	(0,9)	(2,6)	0,0	0,0
changes in demographic assumptions	4,0	0,0	(0,3)	0,0
changes in financial assumptions	4,1	(14,5)	(7,6)	(2,4)
changes from experience adjustments	4,0	0,0	(0,4)	0,0
Past service cost	(0,5)	0,0	0,0	0,0
Payments from the plan	13,9	17,5	4,7	4,1
At the end of the period	(176,8)	(191,6)	(59,4)	(51,9)

Movements in the fair value of the plan assets (in million EUR)	Pensions*		Other	
	2013	2012	2013	2012
At the beginning of the period	119,1	116,2	4,8	5,2
Interest income	3,2	4,5	0,0	0,0
Remeasurement gains/(losses) in Other Comprehensive Income (OCI) arising from				
- return on plan assets (excluding amounts included in interest income)	1,9	1,5	(0,1)	(0,0)
Contributions from employer	12,2	13,7	4,7	2,7
Contributions from plan participants	0,6	0,6	0,0	0,0
Benefit payments	(13,7)	(17,4)	(4,3)	(3,1)
At the end of the period	123,3	119,1	5,1	4,8
Actual return on plan assets	5,0	6,0	(0,0)	0,0

Amounts recognized in comprehensive income (in million EUR)	Pensions*		Other	
	2013	2012	2013	2012
Service cost				
Current service cost	(4,9)	(4,7)	(1,8)	(2,2)
Cost of early retirement	(0,9)	(2,6)	0,0	0,0
Past service cost	(0,5)	0,0	0,0	0,0
Actuarial gains/(losses) on defined benefit obligation	0,0	0,0	(5,3)	(0,5)
Net interest on the net defined benefit liability/(asset)				
Interest cost on defined benefit obligation	(4,9)	(7,0)	(1,9)	(2,0)
Interest income on plan assets	3,2	4,5	0,0	0,0
Defined benefit costs recognized in profit or loss	(8,1)	(9,8)	(9,0)	(4,7)

(in million EUR)	2013	2012
Breakdown of defined benefit obligation by type of plan participants	(236,2)	(243,4)
Active plan participants	(156,1)	(163,9)
Terminated plan participants with deferred benefit entitlements	(3,4)	(3,5)
Retired plan participants and beneficiaries	(76,7)	(76,0)
Breakdown of defined benefit obligation by type of benefits	(236,2)	(243,4)
Retirement and death benefits	(176,8)	(191,6)
Other post-employment benefits (medical, tariff reductions, other)	(40,4)	(37,8)
Jubilee bonuses (Seniority payments)	(19,0)	(14,0)

In 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 "shocks" with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution of type 'defined contribution' (step rate formula $a\%t_1 + b\%t_2$) deducted monthly from their salaries.

The annual balance of the defined benefit lump sum is financed by the employer by a recurrent allocation expressed as a percentage of the total payroll of the affiliates. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing consists to smooth future costs over the remaining period of the plan. The costs are estimated on projected bases (salary growth and inflation taken into account). The assumptions related to salary increase, inflation, employee turnover and age-term are defined on basis of historical statistics of the company. The mortality tables used are the ones corresponding to the observed experience within the financing vehicle. The group calculates the net interest on the net defined benefit liability (asset) using the same high quality bond discount rate (cfr above) used to measure the defined benefit obligation (the net interest approach). These assumptions are challenged on a regular basis.

Exceptional events (such as modification of the plan, change of assumptions, too short degree of coverage...) 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.

1. Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined to 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 investment presented as follows:

	Elia Transmission (Belgium)		50Hertz Transmission (Germany)	
%	2013	2012	2013	2012
Investments quoted in an active market	79,32%	77,62%	0,00%	0,00%
Shares (Eurozone)	14,61%	8,89%	0,00%	0,00%
Shares (Outside eurozone)	11,57%	13,56%	0,00%	0,00%
Government bonds (Eurozone)	4,21%	9,25%	0,00%	0,00%
Other bonds (Eurozone)	43,97%	45,92%	0,00%	0,00%
Other bonds (Outside eurozone)	4,96%	0,00%	0,00%	0,00%
Unquoted investments	20,68%	22,39%	100,00%	100,00%
Qualifying insurance contracts	0,00%	0,00%	100,00%	100,00%
Property	4,76%	5,09%	0,00%	0,00%

Cash and cash equivalents	1,60%	2,03%	0,00%	0,00%
Other	14,32%	15,27%	0,00%	0,00%
Total in %	100,00%	100,00%	100,00%	100,00%
Total in million of €	114.4	119.1	0,1	0,1

Due to the long-term nature of the plan liabilities, the board of the pension fund, of which Elia Transmission (Belgium) is a member, considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

2. 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 debt investments.

3. Longevity risk

The present value of the defined benefit plan liability is calculated by reference to 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.

For the Belgian Defined benefit plans a study has been performed in 2013 in order to determine the mortality tables that fit the best the historical observation of the portfolio. The resulting mortality tables are the MR/FR tables for the pensioners and the MR (corrected with 5 years) / FR (without correction) for the active people.

For the German defined benefit plans no changes to the mortality table were deemed necessary (we refer to the actuarial assumptions table below for more details).

4. Salary risk

The present value of the defined benefit plan liability is calculated by reference to 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

	Elia Transmission (Belgium)		50Hertz Transmission (Germany)	
(in %)	2013	2012	2013	2012
Discount rate				
- Pensions	2,92%	2,85%	3,50%	3,60%
- Post-employment benefits other than pensions	3,24%	3,26%	3,50%	3,60%
Expected average salary increase (excluded inflation)	2,00%	2,00%	3,00%	3,00%
Expected inflation	2,00%	2,00%	2,00%	2,00%
Expected increase of health benefits (included inflation)	3,00%	3,00%	2,00%	2,00%
Expected increase of tariff advantages	2,00%	0,25%	-	-
Average assumed retirement age	Employee : 62 Manager: 63	Employee : 60 Manager: 62	65	65
Mortality table used	Active personnel: MR(-5)/FR Inactive personnel: MR/FR		Richttafeln Heubeck 2005G	Richttafeln Heubeck 2005G
Life expectancy in years of a pensioner retiring at age 65 :				
For a Person aged 65 at closing date :				
- Male	22,5	22,5	18,75	18,61
- Female	22	22	22,83	22,7

	Elia Transmission (Belgium)		50Hertz Transmission (Germany)	
(in years)	2013	2012	2013	2012
Weighted average duration of the defined benefit obligation	9,0	9,0	16,1	16,3

The actual return on plan assets in % for 2013 for the Belgian segment corresponded to 5.17 % and for the German segment to 4.87%.

The Group expects to contribute €11.5 million to its defined benefit pension plans in 2014 (no contribution by the German segment expected).

The Group expects to contribute €5.44 million to its defined contribution plans in 2014 (of which €2.44 million by the German segment)

SENSITIVITY ANALYSIS

	Elia Transmission (Belgium)	50Hertz Transmission (Germany)
(in million EUR)	(+ = decrease / - = increase)	
Impact on the net defined benefit obligation of an increase in		
- Discount rate (0,5% movement)	9,5	(0,9)
- Average salary - excluding inflation (0,5 % movement)	(9,4)	0,1
- Inflation (0,25% movement)	(5,0)	0,4
- Healthcare care benefits (1 % movement)	(3,5)	(0,0)
- Tariff advantages (0,5 % movement)	(1,3)	(0,1)
- Life expectancy of pensioners (1 year)	(2,5)	0,3

ACTUARIAL GAINS AND LOSSES RECOGNISED IN OTHER COMPREHENSIVE INCOME

(in million €)	2013	2012
Cumulative amount at 1 January	(13,9)	(4,0)
Recognised in the period	7,3	(9,9)
Cumulative amount at 31 December	(6,7)	(13,9)

Below table represents the actuarial gains and losses recognized in other comprehensive income per nature:

Actuarial gains/(losses) on defined benefit obligation arising from (in million EUR)	Pensions*		Post-employment benefits other than pensions	
	2013	2012	2013	2012
i) changes in demographic assumptions	4,0	0,0	0,3	0,0
ii) changes in financial assumptions	4,1	(14,5)	(3,4)	(1,9)
iii) changes from experience adjustments	4,0	0,0	0,1	0,0
Return on plan assets (excluding interest income on plan assets)	1,9	1,5	0,0	0,0
Remeasurements of net defined benefit (liability)/asset recognised in Other Comprehensive Income (OCI)	14,0	(13,0)	(3,0)	(1,9)

Recoverable amount in future tariffs

In accordance with a study report issued by the CREG, management assumes it is virtually certain that some of the liability related to the pension scheme will be accepted by the CREG as reasonable expenses and will therefore be passed on in future tariffs. Since this amount can be recovered by Elia from third parties, in application of the general definition and framework, it has been classified as an asset item. The amount of €71.1 million is included under other financial assets (see Note 6.5).

