DECLARATION BY RESPONSIBLE PERSONS

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

a. the consolidated financial statements for the year ended 31 December 2016 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 ended 31 December 2016 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, 23 March 2017

Catherine Vandenborre
Chief Financial Officer

Chris Peeters
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in million EUR) - Year ended 31 December	Notes	2016	2015
Continuing operations			
Revenue	(6.1)	800.1	780.1
Raw materials, consumables and goods for resale	(6.3)	(18.8)	(15.5)
Other income	(6.2)	68.0	71.3
Services and other goods	(6.3)	(336.6)	(346.5)
Personnel expenses	(6.3)	(143.9)	(137.6)
Depreciation, amortization and impairment	(6.3)	(124.8)	(114.2)
Changes in provisions	(6.3)	(5.3)	7.8
Other expenses	(6.3)	(22.1)	(32.2)
Results from operating activities		**216.6**	**213.2**
Share of profit of equity-accounted investees (net of tax)	(5.1- 5.2)	78.4	123.2
EBIT *		**295.0**	**336.4**
Net finance costs	(6.4)	**(82.8)**	**(92.8)**
Finance income		7.0	10.6
Finance costs		(89.9)	(103.4)
Profit before income tax		**212.2**	**243.5**
Income tax expense	(6.5)	(32.0)	(32.9)
Profit from continuing operations		**180.2**	**210.6**
Profit for the period		**180.2**	**210.6**
Profit attributable to:			
Owners of the Company		179.9	210.6
Non-controlling interest		0.3	0.0
Profit for the period		**180.2**	**210.6**
Earnings per share (EUR)			
Basic earnings per share	(6.6)	2.95	3.47
Diluted earnings per share	(6.6)	2.95	3.47

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

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

Consolidated statement of profit or loss and comprehensive income

(in million EUR) - Year ended 31 December	Notes	2016	2015
Profit for the period		180.2	210.6
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(6.7)	8.7	7.4
Equity-accounted investees - share of OCI	(6.7)	0.0	0.7
Related tax		(2.9)	(2.5)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.12)	1.2	8.5
Equity-accounted investees - share of OCI		(0.6)	(0.4)
Related tax	(7.12)	(0.4)	(2.7)
Other comprehensive income for the period, net of tax		**6.0**	**10.9**
Total comprehensive income for the period		**186.2**	**221.5**
Total comprehensive income attributable to:			
Owners of the Company		185.9	221.5
Non-controlling interest		0.3	0.0
Total comprehensive income for the period		**186.2**	**221.5**

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

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2016	31 December 2015
ASSETS			
NON CURRENT ASSETS		**5,653.9**	**5,306.6**
Property, plant and equipment	(7.1)	2,956.5	2,687.2
Intangible assets and goodwill	(7.2)	1,735.8	1,734.6
Trade and other receivables	(7.4)	63.0	16.4
Equity-accounted investees	(5.1+5.2)	832.4	793.4
Other financial assets (including derivatives)	(7.3)	65.4	73.3
Deferred tax assets	(7.5)	0.8	1.7
CURRENT ASSETS		**587.7**	**1,128.9**
Inventories	(7.6)	22.6	24.2
Trade and other receivables	(7.7)	379.6	326.1
Current tax assets	(7.8)	2.8	148.0
Cash and cash equivalents	(7.9)	176.6	626.4
Deferred charges and accrued revenues	(7.7)	6.1	4.2
Total assets		6,241.6	6,435.5
EQUITY AND LIABILITIES			
EQUITY		**2,512.6**	**2,414.4**
Equity attributable to owners of the Company	(7.10)	2,511.4	2,413.6
Share capital		1,517.2	1,512.8
Share premium		11.8	10.0
Reserves		173.0	138.7
Hedging reserve		(6.2)	(11.9)
Retained earnings		815.6	764.0
Non-controlling interest		1.2	0.8
NON CURRENT LIABILITIES		**2,728.0**	**2,730.3**
Loans and borrowings	(7.11)	2,586.4	2,605.4
Employee benefits	(7.12)	75.1	80.1
Derivatives	(8.2)	9.4	18.0
Provisions	(7.13)	23.3	17.5
Deferred tax liabilities	(7.5)	28.7	6.9
Other liabilities	(7.14)	5.1	2.4
CURRENT LIABILITIES		**1,001.0**	**1,290.8**
Loans and borrowings	(7.11)	147.5	604.3
Provisions	(7.13)	2.4	3.0
Trade and other payables	(7.15)	390.8	310.3
Current tax liabilities		0.5	2.0
Accruals and deferred income	(7.16)	459.8	371.2
Total equity and liabilities		6,241.6	6,435.5

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

Consolidated statement of changes in equity

(in million EUR)	Notes	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Total	Non controlling interests	Total equity
Balance at 1 January 2015		1,512.4	9.9	(16.8)	(0.6)	116.5	663.7	2,285.1	0.8	2,285.9
Profit for the period							210.6	210.6		210.6
Other comprehensive income net of tax	(6.7)			4.9	0.7		5.3	10.9		10.9
Total comprehensive income for the period				**4.9**	**0.7**		**215.9**	**221.5**		**221.5**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.10)	0.3	0.1					0.4		0.4
Share-based payment	(6.3)	0.1						0.1		0.1
Transfer to legal reserve	(7.10)					22.3	(22.3)			
Dividends	(7.10)						(93.5)	(93.5)		(93.5)
Total contributions and distributions		0.4	0.1			22.3	(115.8)	(93.0)		(93.0)
Total transactions with Owners		0.4	0.1			22.3	(115.8)	(93.0)		(93.0)
Balance at 31 December 2015		**1,512.8**	**10.0**	**(11.9)**	**0.1**	**138.8**	**763.8**	**2,413.6**	**0.8**	**2,414.4**
Balance at 1 January 2016		1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4
Profit for the period							179.8	179.8	0.3	180.2
Other comprehensive income net of tax	(6.7)			5.8			0.2	6.0		6.0
Total comprehensive income for the period				**5.8**			**180.0**	**185.8**	**0.3**	**186.2**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.10)	3.5	1.8					5.3		5.3
Share-based payment	(6.3)	0.9						0.9		0.9
Transfer to legal reserve	(7.10)					34.3	(34.3)			
Dividends	(7.10)						(94.1)	(94.1)		(94.1)
Total contributions and distributions		4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Total transactions with Owners		4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Balance at 31 December 2016		**1,517.2**	**11.8**	**(6.1)**	**0.0**	**173.0**	**815.5**	**2,511.4**	**1.2**	**2,512.6**

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

Consolidated statement of cash flows

(in million EUR) - Year ended 31 December	Notes	2016	2015
Cash flows from operating activities			
Profit for the period		**179.9**	**210.6**
Adjustments for:			
Net finance costs	(6.4)	82.9	92.8
Other non-cash items		1.0	0.1
Income tax expense	(6.5)	12.5	17.3
Profit or loss of equity accounted investees, net of tax	(5.1 – 5.2)	(78.5)	(123.2)
Depreciation of PP&E and amortisation of intangible assets	(7.1 - 7.2)	124.4	113.8
Gain on sale of property, plant and equipment and intangible assets	(7.1 - 7.2)	8.8	15.2
Impairment losses of current assets	(6.3)	0.6	0.6
Change in provisions	(6.3)	(1.2)	(19.8)
Change in fair value of derivatives	(8.3)	1.0	1.0
Change in deferred taxes	(7.5)	19.4	15.5
Cash flow from operating activities		**350.9**	**323.9**
Change in inventories	(7.6)	1.3	(9.8)
Change in trade and other receivables	(7.7)	(61.4)	(21.1)
Change in other current assets	(7.7)	3.9	7.3
Change in trade and other payables	(7.15)	80.5	9.2
Change in other current liabilities	(7.14 - 7.16)	91.2	148.5
Changes in working capital		**115.5**	**134.1**
Interest paid	(6.4)	(115.6)	(111.1)
Interest received	(6.4)	56.5	1.4
Income tax paid	(6.5)	80.3	(14.4)
Net cash from operating activities		**487.6**	**333.9**
Cash flows from investing activities			
Acquisition intangible assets	(7.2)	(9.6)	(7.0)
Acquisition of property, plant and equipment	(7.1)	(388.6)	(327.5)
Acquisition of equity-accounted investees	(5.1)	(25.8)	(10.2)
Proceeds from sale of property, plant and equipment		3.2	6.0
Proceeds from sales of investments	(7.3 - 8.1)	6.3	11.5
Proceeds from capital decrease from equity-accounted investees	(5.1)	7.2	6.0
Dividend received from equity-accounted investees	(5.1 – 5.2)	57.3	54.4
Loans to joint ventures	(7.4)	(38.7)	(16.4)
Net cash used in investing activities		**(388.7)**	**(283.2)**
Cash flow from financing activities			
Proceeds from issue share capital	(7.10)	5.3	0.4
Expenses related to issue share capital		(0.1)	0.0
Dividends paid (-)	(7.10)	(94.2)	(93.7)
Repayment of borrowings (-)	(6.4)	(540.0)	0.0
Proceeds from withdrawal borrowings (+)	(7.11)	80.0	497.9
Non-controlling interests		0.3	0.0
Net cash flow from (used in) financing activities		**(548.7)**	**404.6**
Net increase (decrease) in cash and cash equivalents		**(449.8)**	**455.3**
Cash & Cash equivalents at 1 January		626.4	171.1
Cash & Cash equivalents at 31 December		176.6	626.4
Net variations in cash & cash equivalents		**(449.8)**	**455.3**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Established in Belgium, Elia System Operator SA (the 'Company' or 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The Company's consolidated financial statements for the 2016 financial year include those of the Company and its subsidiaries (together referred to as the 'Group' or 'Elia Group') and the Group's interest in joint ventures and associates.

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

The Elia Group is organised around two electricity transmission system operators: Elia Transmission in Belgium and (in cooperation with Industry Funds Management) 50Hertz Transmission, one of the four German transmission system operators, active in the north and east of Germany. With more than 2,100 employees and a transmission grid comprising some 18.300 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its system operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering. The Group operates under the legal entity Elia System Operator, a listed company whose reference shareholder is municipal holding company Publi-T.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Group has applied all 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 2016.

New and amended standards and interpretations

If a standard or amendment affects the Group, it is described, together with the impact hereunder.

- **Amendments to IAS 1** Disclosure Initiative. These amendments clarify
  - Materiality requirements in IAS 1
  - Specific line items in statements of profit or loss and other comprehensive income and statement of financial position may be disaggregated
  - Entities have flexibility to choose the order of presenting Notes to financial statements
  - Share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between the items that may or will not be reclassified subsequently to profit or loss;

- **Amendments to IFRS 11** Accounting for Acquisitions of Interests in Joint Operations. The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation;

- **Amendments to IAS 16 and IAS 38** Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets;

- **Amendments to IAS 16 and IAS 41** Agriculture: Bearer Plants. These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture;

- **Amendments to IAS 27** Equity Method in separate financial statements, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements;

- **Amendments to IFRS 10, IFRS 12 and IAS 28** Investment entities: applying the consolidation exception. These amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

- **Annual Improvements to IFRS 2012-2014 cycle** is a collection of minor improvements to 4 existing standards.

The above mentioned standards or amendments did not have a material impact on the Group's consolidated financial statements as at 31 December 2016.