6.13 Provisions

(in million €)

	Environment	Litigation	Easement rights	Total
Balance at 1 January 2012	19,0	17,6	41,5	78,1
Increase in provisions	3,5	9,5	2,3	15,3
Reversals of provisions	(0,3)	(5,6)	0,0	(5,9)
Utilization of provisions	(1,1)	(1,0)	(0,6)	(2,7)
Discounting of provisions	0,1	0,3	2,8	3,2
Balance at 31 December 2012	21,2	20,8	46,0	88,0
Long term portion	11,2	7,0	40,2	58,4
Short term portion	10,0	13,9	5,7	29,6

Balance at 1 January 2013	21,2	20,8	46,0	88,0
Increase in provisions	1,7	4,5	2,0	8,2
Reversals of provisions	(1,1)	(5,4)	0,0	(6,5)
Utilization of provisions	(3,7)	(1,5)	(1,2)	(6,5)
Discounting of provisions	0,0	0,1	0,5	0,6
Balance at 31 December 2013	18,1	18,5	47,2	83,9
Long term portion	12,0	9,5	40,7	62,3
Short term portion	6,1	9,0	6,5	21,6

The utilization of provisions for environment are mainly related to further soil research and remediation on certain sites in Flanders, Brussels and Wallonia for a total amount of €3.4 million. The reversal is fully linked to sites in Flanders, for which an OVAM certification was received, and a change in the cost estimate for a site in Brussels. The increase in environmental provision of €1.7 million is mainly related to sites in Wallonia and the Flanders region, following on new estimates.

The estimates are based on the appraisal of an external expert bearing in mind the BATNEEC (Best Available Techniques Not Entailing Excessive Costs) principle.

The provision for litigation has been established to cover likely payment as a result of cases in which legal proceedings have been instituted against the Group by a third party or in which the Group is involved in a legal dispute.

The easement provision consists of likely compensation payments to landowners for easement rights related to overhead lines built in the past by the former owners of 50Hertz Transmission.

These estimates are based on the value of claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated procedures.

The changes in provisions are discussed in Note 5.3.3.

6.14 Other non-current liabilities

(in million €)	2013	2012
Investment grants	7,9	8,3
Other	10,2	11,1
Total	18,1	19,4

The other non-current liabilities remained in line compared to last year and consist of an accrual of €10.2 million

related to an energy purchase contract (contract end date June 2026), for which at inception of the contract the full contractual amount was paid. The release occurs gradually upon buying the energy in accordance with the contractual terms.

The investment grants consist mainly of

- deferred income linked to received subsidies from the German government for the modernization of the East-German network, following on the fall of the Berlin wall; and other government subsidies (€4.9 million); and
- deferred income for capital subsidies received from different Governments for Elia Transmission (Belgium) (€3 million).

6.15 Trade and other payables

(in million €)	2013	2012
Trade debts	227,1	223,7
VAT, other taxes	13,1	6,2
Remuneration & social security	27,0	25,2
Dividend	2,0	2,2
Levies	134,4	59,8
Other	67,6	34,7
Accrued liabilities*	35,5	63,0
Total	506,9	414,9

*As result of further alignment in the reporting and consolidation tool of the Group, certain prior year comparatives have been reclassified to conform to the current year's presentation. A reclassification for an amount of € 63 million took place from Accruals and deferred income (see below) to Trade debts.

The increase in trade and other payables by €92.0 million is mainly driven by the evolution in the levies' position. Compared to last year the Group was less in a pre-financing situations than last year (see also Note 6.8).

The decrease in accrued liabilities can mainly be explained by the fact that no accruals are outstanding anymore for horizontal offshore costs in 50Hertz Transmission (Germany), which used to be invoiced by TenneT until end of 2012 (amounting to €14.1 million), as these costs are now billed and paid in the same accounting year.

6.16 Accruals and deferred income

(in million €)	2013	2012
Accruals and deferred income*	7,9	6,0
Balance settlement mechanism Belgium	105,9	131,2
Balance settlement mechanism Germany	184,8	79,7
Total	298,6	216,9

*As result of further alignment in the reporting and consolidation tool of the Group, certain prior year comparatives have been reclassified to conform to the current year's presentation. A reclassification for an amount of € 63 million took place from Accruals and deferred income (amounting to € 69.1 million in the Group IFRS annual report of 2012) to Trade debts (amounting to € 223.7 million in the Group IFRS annual report of 2012).

The accruals and deferred income remained stable as compared to 2012.

The balance settlement mechanism is described under section "Regulatory Framework and tariffs". The changes in the balance settlement mechanisms in Belgium and Germany in 2013 are described in the Notes 4.1 and 4.2.

The balance settlement mechanism 2013 is set out in the table here below:

(in million €)	Belgium	Germany
To be recovered from the tariffs of the current period	(31,6)	0,0
Balance period prior years to be refunded into the tariffs - period to be determined	99,7	184,8
Discount future tariffs	68,1	184,8
Moratorium interest on income tax	37,8	0,0
Balance settlement mechanism	105,9	184,8

6.17 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.

	Carrying amount						Fair value			
	Designated at fair value	Fair value - hedging instruments	Held-to-maturity investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(in million €)										
31 December 2013										
Other financial assets	15,0					15,0	13,3	1,8		15,0
Trade and other receivables			16,6	385,3		402,0		16,6		16,6
Cash and cash equivalents				437,7		437,7				0,0
Interest rate swaps used for hedging		(27,5)				(27,5)		(27,5)		(27,5)
Unsecured financial bank loans and other loans					(629,3)	(629,3)		(629,3)		(629,3)
Unsecured bond issues					(2.542,3)	(2.542,3)		(2.542,3)		(2.542,3)
Trade and other payables					(506,9)	(506,9)				0,0
Total	15,0	(27,5)	16,6	823,0	(3.678,5)	(2.851,3)	13,3	(3.180,7)	0,0	(3.167,4)
31 December 2012										
Other financial assets	14,6					14,6	13,2	1,5		14,7
Trade and other receivables				625,6	0,0	625,6				0,0
Cash and cash equivalents				166,2		166,2				0,0
Interest rate swaps used for hedging		(36,7)				(36,7)		(36,7)		(36,7)
Unsecured financial bank loans and other loans					(781,7)	(781,7)		(781,7)		(781,7)
Unsecured bond issues					(2.295,3)	(2.295,3)		(2.295,3)		(2.295,3)
Trade and other payables					(414,9)	(414,9)				0,0
Total	14,6	(36,7)	0,0	791,8	(3.491,9)	(2.722,2)	13,2	(3.112,2)	0,0	(3.099,0)

Above tables do not include fair value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, major portion of trade and other receivables, as their carrying amount is a reasonable approximation of fair value.

For the details around the valuation techniques and risk management we refer to Note 7.2.

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction. IFRS 7 requires, for financial instruments that are measured in the balance sheet at fair value, the disclosure of fair value measurements by level of 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 as 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 by using valuation techniques. These valuation techniques maximize 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 fair value 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.

7 MISCELLANEOUS

7.1 Effect of new acquisitions/sales of shares

ACQUISITION OF 2.25% STAKE IN EUROPEAN ENERGY EXCHANGE (EEX) IN 2013

On 3 May 2013 50Hertz acquired 700,000 shares in the European Energy Exchange (EEX) for €4.2 million and an additional 200,000 shares for €1.2 million in December 2013. As a result of these acquisitions 50Hertz now holds 2.25% of EEX. Additional acquisitions in 2014 are planned, to increase share above 4.2 %

ACQUISITION OF 36.81% STAKE IN AMPACIMON IN 2013

The group holds a stake of 36.81% in Ampacimon NV, a Belgian company active in developing innovative monitoring systems which are put at the disposal of TSO's, in order for them to be able to anticipate more quickly on changes in energy demands and offer.