Standards, amendments and interpretations that are not yet effective in 2016

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:

- **IFRS 9** Financial instruments (effective 1 January 2018) reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group is reviewing the potential impact of all three aspects of IFRS 9 on its financial statements resulting from the application of IFRS 9. The preliminary assessment is based on currently available information and might evolve based on further detailed analysis still to be performed in the course of H1 2017. The Group expects no significant impact on its balance sheet and equity;

- **IFRS 15** Revenue from Contracts with Customers (effective 1 January 2018) establishes a new comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 18 Transfers of Assets from Customers and IFRIC 13 Customer Loyalty Programmes. The Group did not yet elect the transition method (either full retrospective, either modified retrospective application), and is currently reviewing the potential impact on its financial statements resulting from the application of IFRS 15. At this stage the Group anticipates the biggest impact to come from the application of IFRIC 18, however the impact can at this stage not be reliably calculated. The group expects to be able to provide a quantitative analysis mid-2017;

- **IFRS 16** Leases (effective 1 January 2019 – not yet endorsed) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases incentives and SIC 27 Evaluating Substance of Transactions involving the Legal Form of a Lease. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard. The Group has started an initial assessment of the potential impact on its consolidated financial statements. The Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements by the end of 2017;

- **Disclosure Initiative** (Amendments to IAS 7 – effective 1 January 2017 – not yet endorsed by the EU) requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group intends to provide a movement schedule for liabilities clearly presenting changes arising from financing activities;

- **Amendments to IFRS 10 and IAS 28** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (endorsement process has been delayed) The amendments clarify that gain or loss resulting from the sale or contribution of assets, which forms a business following IFRS 3, between an investor and its associate or joint venture, is recognised in full. If these assets do not form a business, following IFRS 3, any gain or loss is only recognised to the extent of unrelated investor's interests in the associate or joint venture;

- **Recognition of Deferred Tax Assets for Unrealised Losses** (amendments to IAS 12 – effective 1 January 2017 – not yet endorsed) – the amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group does not expect any significant impact. Further, the amendments provide guidance on estimating probable future taxable profits when assessing the recognition of deferred tax assets when there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity;

- Amendments to **IFRS 4** Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts (effective 1 January 2018) – not applicable to the Group;

- **IFRS 14** Regulatory Deferral Accounts (endorsement process has been delayed) is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer, this standard does not apply.

- **IFRS 2** Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective 1 January 2018 - not yet endorsed) – not applicable to the Group;

- **Annual Improvements to IFRS Standards 2014-2016 Cycle** (effective 1 January 2018 – not yet endorsed) – the improvements have been brought to 3 standards, IFRS 1 First time adoption, IAS 28 Investments in Associates and Joint Venture and IFRS 12 Disclosure of Interests in Other Entities. The Group will assess the impact on her consolidated financial statements in 2017.

2.2. Functional and presentation currency

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

2.3. Basis of measurement

The consolidated financial statements have been prepared on a historical-cost basis, except for the 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 or loss.

2.4. Use of estimates and judgements

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

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:

- Consolidation of entities in which the Group holds less than 20% of the voting rights, but has significant influence: under IFRS 10, the Group assesses whether it has significant influence over its associates, and therefore needs to consolidate them, and reassesses this at each reporting period (see also note 5);

- 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 6.5);

- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (cf. Note 8.2);

- Employee benefits including reimbursement rights: the Group has defined benefit plans and defined contribution plans which are disclosed in Note 7.12. 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. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by minimum one dominant rating agency, and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve.
  Each plan's projected cash flow are matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. Hence, the resulting discount rate is reflective of both the current interest rate environment and the plan's distinct liability characteristics;

- Provisions for environmental remediation costs: at each year-end an estimate is made of future expenses in respect of soil remediation, based on the advice of an external expert. The extent of remediation costs is dependent on a limited number of uncertainties, amongst others, the identification of new soil contaminations (cf. Note 7.13);

- Other provisions are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and the duration of the associated process/procedures (cf. Note 7.13);

- Goodwill impairment testing: the Group performs impairment tests on goodwill and on cash-generating units (CGU) at the 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 7.2);

- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these valuation techniques are taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 8.2).

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for issue by the Board of Directors on 23 March 2017.

3. Significant accounting policies

3.1. Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so 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.

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, as opposed to joint operations whereby the Group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the total recognised profits and losses of joint ventures on the basis of the 'equity method', from the date that joint control commences until the date that joint control ceases. When the Group's share of the losses exceeds its interest in joint ventures, 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 a joint venture.

NON-CONTROLLING INTERESTS

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary not wholly owned that do not result in a loss of control are accounted for as equity transactions.

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.

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.

3.2. Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company, at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the 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, an interest in a 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:

- Assets and liabilities are translated at the exchange rate at reporting date,
- Income and expenses are translated at the average exchange rate of the year,

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

3.3. 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.

3.4. 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.

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

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 profit or loss.

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

De-recognition

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

INTANGIBLE ASSETS

Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment (see 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 with indefinite useful lives 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 contracts in progress

Construction contracts in progress are 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.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand 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 and deferred 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

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

As the Belgian contribution based promises are not back-loaded, the DBO was determined following the Projected Unit Credit-method (PUC) without projection of future contributions. The fair value of assets equals for each plan the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any). We also refer to the following section "Defined-benefit plans".

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:

- When the plan amendment or curtailment occurs; or
- 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.

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

Reimbursement rights

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

Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the projected unit credit method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield 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.

3.5. 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 settlement mechanism (see Note 7.16).

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 contracts 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.

Other expenses

Property taxes chargeable to Elia Transmission (Belgium) are directly recognized at 100% as of the moment the ownership is certain (generally as of the 1st of January of each year). These costs, qualified as non-controllable costs in the regulatory framework, are however recorded as revenue through the settlement mechanism for the same amount, resulting in a zero profit or loss impact.

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 joint ventures 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.

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

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

4. Segment reporting

4.1. Basis for segmentation

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 NV/SA and the companies of which activities are directly linked to the role of Belgian transmission system operator (Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA and Ampacimon NV/SA);
- 50Hertz Transmission (Germany), which comprises Eurogrid International CVBA/SCRL and companies of which activities are directly linked to the role of transmission system operator in Germany (Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Gridlab GmbH);
- Atlantic Grid, comprising E-Offshore A LLC and Atlantic Grid Investment A Inc who are connected to the Atlantic Wind Connection project which aims to develop the first high-voltage direct current offshore grid off the East Coast of the United States;
- EGI (Elia Grid International NV/SA and Elia Grid International GmbH): both companies supply specialists in consulting, services, engineering, and procurement, creating value by delivering solutions based on international best practice, while fully complying with regulated business environments;
- Nemo (Nemo Link Ltd), is linked to the Nemo project; this will connect the UK and Belgium through high voltage electricity cables, enabling the exchange of power between the two countries.

As prescribed 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, EGI and Nemo do not exceed the threshold, the operations of Atlantic Grid have been aggregated in the reporting segment 50Hertz Transmission (Germany) and the operations of EGI and Nemo in the reporting segment of Elia Transmission (Belgium), because their activities are regularly evaluated by the respective CODM's of those segments.

The two operating segments also have been identified as the cash generating units of the group, as the group of assets managed by the 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 Note 9 "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.

4.2. Elia Transmission (Belgium)

The table hereafter shows the 2016 consolidated results of Elia Transmission (Belgium)

Elia Transmission key figures (in million EUR) - Year ended 31 December	**2016**	**2015**	**Difference (%)**
Total revenues and other income	868.1	851.4	2.0%
Depreciation, amortization, impairment and changes in provisions	(130.0)	(106.4)	22.2%
Results from operating activities	216.6	213.2	1.6%
Share of profit of equity accounted investees, net of tax	3.1	4.8	(35.4%)
EBIT	219.6	218.0	0.7%
EBITDA	349.6	324.4	7.8%
Finance income	7.0	10.6	(34.0%)
Finance costs	(89.9)	(103.4)	(13.1%)
Income tax expense	(32.0)	(32.9)	(2.7%)
Profit attributable to the Owners of the Company	104.5	92.2	13.3%
Consolidated statement of financial position (in million EUR)	**31 December 2016**	**31 December 2015**	**Difference (%)**
Total assets	5,463.6	5,669.7	(3.6%)
Capital expenditures	406.9	343.0	18.6%
Net financial debt	2,557.3	2,583.4	(1.0%)

EBITDA (Earnings Before Interest and Taxes, Depreciations and Amortisations) = EBIT + depreciation/amortisation + changes in provisions

Since the beginning of 2016, the new tariff methodology that was approved by the regulator CREG on 26 November 2015 came into force. The methodology is again applicable for a period of 4 years and introduces some new elements compared to the previous methodology which was applicable from 2012 until 2015. The most important changes are 1) the way the allowed net profit is built up, which is now more linked to the operational performance, 2) the structure of the tariffs, which are still covering a cost plus methodology, and 3) the definition of the cost categories: reservation costs of ancillary services (except black start) are qualified as "influenceable costs" (and no longer non-controllable costs) and are eligible for an incentive within predefined limits. Finally, tariffs are no longer fixed for a period of 4 years, yearly tariffs are agreed within the four-year time frame. For more information about the new regulated framework we refer to note 9.1.

Financial

Elia Transmission's revenue increased by 2.0% compared with the same period the previous year to €868.1 million. The increase in revenues is a result of the higher allowed regulated net profit, higher revenues realized by EGI and the recovery of the pre-FID development costs for the interconnection between UK and Belgium from Nemo Link. These increases were largely compensated by lower costs, mainly for ancillary services, financing and taxes, which are all being passed through into revenues. As noted above, the tariff structure applicable since 2016 has changed compared to last year and is now more "service driven".

(in million EUR)	2016	2015	Difference (%)
Revenues according to old tariff mechanism	(1.3)	792.6	n/a
Grid connection	40.8	42.1	(2.9%)
Management and development of grid infrastructure	476.8	0.0	n/a
Management of the electrical system	118.1	0.0	n/a
Compensation for imbalances	146.4	0.0	n/a
Market integration	23.5	0.0	n/a
International revenue	38.9	67.6	(42.4%)
Other income (including EGI revenues)	105.8	85.3	24.0%
Subtotal revenues & other income	949.1	987.6	(3.9%)
Settlement mechanism: deviations from approved budget	(81.0)	(136.2)	n/a
Total revenues and other income	**868.1**	**851.4**	**2.0%**

In 2016 there was still a final invoicing of the 2015 revenues (according to the old tariff structure), amounting to a reduction of €1.3 million.

Grid connection revenues have not materially changed compared to the previous tariff structure. The revenues slightly decreased as a result of lower revenues from new grid connections with direct customers.

Costs incurred for planning, maintenance and the further development of the transmission grid in order to maintain the long-term capacity and to cope with reasonable demand for electricity transmission are paid within the management and development of the grid infrastructure revenues. Part of the regulated allowed net profit is also paid within these revenues.

The management of the electrical system revenues covers primarily the costs made for enabling a permanent balance between supply and demand of electricity, which includes the costs of congestion management, compensation for losses of energy and the management of the flows of electricity. Within these revenues, there is also a contribution to the regulated allowed net profit.

Services rendered in the context of energy management (incl. black start) and individual balancing of balancing groups are paid within the revenues for compensation of imbalances.

Finally, the last section of the tariff revenues encompasses the services Elia Transmission provides within the context of market integration. Besides the associated costs with performing this task, a final contribution to the regulated allowed net profit is included.

International revenue decreased by €28.7 million (down 42.4%), mainly due to reduced congestions on the borders resulting from the increased availability of Doel 3 and Tihange 2 compared to 2015.

Other income increased by 24.0% compared to the same period last year to €105.8 million. This came principally from EGI revenues, which have increased from €12.7 million to €19.7 million, and from the recovery of the pre-FID development costs for the interconnection between UK and Belgium from Nemo Link (€8.8 million).

The settlement mechanism (€81 million) encompasses both deviations in the current year from the budget approved by CREG (€66.0 million) and the settlement of old deficits and surpluses realised before 2016 (€15.0 million).The 2016 operational surplus compared to the budget is primarily a result of the higher tariff sales (€1.8 million), increased cross border revenues (€3.9 million), lower costs for ancillary services (€39.1 million), lower financial charges (€16.0 million) and lower tax charges resulting from tax credit on R&D investments (€13.6 million). This was partly offset by a higher regulated net profit compared to budget (€8.9 million).

The EBITDA (up 7.8%) and EBIT (up 0.7%) are mainly impacted by increased regulated net profit, higher depreciations, lower financing costs and lower current taxes to be passed on in the tariffs.
The higher regulated net profit can mainly be explained by important positive regulatory settlement of prior years linked to the good management and positive outcome of the tax claim (€5.9 million) and a tax efficiency realized for 2015 through a R&D tax credit (€2.4 million). Finally a one-off negative impact of €3.1 million was recorded following the reversal of a prior year adjustment on inventories not covered via tariffs.

Net finance costs (down 10.7%) fell by €9.9 million compared with 2015, mainly as a result of the pre-refinancing transaction in late 2015 for a € 500 million bond reaching maturity in April 2016. Following the strong interest of investors and the lower market interest rates, the coupon of 1.375% was lower than the matured Eurobond, leading to a lower interest charge on a yearly basis. The lower lending costs are entirely at the benefit of the consumers in accordance with the regulatory framework.

The net profit increased by 13.3% from €92.2 million in 2015 to €104.5 million in 2016 mainly due to the following items:

1. Increase in the fair remuneration(up €11.4 million):
   The decrease in the OLO was more than compensated by the increased beta and the newly applied illiquidity premium resulting in a fair remuneration of €36.1 million;
2. Decrease in the incentives realised (down €24.5 million):
   Comparing the old incentives (€47.8 million), including the offsetting in tariffs of the decommissioning of obsolete fixed assets, to the new incentives (€23.3 million) there is a decrease of €24.5 million;
3. Newly introduced mark-up for strategic investments, which was fully realized in 2016, accounts for €21.6 million;
4. Increase in the customer contributions for specific investments (up €8.1 million);
5. Greater damage to electrical installations (down € 3.1 million);
6. Movement in pension provision (down €4.5 million);
7. Increase in the net profit of EGI (up €1.4 million);

Total assets reduced by 3.6% to €5,463.6 million as a result of the payback of a Eurobond which came to maturity in April 2016 and which was pre-refinanced at the end of 2015, partly compensated by the CAPEX realised.

The net financial debt decreased slightly to €2,557.3 million (down 1.0%). The sizeable CAPEX program could be fully financed through internal resources, partly thanks to the final settlement of the fiscal claim resulting in a cash inflow of €146.5 million (we refer to note 7.8).

The equity increased mainly as a result of the reservation of the 2016 profit and payment of dividends for 2015.

4.3. 50Hertz Transmission (Germany)

The table hereafter shows the 2016 consolidated results of 50Hertz Transmission's transmission system operator activities in Germany:

50Hertz Transmission key figures (in millions EUR) - Year ended 31 December *	**2016**	**2015**	**Difference (%)**
Total revenues and other income	1,291.2	1,495.6	(13.7%)
Depreciation, amortization, impairment and changes in provisions	(139.1)	(87.9)	58.2%
EBIT	237.2	305.4	(22.3%)
EBITDA	376.3	393.3	(4.3%)
Finance income	1.8	2.2	(18.2%)
Finance costs	(57.1)	(21.1)	170.6%
Income tax expense	(56.3)	(89.3)	(37.0%)
Profit attributable to the Owners of the Company	125.6	197.3	(36.3%)
Consolidated statement of financial position (in million EUR)	**31 December 2016**	**31 December 2015**	**Difference (%)**
Total assets	5,663.6	4,958.4	14.2%
Capital expenditures	737.3	902.0	(18.3%)
Net financial debt	1,623.5	915.6	n.r.

* 60% of the profit attributable to the owners of the Company is included in the Share of profit of equity accounted investees (net of income tax) of the Group.

50Hertz Transmission's revenue was down with 13.7% compared with the same period last year. This decrease is a result of lower costs to be recovered primarily following a large drop in the energy costs, mainly linked to redispatch measures, which was partly compensated by higher costs for investments. Total revenues are detailed in the table below.

Total revenues and other income (in million EUR)	**2016**	**2015**	**Difference (%)**
Vertical grid revenues	944.3	769.7	22.7%
Horizontal grid revenues	167.2	123.3	35.6%
Ancillary services revenues	99.5	190.2	(47.7%)
Other revenues	64.9	61.9	4.8%
Subtotal revenue and other income	**1,275.9**	**1,145.1**	**11.4%**
Settlement mechanism: deviations from approved budget	15.3	350.5	n.r.
Total revenues and other income	**1,291.2**	**1,495.6**	**13.7%**

Vertical grid revenue (tariffs end customers) increased by €174.6 million (up 22.7%) primarily as a result of the increase in the total allowed revenues by the regulator. The allowed non controllable costs to be passed on in the tariffs, which are updated each year, were impacted by higher cost covering of energy costs and lower settlement of old tariff surpluses. Furthermore, following the ongoing investment programme, there is an increased allowed cost recovery for investments.

Horizontal grid revenue (tariffs to TSOs) increased (up 35.6%) compared to 2015 due to higher offshore investments. In Germany all offshore connection investment costs are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs. Due to the increasing offshore investments, which in 2016 related mainly to the offshore grid connection of Ostwind 1 and Kriegers Flak

Combined Grid Solution, the cost recovery charged horizontally to the other TSOs is rising and thus impacting the horizontal revenues.

Ancillary services revenues decreased by 47.7% following a decrease in redispatch measures taken and lower balancing group revenues compared to 2015.

The settlement mechanism includes on the one hand the annual offsetting of deficits and surpluses arising accounted for before 2016 (€95.8 million) and on the other the net surplus realized in 2016 between the costs allowed to be passed on in the tariffs and the actual costs (- €80.5 million). The operational surplus in 2016 results principally from the lower real energy costs as a result of favourable weather conditions and preventative grid measures.

The important decrease in the EBITDA (down 4.3%) and EBIT (down 22.3%) is mainly a result of substantial one-off effects in 2015. These one-off effects are the result of the important maintenance works that were carried out in 2016, due amongst others things to the substantial damage to the electrical installations caused by major storms back in 2015. These increased maintenance activities caused productivity pressure in 2016. Furthermore, following the substantial investment programme, the personnel base grew, leading to higher personnel costs (up by €11.5 million). Finally, following the commissioning of the offshore Baltic 2 cable in late 2016, the EBIT was impacted by increased depreciation (up €44.4 million).

Following the important debt capital market transactions that were closed in November 2015 and April 2016 for a total amount of €1,640 million, the net finance costs increased in 2016 by €36.4 million to €55.4 million.

Given the change in the profit before taxes, the income tax expense has decreased by 37.0% to €56.3 million.

The decrease in the net profit (down 36.3%) is mainly a result of:

- increased cost recovery for onshore investments (up €15.5 million);
- increased cost recovery for offshore investments (up €79.1 million);
- increased OPEX (down €60.3 million);
- increased depreciation (down €44.4 million);
- increased net finance costs (down €36.4 million);
- decreased taxes (up €16.5 million).

Total assets rose by 14.2% to €5,663.6 million following the investments made. Those investments also resulted in a negative free cash flow, amounting to the €593.3 million.

Consequently the net financial debt – a result of the realisation of the investment volume realized – increased to €1,623.5 million at the end of 2016. The net debt includes an EEG cash position of €591.2 million.

The equity of 50Hertz Transmission increased by 1.6% mainly as a result of the reservation of current year's result and the dividend distribution of €99.3 million over 2015.

4.4. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in millions EUR) – Year ended per 31 December	2016 Elia Transmission (Belgium) (a)	2016 50Hertz Transmission (Germany) (b)	2016 Consolidation entries & intersegment transactions (c)	2016 Elia Group (a) + (b) + (c)
Total revenues and other income	868.1	1,291.2	(1,291.2)	868.1
Depreciation, amortization, impairment and changes in provisions	(130.0)	(139.1)	139.1	(130.0)
Results from operating activities	216.6	237.2	(237.2)	216.6
Share of profit of equity-accounted investees, net of tax	3.1	0.0	75.3	78.4
EBIT	219.6	237.2	(161.8)	295.0
EBITDA	349.6	376.3	(300.9)	425.0
Finance income	7.0	1.8	(1.8)	7.0
Finance costs	(89.9)	(57.1)	57.1	(89.9)
Income tax expense	(32.0)	(56.3)	56.3	(32.0)
Profit attributable to the Owners of the Company	**104.5**	**125.6**	**(50.2)**	**179.9**

Consolidated statement of financial position (in million EUR)	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Total assets	5,463.6	5,663.6	(4,885.6)	6,241.6
Capital expenditures	406.9	737.3	(737.3)	406.9
Net financial debt	2,557.3	1,623.5	(1,623.5)	2,557.3

Consolidated results (in millions EUR) - Year ended per 31 December	2015 Elia Transmission (Belgium) (a)	2015 50Hertz Transmission (Germany) (b)	2015 Consolidation entries & intersegment transactions (c)	2015 Elia Group (a)+(b)+(c)
Total revenues and other income	851.4	1,495.6	(1,495.6)	851.4
Depreciation, amortization, impairment and changes in provisions	(106.4)	(87.9)	87.9	(106.4)
Results from operating activities	213.2	305.4	(305.4)	213.2
Share of profit of equity-accounted investees, net of tax	4.8	0.0	118.4	123.2
EBIT	218.0	305.4	(187.0)	336.4
EBITDA	324.4	393.3	(274.9)	442.8
Finance income	10.6	2.2	(2.2)	10.6
Finance costs	(103.4)	(21.1)	21.1	(103.4)
Income tax expense	(32.9)	(89.3)	89.3	(32.9)
Profit attributable to the Owners of the Company	**92.2**	**197.3**	**(78.9)**	**210.6**

Consolidated statement of financial position (in million EUR)	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Total assets	5,669.7	4,958.4	(4,192.5)	6,435.6
Capital expenditures	343.0	902.0	(902.0)	343.0
Net financial debt	2,583.4	915.6	(915.6)	2,583.4

There are no significant intersegment transactions.

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

5. Equity-accounted investees

5.1. Joint ventures

Eurogrid International CVBA is a joint venture of the Group. The Company has been established by the Group together with IFM Investors (UK) Ltd to acquire 50Hertz Transmission GmbH, one of the four German transmission system operators. The Group has a stake of 60% in the joint venture. Eurogrid International is a private entity that is not listed on any public exchange.

Eurogrid International and its subsidiaries (see Note 8.5) form together the segment 50Hertz Transmission (Germany), see Note 4.3.).

A capital decrease by € 12 million took place in Eurogrid International in 2016, resulting in proceeds for the Elia Group of €7.2 million.

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

(in million EUR)	2016	2015
Percentage ownership interest	**60.00%**	**60.00%**
Non current assets	4,238.6	3,630.5
Current assets	1,425.1	1,327.9
Non current liabilities	3,188.7	2,284.9
Current liabilities	1,178.6	1,397.1
Equity	1,296.4	1,276.3
Group's carrying amount of the interest	**777.8**	**765.8**
Revenues and other income	1,291.2	1,495.6
Depreciation and amortisation	(138.3)	(93.9)
Net finance result	(55.4)	(18.9)
Profit before income tax	181.9	286.7
Income tax expense	(56.3)	(89.3)
Profit of the year	125.6	197.4
Total comprehensive income for the year	125.6	197.4
Group's share of profit of the year	**75.4**	**118.4**
Dividends received by the Group	55.6	53.7

Since February 2015, Elia and National Grid have a joint venture, Nemo Link Limited, in place for the construction of an interconnector between Belgium and the UK. This project will consist of subsea and underground cables connected to a converter station and an electricity substation in each country, which will allow electricity to flow in either direction between the two countries and will give UK and Belgium improved reliability and access to electricity and sustainable generation. Both companies have an equal ownership percentage. The figures of this joint venture are incorporated in the Belgian segment (see Note 4.2). In 2016 Elia injected €25.8 million in capital of Nemo Link Limited.

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

(in million EUR)	2016	2015
Percentage ownership interest	**50.0%**	**50.0%**
Non current assets	242.4	95.6
Current assets	29.2	29.2
Non current liabilities	111.6	31.3
Current liabilities	85.0	72.9
Equity	74.9	20.6
Group's carrying amount of the interest	**37.5**	**10.3**
Revenues and other income	0.0	0.0
Depreciation and amortisation	0.0	0.0
Net finance result	(0.2)	0.2
Profit before income tax	(0.3)	0.1
Income tax	3.0	0.0
Profit of the year	2.7	0.1
Total comprehensive income for the year	2.7	0.1
Group's share of profit of the year	**1.4**	**0.1**
Dividends received by the Group	0.0	0.0

5.2. Associates

The Group has 3 associates, all of which are equity-accounted investees.

The Group has an interest of 19.6% in Ampacimon NV/SA, which is a Belgian company active in developing innovative monitoring systems which are put at the disposal of TSO's and DSO's (Distribution System Operators), in order for them to be able to anticipate more quickly on changes in energy demands and offer. The Board of Directors of Ampacimon consists of 4 members, 1 of which is a representative of the Group. Therefore the Group continues to have a significant influence and Ampacimon is accounted for using the equity method.

The Group has an interest of 21.7% in Coreso NV/SA, a company which provides coordination services for facilitating the secure operations of the high-voltage electricity system in 7 countries.

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

In 2016 the Group received a dividend of € 1.7 million from HGRT (€0.7 million in 2015).

None of these companies are listed on any public exchange.