Elia System Operator converted her long term debt, which was provided to Ampacimon d.d. 24 June 2011, amounting to €200,000 into 2,200 shares, and paid an additional €120,000, good for 600 shares, to hold a stake of 36.81% since July 1 2013.

SALE OF PORTION OF APX SHARES FOLLOWING PARTIAL DEMERGER OF THE COMPANY

As of 1 March 2013 APX-ENDEX has been split into a "power spot and clearing entity (APX)" and "a derivatives and spot gas entity (Endex)", which has been sold to Intercontinental Exchange Inc (ICE). As a result of this transaction, the amount invested in APX decreased from €25.5 million to €16.9 million but Elia System Operator SA/NV's stake in the share capital increased from 23.07% on 31 December 2012 to 29.2%. The remaining shares are held by TenneT Holding B.V. (70.8%).

Both activities (power and gas) were valued in order to be able to demerge both activities. Taking into account the valuations and the sales price we received for the gas activity (€11.6 million), the stake decreased by €11.2 million versus last year.

ACQUISITION OF AN ADDITIONAL 3.07% STAKE IN APX-ENDEX HOLDING BV IN 2012

In November 2012 Elia finalized the acquisition of an additional 3.07% stake (or 40,000 shares) in APX-Endex Holding BV from Fluxys Europe BV. The acquisition price for all shares held by Fluxys Europe BV amounted to €3.07 million. As a result of this share purchase agreement Elia holds a 23.07% stake in APX-Endex Holding BV as per end of 2012.

7.2 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 Internal Audit & Risk Management Department defines the risk management strategy, monitors the risk analysis and reports to the 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 risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates considerably restricts their effects on profit or loss (see the 'Regulatory framework and tariffs' chapter). 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. In respect of its operating activities, the Group has a credit policy in place, which takes into account the risk profiles of the customers. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to deliver bank guarantees from the counter- party 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 of each financial asset, including derivative financial instruments.

(in million €)	2013	2012
Loans and receivables	369,0	334,0
Cash and cash equivalents	437,7	166,2
Immediately claimable deposits	13,3	13,6
Interest rate swaps used for hedging:		
Liabilities	(27,5)	(36,7)
Total	792,5	477,2

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
Opening balance	22,0	(21,7)	0,3
Changes during the year	(15,2)	15,2	(0,0)
Balance at 31 December 2012	6,8	(6,5)	0,3
Opening balance	6,8	(6,5)	0,3
Changes during the year	7,0	(7,0)	(0,0)
Balance at 31 December 2013	13,8	(13,5)	0,3

Trade and other receivables are recorded without taking into account receivables which have been impaired. The impairment of 2013 mainly relates to impairment losses recorded on KWK receivables of the year 2002 (German segment) for an amount of €2.6 million.

The impairment loss recognised in 2012 is mainly related to a settlement of receivables, which finally could be recovered in the future tariffs.

The Group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historic 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.

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 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 not be able 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 program, 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.

Referring to the bond issues in 2009, 2010 and 2013, access to sources of funding should sufficiently be available.

(in million €)	Closing Balance	Expected cash outflows	6 mths or less	6-12 mths	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	3.491,8	(3.989,1)	(1.232,7)	(16,3)	(587,9)	(744,2)	(1.408,1)
Unsecured bond issues	2.295,3	(2.693,3)	(585,1)	(11,6)	(575,0)	(650,8)	(870,8)
Unsecured financial bank loans and other loans ¹	781,6	(880,9)	(232,7)	(4,7)	(12,9)	(93,4)	(537,3)
Trade and other payables ²	414,9	(414,9)	(414,9)	0,0	0,0	0,0	0,0
Derivative financial liabilities	36,7	(23,6)	(4,0)	(4,1)	(3,9)	(11,6)	0,0
Interest rate swaps used for hedging	36,7	(23,6)	(4,0)	(4,1)	(3,9)	(11,6)	0,0
Total at 31 December 2012	3.528,5	(4.012,7)	(1.236,7)	(20,4)	(591,8)	(755,8)	(1.408,1)
Non-derivative financial liabilities	3.678,5	(4.457,4)	(1.117,0)	(16,3)	(103,8)	(807,8)	(2.412,5)
Unsecured bond issues	2.542,3	(3.235,5)	(533,0)	(11,6)	(90,9)	(716,6)	(1.883,5)
Unsecured financial bank loans and other loans	629,3	(715,0)	(77,1)	(4,7)	(12,9)	(91,2)	(529,0)
Trade and other payables	506,9	(506,9)	(506,9)	0,0	0,0	0,0	0,0
Derivative financial liabilities	27,5	(31,0)	(4,0)	(4,1)	(7,7)	(15,3)	0,0
Interest rate swaps used for hedging	27,5	(31,0)	(4,0)	(4,1)	(7,7)	(15,3)	0,0
Total at 31 December 2013	3.706,0	(4.488,4)	(1.121,0)	(20,4)	(111,4)	(823,1)	(2.412,5)

1 For comparison reasons the accrued interests on ST and LT borrowings were added (€70.9 million).

2 For comparison reasons all trade and other payables were shown on this line (+€223.7 million).

50Hertz Transmission (Germany) has established an Euro Medium Term Note Programme (the "EMTN Programme") in 2010 for the aggregate amount of 2.5 billion EUR, and under which a Eurobond issuance took place in 2010 for €500 million. Elia Transmission (Belgium) has established end of January 2013 an EMTN Programme for the aggregate amount of 3 billion EUR.

As part of this EMTN programme, Elia Transmission successfully issued a dual-tranche Eurobond, consisting of a €550m 15-year tranche and a €200m 20-year tranche. The order book was subscribed to the value of €2.95 billion by 210 investors from 21 countries. The 15-year and 20-year tranches were priced at mid-swap +117 bp (coupon of 3.25%) and +123.3 bp (coupon of 3.5%) respectively. The proceeds from the bond issue were used to refinance existing loans and for general corporate purposes.

In addition to the interest-bearing liabilities disclosed here above, the Group is backed by long term credit facilities provided by a diversified group of banks. Especially in 2012, Elia Transmission has set up bilateral back-up facilities with 4 banks BNP Paribas Fortis, JP Morgan, KBC and Rabobank, for the aggregate amount of €700 million with a maturity in 2015. These credit facilities, with a duration of 3 years, have been concluded in view of the refinancing of 2 bonds of €500 million each, of which one matured in April 2013 and one will expire in May 2014.

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

(in million €)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Confirmed credit line	30/06/2015	195,0	Euribor + 0,45 %	0,0	195,0
Confirmed credit line	30/06/2015	155,0	Euribor + 0,45 %	0,0	155,0
Confirmed credit line	30/06/2015	195,0	Euribor + 0,45 %	0,0	195,0
Confirmed credit line	30/06/2015	155,0	Euribor + 0,45 %	0,0	155,0
Confirmed credit line	1/06/2014	75,0	Euribor + margin when concluding the deal	0,0	75,0
Confirmed credit line	14/06/2014	210,0	Euribor + 0,55 %	0,0	210,0
Confirmed credit line	unlimited	90,0	Eonia +0.4%/0,45%	0,0	90,0
Confirmed credit line	17/02/2014	60,0	Euribor + 0,45 %	0,0	60,0
Confirmed credit line	17/03/2014	60,0	Euribor + 0,45 %	0,0	60,0
Uncommitted credit line facility	unlimited	100,0	Euribor + margin when concluding the deal	0,0	100,0
Belgian dematerialised treasury notes	unlimited	250,0	Euribor + margin when concluding the deal	0,0	250,0
Total		1.545,0		0,0	1.545,0

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The table (see Note 6.11) shows the average interest rate at the balance sheet date.

SENSITIVITY ANALYSIS

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

FAIR VALUE SENSITIVITY ANALYSIS FOR INTEREST RATE SWAPS

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

(in million €)	100 bp increase	100 bp decrease
Interest rate swaps	16.6	1.7

HEDGING

All financial derivatives the Group enters into relate to an underlying transaction or forecasted exposure, depending on the expected impact on the income statement, and if the stringent IAS 39 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied. The following paragraphs describe the transactions whereby hedge accounting is applied. At 31 December 2013 the Group has no transactions which do not qualify for hedge accounting.

In accordance with the hedge accounting rules, all derivative financial instruments are accepted as cash-flow hedges and valued at fair value. Consequently, the portion of the gain or loss on the derivative financial instrument that can be considered an effective hedge is reflected directly in equity (hedging reserves net of tax).

Interest-rate swaps have an interest rate varying from 4.4% to 4.41%. As at 31 December 2013, the Group held hedging instruments with a contracted reference value of €200.0 million. The net fair value of the swaps as at 31 December 2013 totalled €27.5 million and was entirely composed of liabilities. The amounts are included as derivatives at fair value.

As at 31 December 2013, no financial expenses resulting from ineffective cash-flow hedges are included in profit or loss.

Fair value

We refer to note 6.17 for the fair values and carrying amounts of the derivative financial instruments. As the loan has a variable interest rate, the carrying amount of the loan is equal to the fair value.

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

Fair-value hierarchy

The fair value of 'sicavs' belongs to level 1, i.e. valuation is based on the (unadjusted) listed market price on an active market for identical instruments.

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

Estimate of fair value

Derivatives

Brokers' statements are used for interest-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 2013 the counterparty risk is nihil as a result of the negative market value of the IRS. The Group's own non-performance risk (only for Elia Transmission (Belgium), segment having contracted IRS) has been estimated to be close to nihil as well.

Interest-bearing loans

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

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 in line with the requirement of the regulatory framework (one-third equity and two-thirds debt capital). This approach allows the Group to manage the security of the liquidity at all times via flexible access to capital markets, so as to be able to finance strategic projects and to offer an attractive remuneration to shareholders.

The company's dividend policy involves optimising dividend payments while still bearing in mind that there is a requirement to reserve a part of the profit resulting from decommissioning of fixed assets, included in the tariff. Reserving this part of the profit as equity boosts the company's self-financing capacity needed to carry out its legal mission.

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

7.3 Commitment and contingencies

OPERATING LEASE COMMITMENTS – GROUP AS A LESSEE

The Group entered into commercial leases on motor vehicles, IT equipment and office buildings. The leases related to leasing cars and IT equipment have an average life of three years; the contracts regarding the buildings have a normal term of nine years, with the possibility of renewing the lease after that. Renewals are at the option of the specific entity that holds the lease.

Future minimum rentals payable under non-cancellable operating leases are as follow:

(in million €)	<1 year	1–5 years	>5 years
Buildings	6,7	11,4	0,2
Cars, it equipment and others	7,8	11,8	0,2
Total at 31 December 2012	14,5	23,2	0,4
Buildings	4,9	10,4	0,4
Cars, it equipment and others	8,3	12,6	0,1
Total at 31 December 2013	13,2	23,0	0,5

These lease commitments include the commitments of the German segment for an amount of €11.1 million (at 60% stake of Elia).

The following expenses related to these lease contracts were recognised in the income statement:

(in million €)	2013	2012
Buildings	6,7	7,2
Cars, it equipment and others	8,7	8,5
Total	15,3	15,7

OPERATING LEASE COMMITMENTS – GROUP AS A LESSOR

The Group has entered into commercial property leases on certain elements of property, plant and equipment, mainly consisting of optimising use of sites and high-voltage pylons. These leases have remaining terms of a minimum of nine years.

Future minimum rental receivables are as follows:

(in million €)	<1 year	1–5 years	>5 years
Telecom	4,8	13,1	19,2
Buildings	0,4	0,6	0,0
Total at 31 December 2012	5,2	13,7	19,2
Telecom	12,8	12,9	17,3
Buildings	0,4	0,4	0,1
Total at 31 December 2013	13,2	13,3	17,3

The following revenue related to these lease contracts was recognised in the income statement:

(in million €)	2013	2012
Telecom	12,6	12,2
Buildings	0,5	0,5
Total	13,2	12,7

The lease contingencies include the contingencies of the German segment for an amount of €1.2 million (at 60% stake of Elia).

CONTINGENT RENTS – PURCHASE OPTION

The Group has no contracts which include contingent rental payments. No purchase options were agreed in the significant lease contracts.

CAPITAL COMMITMENT

As at 31 December 2013, the Group has a commitment of €537.1 million relating to the purchase and installation of property, plant and equipment for further grid extensions. These capital commitments include the capital commitments of the German segment for an amount of €345.4 million (at 60% stake of Elia).

OTHER COMMITMENTS

As at 31 December 2013, the Group has a commitment of €134.5 million relating to different topics (e.g. repair commitments, operational purchase commitments, maintenance). These commitments include the commitments of the German segment for an amount of €0.3 million (at 60% stake of Elia).

CONTINGENCIES

Settlement mechanism

A calculation of the amount is given in the 'Regulatory framework and tariffs' chapter.

The group operates in a regulated context which states that tariffs must make it possible to realise total revenue consisting of:

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

Since the tariffs are based on estimated figures, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged to cover all reasonable costs of the system operator and to provide shareholders with a reasonable profit margin on their investment.

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). The Group is convinced that a surplus or deficit arising from the settlement mechanism must not be classified as revenue or an expense, or as an item under equity.

On a cumulative basis, it could be argued that the public has made an advance payment (=surplus) for its future use of the network. As such, the surplus (deficit) is not a commission for a future loss (recovery) of income but instead a deferred/accrued revenue to (with regard to) consumers. On the basis of the Regulatory framework, the Group believes that the surplus (deficit) does not represent an item of revenue (cost). Consequently, the Group booked these amounts under section 'Accruals and deferred income' (see Note 6.16).

7.4 Related parties

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The key management includes Elia's Management Committee. They are hired as employees and the components of their remuneration are set out below. Members of the Management Committee do not receive stock options, special loans or other advances from the Group.

(in million €)	2013	2012
Short term employee benefits	2,5	2,7
Basic remuneration	1,7	1,9
Variable remuneration	0,8	0,8
Post-employment benefits	0,5	0,8
Other variable remuneration	0,7	0,4
Total gross remuneration	3,6	3,9
Number of persons (in units)	7	8
Average gross remuneration per person	0,5	0,5
Number of shares (in units)	32.160	32.303

In addition Elia's Management Committee also assessed whether transactions occurred with entities in which they exercise a significant influence (e.g. positions as CEO, CFO, vice-presidents of the Management Committee, etc.). Significant transactions occurred in 2013, all at arms' length, with some distribution system operators. The total amount of realized sales equals to €86.4 million. The total amount of expenses equals to €0.4 million. As per 31 December 2013 there was an outstanding trade receivable position of €10.8 million and no significant outstanding trade debt position.

The disclosures relating to the Belgian Corporate Governance Code are included in the Corporate Governance Statement of this annual report.

TRANSACTIONS WITH ASSOCIATED COMPANIES

Transactions between the company and its subsidiaries which are related parties were eliminated during consolidation and therefore are not recognised in this note.