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

(in million EUR)	**Ampacimon**		**Coreso**		**HGRT**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Percentage ownership interest	**19.6%**	**19.6%**	**21.7%**	**26.0%**	**17.0%**	**17.0%**
Non current assets	0.0	0.0	2.3	1.5	93.4	94.4
Current assets	4.8	1.4	2.3	2.2	1.5	3.7
Non current liabilities	0.1	0.1	0.0	0.0	0.0	0.0
Current liabilities	1.9	0.4	2.5	1.7	0.0	0.7
Equity	2.8	0.9	2.2	2.0	94.9	97.5
Group's carrying amount of the interest	**0.5**	**0.2**	**0.5**	**0.5**	**16.1**	**16.6**
Revenues and other income	1.2	1.1	9.2	8.4	0.0	0.0
Profit before income tax	2.1	0.2	0.4	0.4	8.1	29.8
Income tax expense	(0.1)	(0.0)	(0.2)	(0.2)	(0.5)	(0.5)
Profit of the year	1.9	0.2	0.2	0.2	7.6	29.3
Total comprehensive income for the year	1.9	0.2	0.2	0.2	7.6	29.3
Group's share of profit of the year	**0.4**	**0.0**	**0.0**	**0.1**	**1.3**	**4.8**

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

6.1. Revenue

(in million EUR)	2016	2015
Revenue	785.1	773.3
Transfers of assets from customers	15.1	6.8
Total revenue	**800.1**	**780.1**

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

6.2. Other income

(in million EUR)	2016	2015
Services and technical expertise	5.7	2.8
Own production	19.2	18.8
Optimal use of assets	14.4	14.7
Other	28.5	34.0
Gain on sale PPE	0.2	1.0
Other operating income	**68.0**	**71.3**

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 and dark fibres to several telecom operators as supporting structure for their mobile network .

The section 'Other' mainly consists of recoverable amounts of claims paid by insurance companies and services to associated companies accounted for using the equity method.

6.3. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2016	2015
Raw materials, consumables and goods for resale	18.8	15.5
Purchase of ancillary services	133.2	145.3
Services and other goods (excl. purchase of ancillary services)	203.5	201.2
Total	**355.4**	**361.9**

The increase in raw materials, consumables and goods for resale is primarily attributable to the incurred costs from the major ongoing construction work and the fulfilment of planned milestones within EGI GmbH main projects.

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 decrease in the purchase of ancillary services is mainly a result of very favorable market conditions (price of gaz was historically low in 2016).

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

PERSONNEL EXPENSES

(in million EUR)	2016	2015
Salaries and wages	94.2	92.3
Social security contributions	25.1	26.0
Pension costs	12.7	6.0
Other personnel expenses	7.9	12.2
Share based payment	1.0	0.1
Employee benefits (excl. pensions)	3.0	1.1
Total	**143.9**	**137.6**

In December 2016 Elia Group gave its employees in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase. The capital increase resulted in the creation of 140,919 additional shares without nominal value. The employees are granted a 16.66% reduction on the quoted share price, for a total amount of €1 million.

Elia Group counts 1.268,5 FTE's as at 31 December 2016 versus 1,241.2 FTE's per end of 2015, which represents an increase by 2.2%.

For more information regarding pension costs and employee benefits, see Note 7.12 Employee Benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million EUR)	2016	2015
Amortisation of intangible assets	8.5	7.6
Depreciation of property, plant and equipment	115.9	106.3
Total depreciation & amortisation	**124.4**	**113.8**
Impairment of inventories and trade receivables	0.3	0.4
Total impairment	**0.3**	**0.4**
Other provisions	2.9	(4.6)
Environmental provisions	2.4	(3.2)
Changes in provisions	**5.3**	**(7.8)**
Total	130.0	106.4

The amount of impairment on trade receivables is explained in Note 8.2 "Financial risk and derivative management".

A detailed description is provided in other sections for Intangible assets (see Note 7.2), Property plant and equipment (see Note 7.1) and Provisions (see Note 7.13).

OTHER EXPENSES

(in million EUR)	2016	2015
Taxes other than income tax	12.9	15.8
Loss on disposal/sale of property, plant and equipment	9.1	16.2
Impairment on receivables	0.2	0.2
Other operating expenses	**22.2**	**32.2**

Taxes other than income tax mainly consist of property taxes. In 2015 an amount of €2.6 million was included for taxes on pylons. Due to a change in regulations, taxes on pylons are considered as levies instead of taxes as of 2016. As a consequence, the amount of €3.6 million in 2016 is booked as levies and will be recovered accordingly.

6.4. Net finance costs

(in million EUR)	2016	2015
Finance income	**7.0**	**10.6**
Interest income on investment trust, bank deposits, cash and cash equivalents	1.6	0.6
Other financial income	5.4	9.9
Finance costs	**(89.9)**	**(103.4)**
Interest expense on eurobonds and other bank borrowings*	(76.4)	(90.6)
Interest expense on derivatives	(9.2)	(8.7)
Other financial costs*	(4.2)	(4.0)
Exchange losses	(0.1)	(0.1)
Net finance costs	**(82.8)**	**(92.8)**

*The amount of interests allocated to fixed assets as borrowing cost (€8.8 million in 2016, and €8.5 million in 2015) are presented in the section "Interest expense on eurobonds and other bank borrowings", previously presented under "Other financial cost".

Interest income on investment trust, bank deposits, cash and cash equivalents contains €1.5 million relating to a loan agreement between Elia System Operator and Nemo Link Ltd. See note 7.4.

Other financial income mainly consists of the additional moratorium interests related to the tax claim for the period 1 January 2016 until the date of the settlement advice received from the fiscal authorities (i.e. end of February 2016) (we refer to Note 7.8 below).

The interest expenses on Eurobonds and other bank borrowings decreased as a result of the reimbursement of a Eurobond of €500.0 million which expired in April 2016 and the reimbursement of the loan provided by the European Investment bank which matured in June 2016 amounting to €40 million. We refer to Notes 4.2 and 8.2.

For more details on net debt and loans, see Note 7.11.

6.5. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million EUR)	2016	2015
Current year	15.4	17.3
Adjustments for prior years	(2.9)	0.0
Total current income tax expenses	**12.5**	**17.3**
Origination & reversal of temporary differences	19.4	15.5
Total deferred taxes	**19.4**	**15.5**
Total income taxes recognised in profit and loss	**32.0**	**32.9**

The current income tax expenses decreased in 2016 compared to 2015 as a result of the application of the tax credit for research and development for a total amount of €5.6 million for 2016 and €2.9 million for 2015 for which the approval from the Belgian tax authority was obtained in 2016 (presented under "Adjustments for prior years").

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 EUR)	**2016**	**2015**
Profit before income tax	212.2	243.5
Income tax expense	**32.0**	**32.9**
Income tax using the domestic corporation tax rate	72.1	82.8
Domestic corporate income tax	33.99%	33.99%
Effect of the foreign tax rate	(0.1)	(0.2)
Share of profit of equity accounted investees, net of tax	(26.7)	(41.9)
Non-deductible expenses	2.4	3.2
Gain on disposal of shares	0.0	(1.6)
Adjustments prior years	(2.9)	0.0
Tax incentives (NID)	(18.0)	(17.0)
Tax credit R&D	(5.6)	0.0
Utilization of DTA on NID carried forward	8.2	5.0
Fairness tax	0.6	0.8
Other	1.9	1.8
Total income tax expense in profit or loss	**32.0**	**32.9**

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

Deferred income taxes are further discussed in Note 7.6.

6.6. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (€179.9 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	**2016**	**2015**
Issued ordinary shares on 1st of January	60,750,239	60,738,264
Impact of the shares issued in March 2015		9,285
Impact of the shares issued in December 2016	3,475	
Weighted average number of shares on 31st of December	**60,753,714**	**60,747,549**

DILUTED EPS

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

Diluted earnings per share are equal to basic earnings per share, since there are no share options, nor convertible bonds.

Share capital and reserves per share

Share capital and reserves per share totalled €41.4 per share on 31 December 2016, compared with a value of €39.7 per share at the end of 2015.

6.7. Other comprehensive income

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

Changes in fair value

(in million EUR)	**2016**	**2015**
Net changes in fair value of interest rate swaps	5.7	4.9
Recognised in:		
Hedging reserve	5.7	4.9

The decrease in market value of the Group's IRS (currently still 2 running) by € 8.7 million net of tax can mainly be explained by the decreasing period until maturity date.

The hedging reserve is discussed in detail in Note 8.2.

Remeasurements

The OCI amounts to € 3.0 million and comprises of the defined benefit plan actuarial gains and losses (including impact of reimbursement rights) (see also note 7.12). The lower OCI as compared to 2015 can mainly be explained by the lower discount rate.

7. Items of the consolidated statement of financial position

7.1. Property, plant and equipment

(in million EUR)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
ACQUISITION VALUE						
Balance at 1 January 2015	183.5	4,475.8	141.4	13.8	306.2	5,120.7
Additions	10.8	31.5	16.1	2.3	275.1	335.8
Disposals	(12.3)	(55.6)	(3.7)	(1.7)	(8.4)	(81.7)
Transfers from one heading to another	11.7	214.5	0.0	0.7	(226.8)	0.0
Balance at 31 December 2015	**193.6**	**4,666.2**	**153.8**	**15.0**	**346.2**	**5,374.8**
Balance at 1 January 2016	193.6	4,666.2	153.8	15.0	346.2	5,374.8
Additions	2.4	43.3	11.2	0.1	340.1	397.2
Disposals	(0.5)	(35.7)	(2.8)	(0.3)	(2.8)	(42.1)
Transfers from one heading to another	4.2	230.3	0.0	0.0	(234.6)	0.0
Balance at 31 December 2016	**199.8**	**4,904.2**	**162.2**	**14.8**	**448.9**	**5,729.9**
DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2015	(26.8)	(2,485.7)	(117.4)	(11.9)		(2,641.8)
Depreciation	(1.9)	(97.5)	(6.5)	(0.4)		(106.3)
Disposals	7.8	47.2	3.7	1.7		60.4
Transfers from one heading to another	0.0	0.6	0.0	(0.6)		0.0
Balance at 31 December 2015	**(20.8)**	**(2,535.5)**	**(120.2)**	**(11.1)**		**(2,687.7)**
Balance at 1 January 2016	(20.8)	(2,535.5)	(120.2)	(11.1)		(2,687.7)
Depreciation	(2.0)	(105.1)	(8.3)	(0.5)		(115.9)
Disposals	0.0	27.0	2.8	0.3		30.1
Balance at 31 December 2016	**(22.8)**	**(2,613.7)**	**(125.7)**	**(11.3)**		**(2,773.4)**
CARRYING AMOUNT						
Balance at 1 January 2015	156.7	1,990.1	24.0	1.9	306.2	2,478.9
Balance at 31 December 2015	172.8	2,130.6	33.6	3.9	346.2	2,687.2
Balance at 1 January 2016	172.8	2,130.6	33.6	3.9	346.2	2,687.2
Balance at 31 December 2016	177.0	2,290.5	36.5	3.5	448.9	2,956.5

A net amount of €397.2 million was invested in 2016 by Elia Transmission, mainly on upgrading the high-voltage stations and laying high-voltage cables. The largest investment in 2016 was for the Stevin project, where €133 million was invested, mainly in substations and power lines. Investments in Alegro (€26.5 million) and Brabo (€16.4 million) were also made in 2016.

During 2016, an amount of €8.5 million (€ 7.9 million in 2015) of borrowing costs have been capitalised on the 2016 acquisition of the assets using an average interest rate of 4.0% (4.044% in 2015).

Other liabilities relating to new investments are described in Note 8.3.