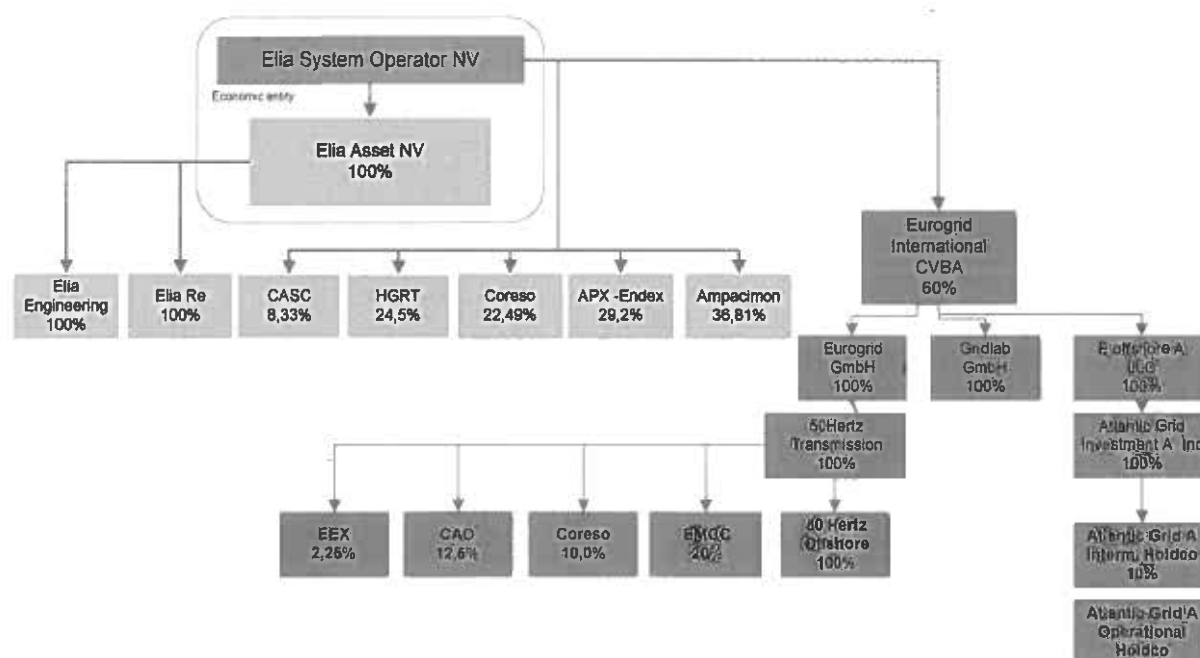
In the 2013 and 2012 financial years, there were no transactions between Elia and HGRT. All transactions are at arm's length.

Details of transactions with other related parties are shown below.

(in million €)	2013	2012
Transactions with joint ventures and associated companies	3,3	5,4
Sales of goods	6,6	8,1
Purchases of goods	(3,3)	(2,7)
Outstanding balances with joint ventures and associated companies	(0,1)	1,0
Long-term debtors	0,1	0,2
Trade debtors	0,7	0,9
Trade debts	0,9	0,1

7.5 Subsidiaries, joint ventures and associates

GROUP STRUCTURE OVERVIEW



SUBSIDIARIES

Elia System Operator SA has direct and indirect control of the subsidiaries listed hereafter.

All the entities keep their accounts in euro (except E-Offshore A LLC, Atlantic Grid Investment A Inc and Atlantic Grid A LLC, whose accounts are held in USD) and have the same reporting date as Elia System Operator SA (except Eurogrid International SCRL).

Name	Country of establishment	Headquarters	Stake %	
			2013	2012
Elia Asset SA	Belgium	Bd de l'Empereur 20 1000 Brussels	99.99	99.99
Elia Engineering 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
<i>Joint ventures</i>				
Eurogrid International SCRL	Belgium	Bd de l'Empereur 20 1000 Bruxelles	60.00	60.00
Eurogrid GMBH	Germany	Eichenstraße 3a 12435 Berlin	60.00	60.00
50Hertz Transmission GmbH	Germany	Eichenstraße 3a 12435 Berlin	60.00	60.00
50Hertz Offshore GmbH	Germany	Eichenstraße 3a 12435 Berlin	60.00	60.00
Gridlab GmbH	Germany	Sielowerstraße 5 03044 Cottbus	60.00	60.00

E-Offshore A LLC	U.S.	874, Walker Road, Suite C 19904 Dover, Delaware	60.00	60.00
Atlantic Grid Investment A Inc	U.S.	1209 Orange Street 19801 Wilmington, Delaware	60.00	60.00
Associated companies accounted for using the equity method.				
H.G.R.T S.A.S. (Holding de Gestionnaires de Réseaux de Transport)	France	1 Terrasse Bellini 92919 La Défense Cedex	24.50	24.50
Coreso SA	Belgium	Avenue de Cortenbergh 71	28.49	28.49
APX Group	Netherlands	1000 Brussels Strawinksylaan 729	29.16	23.07
Ampacimon S.A.	Belgium	1077 XX Amsterdam Rue des Chasseurs Ardennais 3 4031 Angleur	36.81	0,00
Other participations				
CASC.EU	Luxembourg	2 Rue de Bitbourg 1273 Luxembourg- Hamm	8.33	8.33
EMCC European Market Coupling Company GmbH	Germany	Hopfenmarkt 31 20457 Hamburg	12.00	12.00
CAO Central Allocation Office GmbH	Germany	Gute Änger 15 85356 Freising	7.50	7.50
Altantic Grid A LLC	U.S.	4445, Willard Av, Suite 1050 20815 Chevy Chase, Maryland	6.00	6.00
European Energy Exchange (EEX)	Germany	Augustusplatz 9 04109 Leipzig	2.25	0.00

7.6 Subsequent events

There were no significant events subsequent to 31 December 2013, which would require adjustment to or disclosure in the consolidated financial statements.

7.7 Relationship with auditors

The General Meeting of Shareholders appointed the joint auditors KPMG Bedrijfsrevisoren Burg. CVBA (represented by Alexis Palm) and Ernst & Young Bedrijfsrevisoren BCBVA (represented by Marnix Van Dooren) for the audit of the consolidated financial statements of Elia System Operator SA and the audit of the statutory financial statements of Elia System Operator SA, Elia Asset SA and Elia Engineering SA.

The Elia group paid to the joint auditors during the year 2013 an amount of €413,789.00 for the annual audit mandates, of which €239,000.00 has been paid to the statutory auditor of the German activities, Ernst & Young.

The fees paid to the joint auditors for other engagements prescribed by the Belgian Company Law and engagements other than those prescribed by the Belgian Company Law amounted to respectively €91,824.00 and €75,976.00 for the year ended 31 December 2013. The latter services related mainly to tax and VAT advice.

In addition an amount of €103,168.04 has been paid in 2013 for non-audit services in Germany. These fees can be detailed as follows:

(in €)	Ernst & Young	KPMG
Attestation missions	69,480.00	0.00
Tax advisory services	0.00	33,688.04
IT advisory services	0.00	0.00
Total	69,480.00	33,688.04

The services were approved by the Audit Committee.

7.8 Additional disclosure on reclassifications, correction of an error and change in accounting policy

In 2013 the Group changed the classification of some items in its financial statements, and therefore comparative amounts have also been reclassified in accordance with IAS 1.41. In addition in the note on employee benefits (note 6.12) a correction of an error in prior period occurred requiring additional disclosures which are also provided below.

Below we provide an overview of the reclassifications/correction of an error/change in accounting policy and the references to the detailed information:

- Consolidated income statement – reclassification:
 - o Note 5.3.1 Costs of materials, services and other goods;
- Consolidated statement of financial position – reclassification:
 - o Note 6.15 Trade and other payables;
 - o Note 6.16 Accruals and deferred income;
- Consolidated statement of cash flows – change in accounting policy (cfr footnote in the consolidated cash flow statement);
- Note 5.3.2 Personnel expenses - reclassifications within the note; and
- Note 6.12 Employee benefits: the details are provided below instead of the note itself for transparency reasons. As mentioned above it is a combination of reclassifications and correction of an error.

The reclassifications find their origin in the fact that last year the disclosures were prepared using a split between on the one hand defined benefit plans (pension costs) and on the other hand post-employment benefits other than pensions. The defined benefit plans only included the pension provisions, and not the non-monetary benefits, such as medical care, tariff benefits...

An error in the comparative information was also corrected in the pension costs, without impact on the figures, only impacting the notes as shown below in the tables in the column "correction of a prior year error", resulting mainly from a misinterpretation of the reported input.