7.2. Intangible assets and goodwill

(in million EUR)	Goodwill	Development costs software	Licences / Concessions	Total
ACQUISITION VALUE				
Balance at 1 January 2015	1,707.8	74.5	2.1	1,784.4
Acquired, own construction capitalised	0.0	6.9	0.3	7.2
Balance at 31 December 2015	**1,707.8**	**81.4**	**2.4**	**1,791.6**
Balance at 1 January 2016	1,707.8	81.4	2.4	1,791.6
Acquired, own construction capitalised	0.0	8.8	0.9	9.7
Balance at 31 December 2016	**1,707.8**	**90.2**	**3.4**	**1,801.3**
DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2015	(0.0)	(47.7)	(1.7)	(49.4)
Amortisation	0.0	(7.4)	(0.2)	(7.6)
Balance at 31 December 2015	**(0.0)**	**(55.0)**	**(1.9)**	**(57.0)**
Balance at 1 January 2016	(0.0)	(55.0)	(1.9)	(57.0)
Amortisation	0.0	(8.2)	(0.3)	(8.5)
Balance at 31 December 2016	**(0.0)**	**(63.3)**	**(2.2)**	**(65.5)**
CARRYING AMOUNT				
Balance at 1 January 2015	1,707.8	26.8	0.4	1,735.0
Balance at 31 December 2015	1,707.8	26.4	0.5	1,734.6
Balance at 1 January 2016	1,707.8	26.4	0.5	1,734.6
Balance at 31 December 2016	1,707.8	26.9	1.1	1,735.8

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

During 2016, an amount of €0.1 million (€ 0.2 million in 2015) of borrowing costs have been capitalised on the 2016 acquisition of the assets using an average interest rate of 4.0% (4.044% in 2015).

The goodwill, which is allocated to the CGU Elia Transmission (Belgium), relates to the following business combinations:

(in million EUR)	2016	2015
Acquisition Elia Asset - 2002	1,700.1	1,700.1
Acquisition Elia Engineering - 2004	7.7	7.7
Total	1,707.8	1,707.8

IMPAIRMENT TEST FOR CASH-GENERATING 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 was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. 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 had unique resources in Belgium as Elia is the owner of the whole very-high-voltage network and is the owner (or has the right to use) of 94% of the high-voltage network, and hence only Elia is entitled to propose a development plan, and (iii) Elia had 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 was recognised as goodwill since the first adoption of IFRS in 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 is based on the following valuation methods and applying the following assumptions (according to the fair value less cost to sell methodology):

- discounting of future cash flows and using the "Regulated Asset Base" or "RAB" as the basis for the estimation of the terminal value;
- discounting of future dividends;
- comparison between the previously mentioned impairment methods and those used by some comparable West European listed companies, such as Red Electrica España, Enagas, Terna, Snam Rete Gas, National Grid and Fluxys;
- 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 2017-2026.

The key assumptions used for this valuation are

- tax rate of 34%;
- unlevered beta of 0.5
- market risk premium of 4.8%;
- perpetual growth rate of 1.0%.

In addition 3 different discounted cash flow (DCF) approaches were used:
1/ DCF based on a fixed WACC:
- Risk-free rate: 2.9%, based on the 10-year average of the Belgian 10Y government bonds;
- Levered beta is calculated based on the target debt ratio of 67%;
- Cost of equity: 8.5%;
- Cost of debt pre-tax: 3.15%;
- WACC: 4.2%.

2/ DCF based on a variable WACC:
- Variable cost of equity due to a variable levered beta (based on unlevered beta of 0.5 and the forecasted debt ratios) and a variable risk-free rate (0.6% in 2017, 0.8% in 2018 , 1.4% in 2019 and 1.7% for 2020 and the years thereafter);
- Variable cost of debt based on the yearly interest cost forecasts in the business plan (ranges between 2.4% and 3.3% in the period 2017-2026);
- WACC varies from 3.3% to 4.3%.

3/ Adjusted present value (APV) method:
- Based on an unlevered cost of equity of 5.3%.

The independent analysis did not result in the identification of an impairment of goodwill in 2016.

With regard to the assessment of the recoverable amount, management believes, based on the analysis of the external expert, and on the current knowledge, that no reasonably possible change in any of the above key assumptions would cause material impairment losses.

7.3. Other financial assets

(in million EUR)	2016	2015
Immediately claimable deposits	7.1	13.3
Available for sale assets	0.2	0.2
Reimbursement rights	58.1	59.9
Total	**65.4**	**73.4**

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.2.

The reimbursement rights are linked to the obligations for the retired employees falling under the interest scheme (Regime B - unfunded plan) on the one hand and medical plan liabilities and tariff benefits (for the entire retired population) on the other hand (see also Note 7.12 Employee benefits). The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for "Regime B" retired employees and the costs linked to healthcare and tariff benefits of the retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The decrease of the carrying value of this asset is disclosed in Note 7.12 Employee benefits.

7.4. Non-current trade and other receivables

(in million EUR)	2016	2015
Loans to joint ventures	63.0	15.4
Other	0.0	1.0
Total	**63.0**	**16.4**

As mentioned in Note 5.1, the Group has a 50% stake in the shares of Nemo Link Ltd. This company is financed by both shareholders through equity and loan. As a result, at 31 December a non-current receivable is outstanding on Nemo Link Ltd. amounting to €63.0 million. Of this €63.0 million, €54.1 million is accounted for as an unsecured loan instrument with a fixed interest rate of 4% and a maturity of 25 years after the commercial operations date of the interconnector (see note 6.4). The other part, €8.9 million, is a trade receivable on which both parties have agreed to extend the payment term to the moment Nemo Link becomes operational (not before 2019). As a consequence, the trade receivable classifies as a non-current receivable, and carries a fixed interest rate.

7.5. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	1.6	(32.9)	1.3	(25.7)
Intangible assets	0.1	(9.3)	0.0	(8.9)
Inventories	0.0	0.0	0.0	(1.0)
Interest-bearing loans and other non-current financial liabilities	1.7	0.0	4.5	0.0
Employee benefits	5.6	0.0	6.7	0.0
Other items	0.5	(6.9)	0.5	(7.0)
Notional interest deduction carried forward - previous accounting years	11.9		24.3	
Tax asset / liability before set off	**21.3**	**(49.2)**	**37.3**	**(42.5)**
Offsetting of tax	(20.4)	20.4	(35.5)	35.5
Net tax asset / (liability)	**0.8**	**(28.7)**	**1.7**	**(6.9)**

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

(in million EUR)	Opening balance	Recognised in profit or loss	Recognised in OCI	Closing Balance
2015				
Property, plant and equipment	(20.0)	(4.3)		(24.4)
Intangible assets	(9.0)	0.1		(8.9)
Inventories	(1.0)	0.1		(1.0)
Interest-bearing loans and other non-current financial liabilities	7.2	(0.3)	(2.5)	4.5
Employee benefits	11.9	(2.4)	(2.8)	6.7
Provisions	0.1	(0.0)		0.0
Other items	(5.3)	(1.2)	0.0	(6.5)
Notional interest deduction carried forward - previous accounting years	31.9	(7.6)		24.3
Total	**15.7**	**(15.5)**	**(5.3)**	**(5.1)**
2016				
Property, plant and equipment	(24.4)	(7.1)		(31.3)
Intangible assets	(8.9)	(0.3)		(9.2)
Inventories	(1.0)	1.0		0.0
Interest-bearing loans and other non-current financial liabilities	4.5	0.2	(2.9)	1.7
Employee benefits	6.7	(0.8)	(0.4)	5.6
Other items	(6.5)	(0.0)		(6.5)
Notional interest deduction carried forward - previous accounting years	24.3	(12.4)		11.9
Total	**(5.1)**	**(19.4)**	**(3.3)**	**(27.9)**

As of 2012 a deferred tax asset was recognized on the notional interest deduction reserve, as a result of the changes brought in the mechanism of the recuperation and changes to the regulatory framework.
The deferred tax asset on the notional interest deduction reserve further decreased by €12.4 million to €11.9 million. This significant reduction can be explained by the further decline in the notional interest deduction rate which results in the higher use of the reserve.
The pace at which the notional interest deduction reserve is used confirms management's initial judgement to recognize the deferred tax asset in 2012 and it is expected that the remaining reserve will be completely utilized by the end of 2017 – early 2018.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2016 there are no unrecognized deferred tax assets.

Within the Elia Group there is no formal policy in respect of dividend distributions by subsidiaries. The Elia Group joint ventures will not distribute its profits until it obtains the consent of all venture partners, in other words the Group controls the timing of reversal of the related taxable temporary differences and management is confident that they will not reverse in the foreseeable future.
Therefore a deferred tax liability relating to the Group investments in subsidiaries and joint ventures amounting to €3.3 million as at 31 December 2016 (€ 3.0 million in 2015) has not been recognised.

7.6. Inventories

(in million EUR)	2016	2015
Raw materials and consumables	37.0	38.2
Write-downs	(14.3)	(14.0)
Total	22.6	24.2

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. The level of inventories remained relatively stable compared to 2015.

Write-downs are recorded following the non-utilization of stock-items based on their underlying rotation. In 2016 the total amount of write-downs recognized in the profit or loss statement amounts to €0.3 million, compared to €0.4 million in 2015 (see Note 6.3).

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

(in million EUR)	2016	2015
Construction contracts in progress	4.2	2.5
Trade and other receivables and advance payments	221.7	205.6
Levies	139.9	102.1
VAT and other taxes	6.8	9.4
Other	7.0	6.5
Deferred charges and accrued revenues	6.1	4.2
Other	385.7	330.3

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

Construction contracts in progress increased with €1.7 million to €4.2 million, which is a result of the increase of business in EGI.

The increase in levies is mainly due to:

- higher outstanding balance of green certificates of the Walloon region (increase from € 40.7 million to € 91.7 million). This increase is due to the a rise of green certificates purchased by the Elia Group in the last year, compared to a stable "Walloon green certificates" levy which Elia applies to recover these purchases;
- partially compensated by a lower outstanding amount of levy to cover the costs for the Strategic Reserve (decrease from € 21.4 million to € 2.4 million);

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.2.

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

(in million EUR)	2016	2015
Not past due	200.4	203.1
Past due 0-30 days	10.0	(3.1)
Past due 31-60 days	3.8	0.7
Past due 61 - one year	5.7	3.3
More than one year	1.6	1.2
Total (excl. impairment)	**221.5**	**205.3**
Doubtful amounts	1.3	1.6
Amounts write-offs	(1.1)	(1.3)
Total	221.7	205.6

7.8. Current tax assets

(in million EUR)	2016	2015
Tax receivables	2.8	148.0
Total	2.8	148.0

The tax receivables decreased significantly in 2016 compared to 2015 as a result of the final settlement and reimbursement of the outstanding fiscal claim (€93.8 million) and moratorium interests (€52.7 million) by the tax authorities.

In the tax assessment dated from 2008, the tax administration considered the tariff surpluses at year end 2004 as taxable revenues. Elia could not agree with this position and filed a judicial claim against this tax assessment. In December 2011, the Brussels Court of First Instance ruled in favour of Elia, but the tax administration lodged an appeal in February 2012, suspending the effects of the Court of First Instance's judgment. The appeal decision was published on 12 November 2015, confirming the decision of the Court of First Instance. As the Belgian Tax authorities did not file within the required time frame an appeal before the Belgian Supreme Court, the decision of the Court of Appeal is final. As a consequence of this judgement, the tax authorities reimbursed in 2016 the amount of €93.8 million, increased with moratorium interests of €54.8 million.

7.9. Cash and cash equivalents

(in million EUR)	2016	2015
Call deposits	22.5	226.3
Balance at bank	154.1	400.1
Total	**176.6**	**626.4**

The decrease of cash and cash equivalents is mainly due to the reimbursement of the Eurobond in April 2016 for an amount of €500 million.

Short-term deposits are invested for periods that vary from a few days and a few weeks to several months (generally 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 0.00% to 0.26%.

Bank-account balances earn or pay 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 8.2.

7.10. Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2016	2015
Outstanding on 1 January	60,750,239	60,738,264
Issued against cash payment	140,919	11,975
Number of shares (end of period)	**60,891,158**	**60,750,239**

The extraordinary shareholder meeting of May 17 2016 decided to execute a capital increase (in two steps/periods: one in 2016 for maximum €5.3 million and one in 2017 for maximum €0.7 million) for a total maximum amount of €6.0 million for its Belgian employees.

In December 2016 the Elia Group gave its employees in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase (tax and non-tax tranches) which resulted in a €4.4 million increase (including the cost for the capital increase amounting to €0.9 million) in the share capital and simultaneously in a €1.8 million increase of share premium; the number of shares outstanding rose by 140,919 shares without nominal value.

The second tranche of this capital increase (tax tranche) for her Belgian employees took place in March 2017 for an amount of €0.4 million.

RESERVES

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

Within the previous tariff mechanism for period 2012-2015, Elia had to reserve in shareholders' equity the realised surplus passed on the tariffs as a result of decommissioning fixed assets (decrease in Regulated Asset Base). For the year 2015, this amounted to €34.2 million. The General Meeting of 17 May 2016 decided to include that amount in the legal reserve.

As at 31 December 2016 the Group's legal reserve amounts to €173.0 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 Company, including the profit of the financial year ended 31 December 2016. 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 reporting date, the Board of Directors put forward the dividend proposal indicated hereafter.

Dividend	2016	2015
Per ordinary share entitled to dividend	1.58	1.55

At the General Meeting of Shareholders on 17 May 2016, the Board of Directors proposed payment of a gross dividend of €1.55 per share, which yields a net dividend of €1.1315 per share, yielding a total amount of €94.2 million.

The Board of Directors' meeting of 23 February 2017 proposed a gross dividend of €1.58 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 16 May 2017 and is not included as a liability in the consolidated financial statements of the Group.

The total dividend, calculated on the number of shares outstanding on 23 February 2017, corresponds to a total of €96.2 million.

7.11. Interest-bearing loans and borrowings

(in million EUR)	2016	2015
Non-current borrowings	2,586.4	2,605.4
Subtotal non-current borrowings	**2,586.4**	**2,605.4**
Current borrowings	100.0	539.9
Accrued interests	47.5	64.4
Subtotal current loans and borrowings	**147.5**	**604.3**
Total	2,733.9	3,209.7

See note 6.4 for an explanation of the decrease in current borrowings.

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

(in million EUR)	Maturity	Amount	Interest rate before hedging	Interest rate after hedging	Current proportion - fixed	Current proportion - variable
Shareholders loan	2022	495.8	1.07%	2.91%	40.34%	59.66%
Eurobond issues 2004 / 15 years	2019	499.6	5.25%	5.25%	100.00%	0.00%
Eurobond issues 2013 / 15 years	2028	547.1	3.25%	3.25%	100.00%	0.00%
Eurobond issues 2013 / 20 years	2033	199.3	3.50%	3.50%	100.00%	0.00%
Eurobond issues 2014 / 15 years	2029	346.3	3.00%	3.00%	100.00%	0.00%
Eurobond issues 2015 / 8.5 years	2024	498.2	1.38%	1.38%	100.00%	0.00%
European Investment Bank	2017	20.0	4.79%	4.79%	100.00%	0.00%
Dematerialised treasury notes	2017	78.0	(0.12%)	(0.12%)	100.00%	0.00%
Straight loan EGI	2017	2.0	0.75%	0.75%	100.00%	0.00%
Total		2,686.3			88.99%	11.01%

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

(in million EUR)	Face value	Less than 1 year	1 - 2 years	3 - 5 years	More than 5 years
Shareholders Loan	495.8				495.8
Eurobond issues	2,100.0			500.0	1,600.0
European Investment Bank	20.0	20.0			
Commercial Paper	78.0	78.0			
Straight Loan EGI	2.0	2.0			
Total	2,695.8	100.0	0.0	500.0	2,095.8

The following covenants are required for the Eurobonds issued under the €3 billion EMTN programme and the back-up facilities:

(i) The company will not grant any security interest (a security interest means any mortgage, charge, pledge, lien or other form of encumbrance or security interest. A personal guarantee or suretyship does not constitute a "security interest") to secure any relevant debt of any person or to secure any guarantee of or indemnity in respect of any relevant debt of any person.

(ii) The Company shall procure that none of its material subsidiaries will grant any security interest to secure any relevant debt of any person or to secure any guarantee of or indemnity in respect of any relevant debt of any person.

(iii) The Company will and shall procure that its material subsidiaries will procure that no other person grants any security interest to secure any of the company's or any of its material subsidiaries relevant debt or to secure any guarantee of or indemnity in respect of any of the Issuer's or any of its material subsidiaries' relevant debt.

(iv) The Company keeps at least a participation of 75% in Elia Asset SA/NV.

(v) The Company keeps her license as transmission grid operator.

7.12. Employee benefits

DEFINED CONTRIBUTION PLANS

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

Below we briefly describe both defined contribution plans:

- **Enerbel**
  This scheme is intended for salaried employees hired after 1 June 2002.
  The employee contribution is a step rate formula equal to 0.875% of the portion of the salary below a ceiling plus 2.625% of the portion of the salary above this ceiling. This contribution is deducted monthly from the salary of the affiliates.
  The employer contribution is equal to 3 times the employee contribution.

- **Powerbel**
  This scheme is intended for managers hired as of 1 May 1999, and for those who asked to be transferred to this scheme when given the opportunity in 2007.
  The employee contribution is a step rate formula equal to 0.6% of the portion of the salary below a ceiling plus 4.6% of the portion of the salary above this ceiling. This contribution is deducted monthly from the salary of the affiliates.
  The employer contribution is equal to 4 times the employee contribution.

The new law on occupational pension plans, published end of 2015, made some changes on the return to be guaranteed on defined contribution plans. For payments made after 1 January 2016, the law requires the employers to guarantee an average annual return over the career of at least 1.75%, with a cap at 3.75% [the yield is determined on an annual basis based on 65% of the 10-year OLO yield averaged on the 1st of June over the preceding 24 months with a minimum of 1.75% and a maximum of 3.75%].

For insured plans the minimum guaranteed return until 31 December 2015 still needs to equal to at least 3.25% for the employer's contributions and 3.75% for employees' contributions, with any deficit being covered by the employer.

As a result of the above change and as mentioned in the accounting policies all defined-contribution pension plans under the Belgian pension legislation, are classified as defined-benefit plan for accounting purposes due to the legal minimum return to be guaranteed by the employer, which represent a plan amendment.

As the Belgian contribution based promises are not back-loaded, the DBO was determined following the Projected Unit Credit-method (PUC) without projection of future contributions. Until end of 2015 the intrinsic value method was used. The fair value of assets equals for each plan the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).

The guaranteed return for 2016 amounts to 1.75% and is applied in accordance with the vertical method to all paid contributions to the pension funds and to the insurers (branch 21 products).

In 2016 it was decided to offer the possibility to the affiliates of the DC plans to transfer the acquired reserves guaranteed by the insurers to the pension funds under the form of a "cash balance – best off" plan with a minimum guaranteed return of 3.25%. The reserves of all salary scale employees have been transferred to the pension funds, following a collective labour agreement and a vast majority of the reserves of the management staff have individually opted to transfer their reserves as well. We further refer to the below chapter "Defined Benefit plans".

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

The expenses related to these plans were €4.8 million in 2016 and €4.06 million in 2015.

DEFINED BENEFIT PLANS

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 is granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). 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.

As mentioned above the Group has transferred the acquired reserves guaranteed by the insurers to "Cash balance – best off" plans since 2016. The main objective of these plans is to guarantee towards every affiliate a minimum guaranteed return of 3.25% on the acquired reserves until the pension age. As this guarantee is an obligation of the employer these plans represent defined benefit plans.

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 and in accordance with IAS 19 these post-employment benefits are classified as defined benefit plans.

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

(in million EUR)	**2016**	**2015**
Defined benefit plans	12.1	21.0
Post-employment benefits other than pensions	63.0	59.1
Total provisions for employee benefits	75.1	80.0

In the following tables details are 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	
	2016	2015	2016	2015
Present value of funded defined benefit obligation	(192.1)	(160.6)	(63.6)	(59.7)
Fair value of plan assets	179.9	139.7	0.6	0.7
Net employee benefit liability	(12.1)	(21.0)	(63.0)	(59.1)

Movement in the present value of the defined benefit obligation (in million EUR)	Pensions		Other	
	2016	2015	2016	2015
At the beginning of the period	**(160.6)**	**(176.3)**	**(59,7)**	**(63.5)**
Current service cost	(10.2)	(3.5)	(1,7)	(1.8)
Interest cost/income	(3.3)	(2.6)	(1,3)	(1.2)
Contributions from plan participants	0.7	(0.5)	0,0	0.0
Cost of early retirement	(0.3)	(0.9)	0,0	0.0
Includes remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
• Changes in demographic assumptions	0.0	2.1	0,0	(0.5)
• Changes in financial assumptions	(14.6)	4.0	(3,3)	1.8
• Changes from experience adjustments	8.1	4.8	(0,3)	2.7
Past service cost	(2.6)	(0.6)	0,0	0.0
Payments from the plan	16.4	12.8	2,8	2.7
Settlements	0.0	0.0	(0.1)	0.0
Transfers	(25.8)	0.0	0.0	0.0
At the end of the period	(192.1)	(160.6)	(63.6)	(59.7)

Movements in the fair value of the plan assets (in million EUR)	Pensions		Other	
	2016	2015	2016	2015
At the beginning of the period	**139.7**	**129.9**	**0.7**	**0.7**
Interest income	2.9	2.1	0.0	0.0
Remeasurement gains/ losses in OCI arising from				
Return of plan assets (excluding amounts included interest)	8.7	4.1	(0.0)	(0.1)
Contributions from employer	17.5	15.9	2.8	2.7
Contributions from plan participants	1.8	0.5	0.0	0.0
Benefit payments	(16.4)	(12.8)	(2.8)	(2.7)
Transfers	25.8	0.0	0.0	0.0
At the end of the period	179.9	139.7	0.6	0.7
Actual return on plan assets	11.6	6.2	(0.0)	(0.0)

Amounts recognized in comprehensive income (in million EUR)	Pensions		Other	
	2016	2015	2016	2015
Service cost				
Current service cost	(9.5)	(4.1)	(1.7)	(1.8)
Cost of early retirement	(0.3)	(0.9)	0.0	0.0
Past service cost	(2.6)	(0.6)	0.0	0.0
Settlements	0.0		(0.1)	
Actuarial gains/(losses) on defined benefit obligation	0.0	0.0	0.0	1.8
Net interest on the net defined benefit liability/(asset)				
Interest cost on defined benefit obligation	(3.3)	(2.6)	(1.3)	(1.2)
Interest income on plan assets	2.9	2.1	0.0	0.0
Other	0.0		0.0	
Defined benefit costs recognized in profit or loss	(12.7)	(6.0)	(3.0)	(1.1)
Actuarial gains(losses) on defined obligation arising from				
1/ Changes in demographic assumptions	0.0	2.1	0.0	(0.1)
2/ Changes in financial assumptions	(14.6)	4.0	(2.8)	1.3
3/ Changes from experience adjustments	8.1	4.8	(0.8)	1.0
Return on plan assets (excluding interest income on plan assets)	8.7	4.1	0.0	0.0
Remeasurements of net defined benefit(liability)/asset recognized in Other Comprehensive Income (OCI)	2.2	15.1	(3.6)	2.2
Total	(10.5)	9.0	(6.7)	1.0

(in million EUR)	2016	2015
Breakdown of defined benefit obligation by type of plan participants	(255.7)	(220.4)
Active plan participants	(177.7)	(148.8)
Terminated plan participants with def. benefit entitlements	(5.6)	(5.3)
Retired plan participants and beneficiaries	(72.4)	(66.3)
Breakdown of defined benefit obligation by type of benefits	(255.7)	(220.4)
Retirement and death benefits	(192.1)	(160.6)
Other post-employment benefits (medical and tariff reductions)	(44.1)	(40.7)
Seniority payments	(19.5)	(19.0)

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%t1 + b%t2) 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 and take into consideration expected changes in mortality. The Group calculates the net interest on the net defined benefit liability (asset) using the same high quality bond discount rate (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.

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:

Fair value of the plan assets per major category	2016	2015
Investments quoted in an active market	**88.10%**	**78.29%**
Shares – Eurozone	20.49%	16.24%
Shares - outside Eurozone	25.23%	13.19%
Government bonds - Eurozone	1.48%	5.51%
Other bonds – Eurozone	21.83%	34.41%
Other bonds - outside Eurozone	19.07%	8.94%
Unquoted investments	**11.90%**	**21.71%**
Qualifying insurance contracts	0.62%	2.32%
Property	4.70%	3.94%
Cash and cash equivalents	0.12%	2.42%
Other	6.45%	13.03%
Total (in %)	100.00%	100.00%

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.

As previously stated, during 2016 the group insurance reserve of the personal contracts in Contassur related to Elgabel (all the reserves except the AG insurance part) and Pensiobel (based on individual option) were transferred to the corresponding pension fund (OFP).

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, which is now invested for approximately 95% in pension funds with an expected return of 3.6%

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. New prospective mortality tables performed by the IA/BE have been used for the first time in 2015.

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.