(in million EUR)	2012 as reported		Correction of a prior year error	Reclassification to pensions	Reclassification from post-employment benefits other than pensions to pensions (for "uitstapregeling" and pre-retirement)	2012 revised	
	Pensions	Post-employment benefits other than pensions				Pensions	Other
Present value of funded defined benefit obligation	(187,5)	(63,3)	7,4	(11,4)	11,4	(191,6)	(51,9)
Fair value of plan assets	126,5	4,8	(7,4)	(0,0)	0	119,1	4,8
Funded status	(53,9)	(58,5)	0,0	(11,4)	11,4	(72,4)	(47,1)
Net employee benefit liability	(53,9)	(58,5)	0,0	(11,4)	11,4	(72,4)	(47,1)

(in million EUR)	2012 as reported		Correction of a prior year error	Reclassification to pensions	Reclassification from post-employment benefits other than pensions to pensions (for "uitstapregeling" and pre-retirement)	2012 as revised	
	Pensions	Post-employment benefits other than pensions				Pensions	Other
At the beginning of the period	(177,2)	(60,2)	7,3	(10,3)	10,3	(180,3)	(49,8)
Current service cost	(3,9)	(2,1)	0,2	(0,4)	0,4	(4,1)	(1,8)
Interest cost/income	(6,9)	(2,4)	0,2	(0,3)	0,3	(7,0)	(2,0)
Contributions from plan participants	(0,6)	0,0	0,0	0,0	0,0	(0,6)	0,0
Cost of early retirement	0,0	(2,6)	0,0	(2,6)	2,6	(2,6)	0,0
changes in financial assumptions	(15,0)	(1,9)	0,0	0,4	-0,4	(14,5)	(2,4)
Payments from the plan	16,0	6,0	(0,3)	1,9	-1,9	17,5	4,1
At the end of the period	(187,5)	(63,3)	7,4	(11,4)	11,4	(191,6)	(51,9)

(in million EUR)	2012 as reported		Correction of a prior year error	Reclassification to pensions	Reclassification from post-employment benefits other than pensions to pensions (for "uitstapregeling" and pre-retirement)	2012 as revised	
	Pensions	Post-employment benefits other than pensions				Pensions	Other
At the beginning of the period	123,5	5,2	(7,3)	(0,0)	0,0	116,2	5,2
Interest income	4,7	0,0	(0,2)	(0,2)	0,0	4,5	0,0
return on plan assets (excluding amounts included in interest income)	1,5	(0,0)	0,0	0,0	0,0	1,5	(0,0)
Contributions from employer	12,0	4,6	(0,2)	1,7	-1,7	13,7	2,7
Contributions from plan participants	0,6	0,0	0,0	0,0	0,0	0,6	0,0
Benefit payments	(15,8)	(5,0)	0,3	(1,6)	1,6	(17,4)	(3,1)
At the end of the period	126,5	4,8	(7,4)	(0,1)	(0,1)	119,1	4,8
Actual return on plan assets	6,0	0,0				6,0	0,0

Amounts recognized in comprehensive income (In million EUR)	2012 as reported		Correction of a prior year error	Reclassification to pensions	Reclassification from post-employment benefits other than pensions to pensions (for "uitstapregelling" and pre-retirement)	2012 as revised	
	Pensions	Post-employment benefits other than pensions				Pensions	Other
Service cost							
Current service cost	(4,3)	(2,4)	0,0	(0,4)	0,2	(4,7)	(2,2)
Cost of early retirement	0,0	(2,6)	0,0	(2,6)	2,6	(2,6)	0,0
Actuarial gains/(losses) on defined benefit obligation	0,0	(0,6)	0,0	0,0	0,2	0,0	(0,5)
Net interest on the net defined benefit liability/(asset)							
Interest cost on defined benefit obligation	(6,7)	(2,4)	0,0	(0,3)	0,3	(7,0)	(2,0)
Interest income on plan assets	4,5	0,0	0,0	0,0	0,0	4,5	0,0
Defined benefit costs recognized in profit or loss	(6,5)	(8,0)	0,0	(3,3)	3,3	(9,8)	(4,7)

Actuarial gains/(losses) on defined benefit obligation arising from (In million EUR)	2012 as reported		Correction of a prior year error	Reclassification to pensions	Reclassification from post-employment benefits other than pensions to pensions (for "uitstapregelling" and pre-retirement)	2012 as revised	
	Pensions	Post-employment benefits other than pensions				Pensions	Other
i) changes in demographic assumptions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
ii) changes in financial assumptions	(15,0)	(1,9)	0,4	0,0	0,0	(14,5)	(1,9)
iii) changes from experience adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
iv) others	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Return on plan assets (excluding interest income on plan assets)	1,5	(0,2)	0,2	0,0	0,0	1,5	0,0
Remeasurements of net defined benefit (liability)/asset recognised in Other Comprehensive Income (OCI)	(13,4)	(2,0)	0,6	0,0	0,0	(13,0)	(1,9)
Total	(19,9)	(10,0)	0,6	(3,3)	3,3	(22,8)	(6,6)

Joint auditors' report on the consolidated financial statements

KPMG Bedrijfsrevisoren BCVBA
Bourgetlaan 40
1130 Brussels
Belgium

Ernst & Young Bedrijfsrevisoren BCVBA
De Kleetlaan 2
1831 Diegem
Belgium

Statutory joint auditors' report to the general meeting of Elia System Operator NV/SA for the year ended December 31, 2013

DRAFT

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements (the "consolidated financial statements") as well as our report on other legal and regulatory requirements. The consolidated financial statements include the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2013 and the notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of Elia System Operator NV ("the company") and its subsidiaries (jointly "the group") as of and for the year ended December 31, 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR 6.532,2 million and the consolidated income statement shows a profit (attributable to the owners of the company) for the year of EUR 175,8 million.

Board of directors' responsibility 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 International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory joint auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the internal control relevant to the group's preparation of the consolidated financial statements that give a true and fair view in order 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and board of directors the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's equity and consolidated financial position as at December 31, 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Emphasis of certain matters

Without qualifying our opinion, the joint statutory auditors draw attention to note 5.5 and note 7.3 of the consolidated financial statements that provide a description of the uncertainties resulting from the final settlements arising from the tariff regulation mechanisms to be approved by the competent authorities, and of the uncertainties resulting from the outcome of the tax audit.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the report of the board of directors on the Consolidated Financial Statements, including the corporate governance statement, in accordance with article 119 of the Belgian Company code (Wetboek van vennootschappen/Code des sociétés).

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement, which does not modify our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements includes the information required by law, is consistent in all material respects with the consolidated financial statements, and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, March 27, 2014

KPMG Bedrijfsrevisoren BCVBA
Joint statutory auditor
Represented by

Ernst & Young Bedrijfsrevisoren BCVBA
Joint statutory auditor
Represented by

Alexis Palm
Partner

Marnix Van Dooren
Partner

REGULATORY FRAMEWORK AND TARIFFS

1 REGULATORY FRAMEWORK IN BELGIUM

1.1 Federal legislation

The Electricity Act forms the overall basis and 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. The new Electricity Act:

- strengthens the unbundling of transmission 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 establishing methods for determining transmission tariffs.

A number of royal decrees implement the regulatory framework in more detail. Similarly, the decisions passed by the regulatory authority supplement this framework to create the regulatory framework in which Elia operates.

1.2 Regional legislation

The three Belgian Regions are primarily responsible for the local transmission of electricity through grids with a voltage equal to or lower than 70 kV in their respective territories. The Regions are not responsible for setting electricity transmission tariffs, which falls under federal jurisdiction. Their impact on the liberalisation process is similar to the impact of the Electricity Act at the federal level. The Flemish Region and the Brussels Capital Region have also transposed into their legislative framework the provisions of the 3rd European package that apply to them. The Walloon Region is preparing to do so. The regional decrees have been complemented by several other rules on matters such as public services, renewable energy and authorisation procedures for suppliers.

1.3 Regulatory agencies

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

1.3.1 Federal regulator

The Commission for Electricity and Gas Regulation (CREG) is the federal regulator and its powers with regard to Elia include:

- approving the standard terms of 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 methodologies to be observed by the system operator to ensure that the tariffs for connection to and use of the grid and the tariffs for the provision of ancillary services by Elia are approved;
- certifying that the system operator actually owns the infra-structure that it operates and meets the regulatory requirements for independence from generators and suppliers.

1.3.2 Regional regulators

Operation of electricity grids with voltages of 70 kV and less falls within 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 under the threat of administrative fines or other sanctions. The regional regulators are not empowered to set electricity transmission tariffs, as tariff setting falls under the sole jurisdiction of CREG for these grids.

1.4 Tariff setting

CHANGES IN TARIFF REGULATIONS

On 24 November 2011, CREG adopted and published a decree setting out provisional calculation methods and establishing tariff conditions for connection and access to electricity grids performing a transmission function. Based on this provisional methodology, on 22 December 2011 CREG approved the 2012-2015 tariff proposal submitted by Elia on 30 June 2011 and adapted on 13 December 2011.

On 8 January 2012, the new Electricity Act removed the power to draw up tariff methodologies from the government and conferred this responsibility on the federal regulator, in accordance with the procedures and guidelines laid down by law.

On 28 March 2013, CREG modified the tariff method from 24 November 2011 after consulting the market parties, taking account of the developments in the legislation (specifically the publication of the new Electricity Act of 8 January 2012 transposing the provisions of the Third Package of European Energy Directives into Belgian legislation) and the ruling of the Brussels Court of Appeal of 6 February 2013 (which annulled the earlier decision to approve the transmission tariffs for the period 2012-2015). On 16 May 2013, the CREG Management Committee approved the amended tariff proposal for the period 2012-2015 that Elia had submitted on the basis of the modified method.

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 provide for the setting of approved tariffs for four-year periods, barring specific circumstances. The provisional tariff methodology established by CREG at the end of 2011 did not change this system. 2012 was therefore the first year of the second four-year regulatory period.

The tariff mechanism is based on accounts stated in accordance with Belgian accounting regulations (Be GAAP). The tariffs are based on budgeted costs, less 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, for the first time, in the case of some costs, of electricity injected into the grid, in accordance with the terms of the provisional tariff methodology drawn up by CREG.

The costs taken into account include the forecast value of the authorised fair remuneration and the predicted values of various cost categories, including those that are not subject to application of a productivity improvement factor ('group 1 costs' resulting in balances allocated to the total revenue of a future regulatory period) and those to which a productivity improvement factor is applied ('group 2 costs' whose budget discrepancies result in an increase or decrease of the gross margin).

FAIR REMUNERATION

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

In that context, the following formula, which has been applied since 1 January 2012, is used to calculate the fair remuneration, when consolidated capital and reserves account for more than 33% of the average regulated asset base, as is the case at present:

- A: $[33\% \times \text{average RAB} \times \{(\text{OLO } n) + (\text{Beta} \times \text{risk premium})\}]$; plus
- B: $\{[(S - 33\%) \times \text{average RAB} \times (\text{OLO } n + 70 \text{ base points})]\}$; where
 - OLO n is the interest rate for Belgian 10-year linear bonds for the year in question;
 - S = consolidated capital and reserves/RAB, in accordance with Belgian accounting standards (BE GAAP);
 - Beta is calculated based on Elia share prices, compared with the BEL 20 index, over a seven-year period.The value of the product of the beta parameter and the risk premium cannot be lower than 0.7.

PART A

The rate of remuneration (in %) as set by CREG for year 'n' is equal to the sum of the risk-free rate, i.e. the average rate of Belgian 10-year linear bonds and a premium for share market risk, weighted using the applicable beta factor.

The tariff regulations set the risk premium at 3.5%. The applicable beta factor is calculated based on the beta factor for Elia, compared with the BEL 20 index, over a seven-year period. CREG encourages a ratio between equity and regulated asset base that is as close as possible to 33%. The reference ratio of 33% is applied to Elia's average regulated asset base (RAB) to calculate Elia's reference equity.

PART B

If Elia's actual equity is higher than the reference equity, the surplus amount is balanced out with a rate of remuneration calculated using the following formula: $\{[(\text{OLO } n + 70 \text{ base points})]\}$.

Group 1 costs

Costs that are not subject to application of the productivity and efficiency improvement coefficient ('group 1 costs') are an integral part of the costs taken into account when setting tariffs. The tariffs are set based on the forecast values of these costs. Alongside this, the balances (positive or negative), i.e. the difference between the actual costs and the forecast costs, are established ex-post and, in principle, allocated to the total revenue of a future regulatory period.

Group 2 costs

Group 2 costs are subject to an incentive regulation mechanism: in other words, they are subject to application of a productivity and efficiency improvement coefficient. This coefficient indicates the efforts that Elia must make to control such costs, i.e. the authorised costs used to determine the tariffs following application of this factor. Within the 2012-2015 period, the productivity improvement for 2012 was set at €10 million. The budget discrepancies in relation to group 2 costs (positive or negative), i.e. the difference – established ex-post – between

the actual and authorised costs, are in principle either added to or deducted from the gross margin.

Incentive to make replacement investments

The CREG has introduced an incentive to ensure that the investments needed to maintain the quality of service provided by the system operator are carried out appropriately and on time. If the actual investment total for the year exceeds 90% of the reference budget for the investments concerned, an additional gross margin equivalent to the excess amount is awarded to the system operator. This amount is capped at 10% of the reference investment budget. It is also subject to conditions regarding compliance with individual project budgets.

2 REGULATORY FRAMEWORK IN GERMANY

2.1 Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act 2005 (Energiewirtschaftsgesetz – EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is supported by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current regime of incentive regulation, accounting methods and network access arrangements, including:

- the Ordinance on Electricity Network Tariffs 2005 (Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzentgeltverordnung – StromNEV)), as amended from time to time, which establishes, inter alia, principles and methods for the grid tariff calculations and further obligations of system operators;
- the Ordinance on Electricity Network Access 2005 (Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung – StromNZV)), as amended from time to time, which, inter alia, sets out the further detail on how to grant access to the transmission systems (and other types of grids) by way of establishing the balancing amount system (Bilanzkreissystem), scheduling of electricity deliveries, control energy and further general obligations, e.g. congestion management (Engpassmanagement), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain system operators to manage the 'Bilanzkreissystem' for renewable energy;
- the Ordinance on Incentive Regulation 2007 (Verordnung über die Anreizregulierung der Energieversorgungsnetze (Anreizregulierungsverordnung – ARegV)), as amended from time to time, which sets out the basic rules for incentive regulation of TSOs and other system operators (as further described below). It also describes in general terms how to benchmark efficiency, which costs enter the efficiency benchmarking, the method of determining inefficiency and how this translates into yearly targets for efficiency growth.

2.2 Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the Federal Network Agency (Bundesnetzagentur – BNetzA) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the respective federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, inter alia, in charge of ensuring non-discriminatory third-party access to grids and monitoring the grid-use tariffs levied by the TSOs. 50Hertz Transmission and 50Hertz Offshore are subject to the authority of the Federal Network Agency.

2.3 Tariff setting in Germany

The current regulation mechanism is established in Germany by ARegV. According to ARegV, from 1 January 2009, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the Federal Network Agency for each TSO and for each regulatory period. The revenue cap is principally based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. The system operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, and the first regulatory period started on 1 January 2009 and will end on 31 December 2013. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under certain fixed circumstances that are accounted for in the relevant legislation) are allowed to agree to individual tariffs according to Article 19 of StromNEV (for example, in the case of sole use of a network asset). The Federal Network Agency has to approve such individual tariffs.

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

- Permanently non-influenceable costs (PNIC): these costs are fully integrated into the 'revenue cap' and are fully recovered by the grid tariffs, albeit with a two-year time-lag. PNIC includes return on equity, imputed trade tax, cost of debt, depreciation and operational costs (currently at a fixed rate of 0.8 % of the capitalised investment costs of the respective investments) for what are called investment measures. The cost of debt related to investment budgets is currently capped at the lower value of the actual cost of debt or cost of debt as calculated in accordance with a published Federal Network Agency guideline. Since 2012, the costs associated with these investment measures have been based on forecast values. The differences between the forecast values and the actual values are reflected in the tariffs charged to customers the following year. In addition, PNIC includes costs relating to ancillary

services, grid losses and redispatch costs, as well as European initiatives and income from auctions. These costs and income are included in the revenue cap based on a procedural regulation mechanism set by the Federal Network Agency in accordance with Article 11(2) ARegV (FSV). The regulation process relating to ancillary services, grid losses and redispatch costs gives the system operator an incentive to outperform the planned costs through a bonus/malus mechanism. The costs are based on planned costs (taking into account changes in both volume needs and prices) instead of incurred costs in the base year and, as such, only the productivity factor is applicable to such costs. Furthermore, this model will or change in the second regulatory period starting in 2014.