This impact is now null for Pensiobel, as the vested rights were stopped in October 2015 for the participants who chose to go to the Powerbel plan.

ACTUARIAL ASSUMPTIONS

(in % and years)	2016	2015
Discount rate		
- Pensions - defined benefit plans and cash balance - best off plans	between 1.36% and 1.50%	1.88%
- Pensions - defined contribution plans	between 1.82% and 2.05%	n.a.
- Other	1.69%	2.08%
Expected average salary increase (excluded inflation)	2.00%	2.00%
Expected inflation	1.75%	1.75%
Expected increase of health benefits (included inflation)	2.75%	2.75%
Expected increase of tariff advantages	1.75%	1.75%
Average assumed retirement age		
- Employee	63	63
- Manager	65	65
Mortality table used		
- Active personnel	IABE	IABE
- Inactive personnel	IABE	IABE
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	19.9	19.9
- Female	24.0	24.0
For a person aged 65 in 20 years :		
- Male	22.3	22.3
- Female	26.0	26.0

(in years)	2016	2015
Weighted average duration of the defined benefit obligation	9.15	9.15
Weighted average duration of the defined contribution plans	18.96	n.a.
Weighted average duration of the post-employment benefits other than pensions	13.45	13.45

The actual return on plan assets in % for 2016 was in the range of 3.0% to 5.6% (compared to a range of 1.95% to 2.06% in 2015).

The Group expects to contribute €7.7 million to its Belgian defined benefit pension plans and €3.2 million to its Belgian defined contribution plans in 2017.

Below we also provide an overview of the expected cash outflows for the DB plans over the coming 5 years:

Future expected cash outflows	2017	2018	2019	2020	2021
- Pensions	(9.8)	(8.0)	(4.1)	(8.0)	(9.8)
- Other	(2.9)	(2.8)	(2.8)	(2.8)	(2.9)
Total (in million EUR)	(12.7)	(10.8)	(6.9)	(10.9)	(12.7)

There is a certain degree of uncertainty linked to the above mentioned expected cash outflows which can be explained by the following:

- differences between the assumptions taken and actuals can occur: e.g; retirement age, future salary increase...
- the above expected cash outflows are based on a closed population and therefore do not incorporate future new hires;
- the future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies in accordance with the return on plan assets, the real salary increase versus the assumptions and unexpected movements in population.

SENSITIVITY ANALYSIS

(in million EUR)	Increase (+) / Decrease (-)
Impact of the net defined benefit obligation of an increase in:	
Discount rate (0.5% movement)	14.0
Average salary increase - excl. inflation (0.5% movement)	(13.6)
Inflation (0.25% movement)	(7.3)
Increase of healthcare care benefits (1.0% movement)	(6.5)
Increase of tariff advantages (0.5% movement)	(1.9)
Life expectancy of pensions (1 year)	(1.9)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2016	2015
Cumulative amount at 1 January	(11.9)	(17.3)
Recognised in the period	0.2	5.4
Cumulative amount at 31 December	**(11.8)**	**(11.9)**

The remeasurements of post-employment benefits include the portion of 50Hertz Transmission (Germany) (Joint Venture) amounting to -€0.6 million, net of tax (in 2015: -€0.3 million).

Below table represents the actuarial gains and losses recognized in other comprehensive income per nature of Elia Transmission (Belgium):

Remeasurements of defined benefit obligation arising from	Pensions		Other	
(in million EUR)	2016	2015	2016	2015
1/ Changes in demographic assumptions	0.0	2.1	0.0	(0.1)
2/ Changes in financial assumptions	(14.6)	4.0	(3.3)	1.3
3/ Changes from experience adjustments	8.1	4.8	(0.3)	1.0
Return on plan assets (excluding interest income on plan assets)	8.7	4.1	0.0	0.0
Remeasurements of net defined benefit (liability)/asset recognised in Other Comprehensive Income (OCI)	**2.2**	**15.1**	**(3.6)**	**2.2**

REIMBURSEMENT RIGHTS

As described in Note 7.4 a non-current asset (within other financial assets) is recognized as reimbursement rights linked to the defined benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for the retired Elia population. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The decrease in reimbursement right linked to pensions is a result of the change in financial assumptions on the one hand (discount rate) and changes from experience adjustments on the other hand.

Movement in the present value of the reimbursement rights	Pensions		Other	
(in million EUR)	2016	2015	2016	2015
At the beginning of the period	**(36.4)**	**(47.0)**	**(23.5)**	**(26.6)**
Current service cost				
Interest cost/income	(0.6)	(0.6)	(0.5)	(0.5)
Actuarial gains(losses) on defined obligation arising from:				
1/ Changes in demographic assumptions	0.0	1.1	0.0	(0.0)
2/ Changes in financial assumptions	(1.6)	1.2	(1.7)	0.7
3/ Changes from experience adjustments	3.0	4.6	(2.4)	1.2
Payments from the plan	3.8	4.3	1.7	1.7
At the end of the period	**(31.8)**	**(36.4)**	**(26.3)**	**(23.5)**

7.13. Provisions

(in million EUR)	Environment	Others	Total
Balance at 1 January 2015	17.0	11.3	28.3
Increase in provisions	0.7	0.1	0.8
Reversals of provisions	(2.4)	(4.6)	(7.1)
Utilization of provisions	(1.4)	(0.0)	(1.5)
Balance at 31 December 2015	**13.8**	**6.7**	**20.5**
Long term portion	10.8	6.7	17.5
Short term portion	3.0	0.0	3.0
Balance at 1 January 2016	13.8	6.7	20.5
Increase in provisions	3.3	3.8	7.1
Reversals of provisions	(0.4)	(0.3)	(0.7)
Utilization of provisions	(0.5)	(0.6)	(1.1)
Balance at 31 December 2016	**16.2**	**9.6**	**25.8**
Long term portion	13.8	9.6	23.4
Short term portion	2.4	0.0	2.4

Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on some sites, and the contamination is mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.).

Elia carried out analyses and studies in a number of substations and on a number of plots on which pylons for overhead power lines were built in the Region of Brussels Capital and the Walloon Region, in order to detect any possible contamination. On the basis of the analyses and studies, Elia has made provisions for possible future soil remediation costs in line with the respective legislation.

Environmental provisions are recognized and measured based on the appraisal of an external expert bearing in mind the BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. Timing of settlement is uncertain but for the premises where utilizations occur, the underlying provision is qualified as short term provision.

The utilization of provisions for environment is mainly related to further soil research and remediation on certain sites in Brussels, Wallonia and Flanders for a total amount of €0.5 million. On the one hand, a reversal for an amount of €0.4 million was recorded for sites in Wallonia and Flanders; and on the other hand an increase for an amount of €3.3 million, mainly for sites in Wallonia, following on new estimates.

The section other consists mainly of provisions 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. An amount of €7.1 million is included at year-end for Elia Re, a captive reinsurance company, of which €2.8 million is linked to claims for aerial installations, €3.0 million to electrical installations and €1.3 million to liability cases (in 2015: €0.0 million for aerial installations, €3.3 million for electrical installations and €1.4 million for liability cases).

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 presented in Note 6.3.

7.14. Other non-current liabilities

(in million EUR)	2016	2015
Investment grants	5.1	2.4
Total	**5.1**	**2.4**

The investment grants consist of deferred income for capital subsidies received from the European Union and the Brussels region. In 2016 new grants were awarded for the financing of the Stevin-project, for a total amount of €2.7 million.

7.15. Trade and other payables

(in million EUR)	2016	2015
Trade debts	288.0	199.9
VAT, other taxes	8.4	5.6
Remuneration & social security	26.5	27.7
Dividend	1.2	1.3
Levies	54.0	63.0
Other	12.5	12.7
Accrued liabilities	0.3	0.1
Total	**390.8**	**310.3**

The increase in trade debts can be explained by the timing of payment of the outstanding payables.

The outstanding payable position for levies consists mainly of federal levies (€ 54.0 million, compared to € 62.7 million end of 2015). The section "Other" consists mainly of cash guarantees received from customers and advance payments for projects.

7.16. Accruals and deferred income

(in million EUR)	2016	2015
Accruals and deferred income	26.2	18.8
Settlement mechanism	433.6	352.4
Total	**459.8**	**371.2**

The settlement mechanism is described in Note 9.1. The change in the settlement mechanism in Belgium is described in Note 4.2.

The settlement mechanism at 31 December 2016 is set out in the table here below:

(in million EUR)	Belgium
To be refunded to the tariffs of the current period	157.6
To be refunded to the tariffs of the following period	276.0
Settlement mechanism	**433.6**

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 estimations, 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). A surplus or deficit arising from the settlement mechanism is therefore not reported in profit or loss, 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, these amounts are netted and reported under 'Accruals and deferred income'. These surpluses or deficits are verified and approved by the regulator in the following accounting year.

We refer to note 9.1. for more detailed information.

7.17. 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.

(in million EUR)	Carrying amount					Fair value			
	Designated at fair value	Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015									
Other financial assets	13.5				13.5	13.3		0.2	13.5
Trade and other receivables			342.5		342.5				0.0
Cash and cash equivalents			626.4		626.4				0.0
Interest rate swaps used for hedging		(18.0)			(18.0)		(18.0)		(18.0)
Unsecured financial bank loans and other loans				(620.2)	(620.2)		(620.2)		(620.2)
Unsecured bond issues				(2,589.6)	(2,589.6)		(2,847.1)		(2,847.1)
Trade and other payables				(310.3)	(310.3)				0.0
Total	**13.5**	**(18.0)**	**968.9**	**(3,520.0)**	**(2,555.7)**	**13.3**	**(3,485.4)**	**0.2**	**(3,471.9)**
31 December 2016									
Other financial assets	7.3				7.3	7.1		0.2	7.3
Trade and other receivables			442.6		442.6				0.0
Cash and cash equivalents			176.6		176.6				0.0
Interest rate swaps used for hedging		(9.4)			(9.4)		(9.4)		(9.4)
Unsecured financial bank loans and other loans				(643.3)	(643.3)		(643.3)		(643.3)
Unsecured bond issues				(2,090.6)	(2,090.6)		(2,449.8)		(2,449.8)
Trade and other payables				(390.8)	(390.8)				0.0
Total	**7.3**	**(9.4)**	**619.2**	**(3,124.6)**	**(2,507.6)**	**7.1**	**(3,102.5)**	**0.2**	**(3,095.2)**

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, trade and other payables as their carrying amount is a reasonable approximation of fair value.

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.

FAIR VALUE

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 2016 the counterparty risk is zero as a result of the negative market value of the IRS. The Group's own non-performance risk has been estimated to be close to zero as well.

Interest-bearing loans

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

8. Miscellaneous

8.1. Effect of new acquisitions/sales of shares

CHANGES IN SEGMENT ELIA TRANSMISSION (BELGIUM)

Funding in JV Nemo Link

On 27 February 2015 Elia System Operator together with National Grid signed a joint venture agreement to build the Nemo Link Interconnector; each shareholder holds 50% in Nemo Link Limited, a UK company.

Both shareholders provided funding to Nemo Link Limited during 2016 via equity contributions and loans (with an annual interest rate of 4% and a maturity of 25 years as of starting date of the commercial operations of the Interconnector) in a 50/50 repartition. In 2016 Elia funded €64.5 million, bringing the total amount of funding by Elia at € 90.1 million, of which 40% via equity contributions and 60% via loans. This joint venture is included in the Belgian segment using the equity method.

<u>In 2015:</u>

Sale of HGRT and APX shares

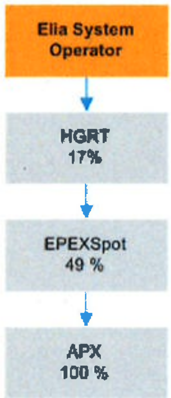
In the 2nd quarter of 2015, the power exchanges EPEX SPOT and the APX group, including Belpex, integrated their businesses in order to form a power exchange for Central Western Europe (CWE) and the UK. Both companies have signed respective agreements, including the sale of the Clearing activities of APX to ECC Clearing. As a result of this restructuring AXP group is now directly held by EPEX SPOT. APX is therefore no longer a direct associate of the Elia Group. In the 3rd quarter the current shareholders sold part of their shares to 3 new shareholders.