- Temporary non-influenceable costs (TNIC) and influenceable costs (IC): these costs include return on equity depreciation, cost of debt and of imputed trade tax and are subject to an incentive mechanism as set by the Federal Network Agency, which contains an efficiency factor (only applicable to IC), a productivity factor improvement and an inflation factor (applicable to both TNIC and IC) over a five-year period. In addition, the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for such a factor are yet to be described by the Federal Network Agency. The various defined factors give the TSOs a medium-term objective to eliminate what are deemed to be inefficient costs. As regards the cost of debt, the allowed cost of debt related to influenceable costs needs to be proven as marketable.
- As for return on equity, the relevant laws and regulations set out the provisions relating to the allowed return on equity, which is included in the TNIC/IC for assets belonging to the regulatory asset base and the PNIC for assets approved in investment budgets. For the first regulatory period (2009-2013), the return on equity is set at 7.56 % for investments made before 2006 and 9.29 % for investments made since 2006, based on 40 % of the total asset value regarded as 'financed by equity' with the remainder treated as 'quasi-debt'. The return on equity is calculated before corporate tax and after imputed trade tax. For the next regulatory period, the German regulator has calculated 2011 return at a value equal to 9.05 % for investments made since 2006, to foster attractive enough conditions for grid investment, vital for the timely implementation of German energy policy.
- In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations, subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

Progress was made in 2012 following discussions with the regulator to improve the regulatory framework for new investments in grid infrastructure, the coverage of grid management and development costs, return on capital and the conditions under which new offshore farms should be connected.

As at 31 December 2013, 50Hertz had obtained approval for 69 out of 99 active investment measure requests made since 2008. Costs of approved investment measures account for € 3.6 billion.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on a provisional basis on the 15th of October for the year 2014. In principle the grid fees are a bit lower than in 2013 reflecting the relative stable cost basis.

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia System Operator 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 www.elia.be and can be obtained on request from Elia System Operator SA, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors made an unreserved statement with an explanatory paragraph in the statutory financial statements.

1 STATEMENT OF POSITION AFTER DISTRIBUTION OF PROFITS

ASSETS (in million €)	2013	2012
FIXED ASSETS	3,605.0	3,615.8
Financial fixed asset	3,605.0	3,615.8
<u>Affiliated companies</u>	<u>3,583.0</u>	<u>3,583.0</u>
Participating interests	3,583.0	3,583.0
<u>Other enterprises linked by participating interests</u>	<u>22.0</u>	<u>32.8</u>
Participating interests	21.7	32.5
Other participating interests	0.3	0.3
CURRENT ASSETS	1,188.4	895.6
Amounts receivable after more than one year	93.8	94.0
Other amounts receivable	93.8	94.0
Inventories and contracts in progress	7.3	5.6
Contracts in progress	7.3	5.6
Amounts receivable within one year	852.6	669.6
Trade debtors	160.9	141.7
Other amounts receivable	691.6	527.9
Investments	88.0	70.0
Other term deposits	88.0	70.0
Cash at bank and in hand	136.5	47.9
Deferred charges and accrued income	10.3	8.5
TOTAL ASSETS	4,793.4	4,511.4

EQUITY AND LIABILITIES (in million €)**2013****2012**

CAPITAL AND RESERVES	1,661.8	1.634,9
Capital	1,510.7	1.510,4
Issued capital	1,510.7	1.510,4
Share premium account	8.8	8,8
Reserves	116.5	97,2
Legal reserve	116.5	97,2
Profit carried forward	25.8	18,5
PROVISIONS, DEFERRED TAXES	0.3	3,1
Provisions for risks and charges	0.3	3,1
Other risks and charges	0.3	3,1
LIABILITIES	3,131.3	2.873,5
Amounts payable after one year	2,303.0	2.054,6
<u>Financial debts</u>	<u>2,303.0</u>	<u>2.054,6</u>
Unsubordinated debentures	1,747.5	1.498,8
Credit institutions	60.0	60,0
Other loans	495.8	495,8
Amounts payable within one year	721.5	688,6
Current portion of amounts payable after more than one year	499.9	500,0
Financial debts	0.0	0,0
Credit institutions	0.0	0,0
<u>Trade debts</u>	<u>109.9</u>	<u>83,1</u>
Suppliers	99.7	73,3
Advances received on contracts in progress	10.3	9,7
<u>Amounts payable regarding taxes, remuneration and social security costs</u>	<u>8.0</u>	<u>7,4</u>
Taxes	0.0	0,0
Remuneration and social security	8.0	7,4
Other amounts payable	103.7	98,1
Accrued charges and deferred income	106.4	130,2
TOTAL EQUITY AND LIABILITIES	4,793.4	4.511,4

2 INCOME STATEMENT

(in million €)	2013	2012
OPERATING INCOME	797.3	772.4
Turnover	789.5	764.8
Increase (+), decrease (-) in inventories of finished goods, works and contracts in progress	1.7	0.6
Other operating income	6.1	6.9
OPERATING CHARGES	(645.7)	(622.7)
Services and other goods	(611.3)	(585.2)
Remuneration, social security costs and pensions	(37.2)	(37.4)
Provisions for liabilities and charges	2.7	0,0
OPERATING INCOME	151.5	149.7
Financial income	111.6	91.1
Income from financial fixed assets	100.7	79.9
Income from current assets	10.9	11.2
Financial charges	(130.3)	(131.2)
Interest and other debt charges	(125.6)	(128.3)
Other financial charges	(4.7)	(2.9)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	132.8	109.6
Extraordinary income	0.5	0.0
Proceeds from sale of investments	0.5	0.0
Other extraordinary income		0.0
Extraordinary charges	(1.5)	(0.1)
Other extraordinary charges	(1.5)	(0.1)
PROFIT FOR THE FINANCIAL PERIOD BEFORE TAXATION	131.8	109.5
Income taxes	(11.9)	(12.1)
Income taxes	(12.0)	(12.1)
Adjustments of income taxes and write-back of provisions	0.0	0.0
PROFIT FOR THE FINANCIAL PERIOD	119.8	97.4

FOR COVER OF ANNUAL REPORT (KEY FIGURES)

Consolidated results (in millions €)	2013	2012	2011	2010⁽¹⁾	2009
Total revenues and other income	1,389.5	1,306.6	1,278.4	1,037.5	771.3
EBITDA*	486.9	455.5	448.9	687.9	327.9
REBITDA*	486.9	455.5	448.9	409.4	327.9
Operating profit (REBIT*)	345.4	305.4	308.0	281.9	225.8
Operating profit (EBIT*)	345.4	305.4	308.0	560.4	225.8
Net finance costs	(108.5)	(134.8)	(128.6)	(123.2)	(120.5)
Income tax expenses	(61.5)	(16.2)	(43.3)	(34.0)	(20.0)
Profit attributable to the Owners of the Company	175.8	155.0	137.5	401.7	84.0
Basic earnings per share, incl. non-recurring elements (€)	2.9	2.57	2.28	7.36	1.75
Basic earnings per share, excl. non-recurring items (€)	2.9	2.57	2.28	2.26	1.75
Dividend per share (€)	1.54	1.47	1.47	1.4	1.38
Consolidated statement of financial position (in million €)	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Total assets	6,532.2	6,187.0	5,843.8	5,904.0	4,451.9
Equity, attributable to the Owners of the Company	2,209.1	2,108.5	2,046.9	2,007.2	1,365.4
Net financial debt	2,733.8	2,910.8	2,532.9	2,551.4	2,444.4
Equity per share (€)	36.5	34.9	33.9	36.8	28.4
Number of shares (end of period)	60,568,229	60,555,809	60,355,217	60,355,217	48,270,255

* EBIT = earnings before interest and taxes

* EBITDA = EBIT + depreciation / amortization/impairment and changes in provisions

* REBIT = Recurring EBIT

* REBITDA = Recurring EBITDA

⁽¹⁾ The results of 50Hertz Transmission, consolidated at Eurogrid International level for the period from June to December 2010, were included in the consolidated Elia Group IFRS figures as at 31 December 2010 (60% proportionate consolidation). The first five months were booked as shareholders' equity (opening balance), thereby benefitting Elia shareholders.