The stake of Elia in HGRT decreased from 24.5% to 17% as a result of 3 distinct transactions:

1. Exchange of Elia's APX share for EPEX SPOT shares, which were then contributed to HGRT
2. Sale of 6.2% stake in HGRT to RTE, resulting in decrease of the stake to 20%.
3. Sale of 3.0% stake in HGRT to APG, Amprion and Swissgrid (1% to each new shareholder).

Following these transactions Elia (17%), RTE, TenneT, APG, Amprion and Swissgrid together own 49% of the new EPEX SPOT capital through HGRT. HGRT is still accounted for using the equity method as the Group continues to have significant influence over the company.

The current structure of HGRT and its associates is a follows:



8.2. 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 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 EUR)	2016	2015
Loans and receivables	63.0	16.4
Cash and cash equivalents	176.6	626.4
Immediately claimable deposits	7.1	13.3
Interest rate swaps used for hedging:		
Liabilities	(9.4)	(18.0)
Total	**237.3**	**638.0**

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

(in million EUR)	Bad debtors	Impairment losses	Remaining balance
Opening balance	1.5	(1.2)	0.3
Changes during the year	0.1	(0.1)	0.0
Balance at 31 December 2015	**1.6**	**(1.3)**	**0.3**
Opening balance	1.6	(1.3)	0.3
Changes during the year	(0.3)	0.2	(0.1)
Balance at 31 December 2016	**1.3**	**(1.1)**	**0.2**

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, 2013, 2014 and 2015, access to sources of funding should sufficiently be available.

(in million EUR)	Closing Balance	Expected cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**3,520.0**	**(4,147.4)**	**(884.7)**	**(3.4)**	**(96.3)**	**(699.6)**	**(2,463.4)**
Unsecured bond issues	2.589,6	(3,234.0)	(530.2)	0.0	(68.5)	(679.3)	(1,956.0)
Unsecured financial bank loans and other loans	620,2	(603.1)	(44.2)	(3.4)	(27.8)	(20.4)	(507.4)
Trade and other payables	310.3	(310.3)	(310.3)				
Derivative financial liabilities	**18.0**	**(17.2)**	**(4.4)**	**(4.3)**	**(8.5)**	**0.0**	**0.0**
Interest rate swaps used for hedging	18.0	(17.2)	(4.4)	(4.3)	(8.5)		
Total at 31 December 2015	**3,538.1**	**(4,164.6)**	**(889.1)**	**(7.7)**	**(104.8)**	**(699.6)**	**(2,463.4)**
Non-derivative financial liabilities	**3,124.6**	**(3,722.0)**	**(562.6)**	**(2.1)**	**(73.3)**	**(670.4)**	**(2,413.7)**
Unsecured bond issues	2,090.6	(2,703.8)	(68.5)	0.0	(68.5)	(653.0)	(1,913.8)
Unsecured financial bank loans and other loans	643.3	(627.5)	(103.3)	(2.1)	(4.8)	(17.4)	(499.9)
Trade and other payables	390.8	(390.8)	(390.8)				
Derivative financial liabilities	**9.4**	**(9.5)**	**(4.7)**	**(4.8)**	**0.0**	**0.0**	**0.0**
Interest rate swaps used for hedging	9.4	(9.5)	(4.7)	(4.8)			
Total at 31 December 2016	**3,134.0**	**(3,731.5)**	**(567.3)**	**(6.9)**	**(73.3)**	**(670.4)**	**(2,413.7)**

In April 2016, Elia Transmission reimbursed a €500 million 9-year Eurobond that came to its maturity date.

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

(in million EUR)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0,0	110.0
Confirmed credit line	08/07/2021	100.0	Euribor + 0.30%	0,0	100.0
Uncommitted credit line facility	unlimited	100.0	Euribor + margin when concluding deal	0.0	100.0
Belgian dematerialised treasury notes	unlimited	250.0	Euribor + margin when concluding deal	78.0	172.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	2.0	0.5
Total		**1,002.5**		**80.0**	**922.5**

As at 31 December 2016 the German segment have unused facilities amounting to in total €900 million (€150 million overdraft facility and €750 million revolving facilities).

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 7.11) 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 EUR)	100 bp increase	100 bp decrease
Interest rate swaps - Impact in equity	(1.1)	1.1

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 2016 the Group has no transactions which do not qualify for hedge accounting.

In accordance with the hedge accounting rules, all derivative financial instruments are designated 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%. At 31 December 2016, the Group held hedging instruments with a contracted reference value of €200.0 million. The net fair value of the swaps at 31 December 2016 totalled €9.4 million and was entirely composed of liabilities. The amounts are included as derivatives at fair value.

At 31 December 2016, no significant financial expenses resulting from ineffective cash-flow hedges are included in profit or loss.

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 the company has sufficient self-financing capacity to carry out its legal mission.

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

8.3. 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 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. Normal conditions for renewal of lease contracts are applicable.

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

(in million EUR)	<1 year	1–5 years	>5 years
Buildings	2.4	1.2	0.0
Cars, it equipment and others	6.3	10.9	0.0
Balance at 31 December 2015	**8.7**	**12.1**	**0.0**
Buildings	2.4	2.4	0.0
Cars, it equipment and others	6.2	10.8	0.0
Balance at 31 December 2016	**8.6**	**13.2**	**0.0**

The following expenses related to these lease contracts were recognised in the profit or loss:

(in million EUR)	2016	2015
Buildings	2.4	2.5
Cars, it equipment and others	6.2	6.2
Total	**8.6**	**8.7**

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 EUR)	<1 year	1–5 years	>5 years
Telecom	14.7	9.6	13.4
Land & Buildings	0.6	0.6	0.0
Balance at 31 December 2015	**15.3**	**10.2**	**13.4**
Telecom	13.1	9.8	13.1
Land & Buildings	0.6	0.5	0.0
Balance at 31 December 2016	**13.6**	**10.3**	**13.1**

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

(in million EUR)	2016	2015
Telecom	13.0	14.6
Land & Buildings	0.6	0.2
Total	**13.6**	**14.8**

CONTINGENT RENTS – PURCHASE OPTION

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

CAPITAL EXPENDITURE COMMITMENT

As at 31 December 2016, the Group has a commitment of €872.7 million relating to the purchase contracts for the installation of property, plant and equipment for further grid extensions. These capital expenditure commitments include the commitments of the German segment for an amount of €361.7 million (at 60% stake of Elia).

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2016, the Group has a commitment of €155.1 million relating to purchase contracts for general expenses, maintenance and repair costs. The amount includes the commitments of the German segment for an amount of €17.6 million (at 60% stake of Elia).

Elia System Operator also provided a parent company guarantee to her joint venture Nemo Link Limited amounting to €176.0 million in relation to the EPC contracts in order for Nemo link Ltd to be able to build the interconnector.

After having received an approval from the Walloon Government and from the CREG, on 22 June 2015, Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates for a total amount of €275 million of which an amount of € 221 million was settled in 2015 and a total amount of 48 million was settled in 2016. The mission of Solar Chest is to buy, hold and sell Walloon green certificates for a period of respectively 5, 6 and 7 years. At the end of each period (30th June 2020, 30th June 2021 and 30th June 2022) potential unsold certificates will be bought back by Elia. The CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost and any expense for repurchase of nonmarketable certificates will be authorized to recover fully through the tariffs for "levies", as consequence the impact of the potential repurchase by Elia will have no impact on financial performance of the Company.

8.4. Related parties

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The key management includes members of the Board of Directors and Elia's Management Committee, which comprises of the Chief Executive Officer, Chief Financial Officer, Chief Officer Infrastructure Development, Chief Officer Operations, Maintenance & Methods, Chief Corporate Affairs Officer and Chief Officer Customers, Market & System.

The members of the Board of Directors are no employees of the Group. The remuneration of their mandate is detailed in the Corporate Governance Statement of this annual report.

The members of Elia's Management Committee 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 EUR)	2016	2015
Short term employee benefits	**2.4**	**2.2**
Basic remuneration	1.6	1.6
Variable remuneration	0.8	0.5
Post-employment benefits	**0.4**	**0.3**
Other variable remuneration	**0.6**	**0.5**
Total gross remuneration	**3.4**	**3.0**
Number of persons (in units)	7	7
Average gross remuneration per person	0.5	0.4
Number of shares (in units)	**22,039**	**19,111**

Some members of the Management Committee also hold shares in Elia System Operator – for an overview we also refer to the Corporate Governance Statement of this annual report.

In addition Elia's Management Committee also assessed whether transactions occurred with entities in which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-presidents of the Management Committee, etc.). Significant transactions occurred in 2016, with some distribution system operators. The total amount of realized sales equals to €53.8 million. The total amount of expenses equals to €3.7 million. As per 31 December 2016 there was an outstanding trade receivable position of €0.2 million and an outstanding trade debt position of €1.1 million.

TRANSACTIONS WITH JOINT VENTURES AND 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 2016 and 2015 financial years, there were no transactions with 50Hertz Offshore, E-Offshore and Atlantic Grid Investment.

Transactions with joint ventures and associated companies are not eliminated; details of transactions with other related parties are shown below:

(in million EUR)	**2016**	**2015**
Transactions with joint ventures and associated companies	**27.8**	**0.7**
Sales of goods	34.6	4.4
Purchases of goods	(8.4)	(4.7)
Interest and similar revenue	1.6	1.0
Outstanding balances with joint ventures and associated companies	**(28.8)**	**(6.6)**
Long-term debtors	54.1	15.2
Trade debtors	2.8	5.6
Trade debts	(29.7)	(27.5)
Accruals and deferred income	(0.1)	0.0
Deferred charges and accrued revenues	1.6	0.3

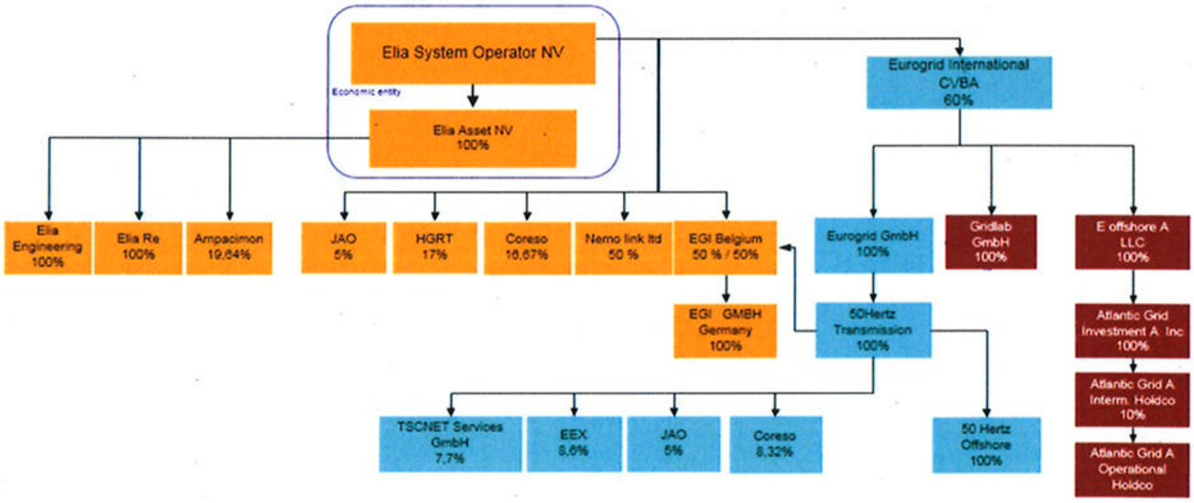
The increase on sales of goods can mainly be explained by the turnover realized by Elia Grid International GmbH on 50Hertz Transmission for the construction of the Substation Gransee and Substation Heinersdorf (€17.1 million). The remaining increase is mainly a result of the recharge of pre-FID development costs to Nemo Link (€8.9 million) (see note 7.4 for more details).

The significant increase in long-term debtors can entirely be explained by the outstanding position on Nemo Link, we further refer to note 7.4.

We also refer to Note 8.3 in which we disclosed the guarantees Elia System Operator issued in favour of its joint venture Nemo Link Limited.

8.5. 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 % 2016	2015
Elia Asset SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	99.99	99.99
Elia Engineering SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	100.00	100.00
Elia Re	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	80.00	80.00
Elia Grid International GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Joint ventures				
Eurogrid International CVBA	Belgium	Bd de l'Empereur 20, 1000 Bussels	60.00	60.00
Eurogrid GMBH	Germany	Heidestraße 2, 10557 Berlin	60.00	60.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	60.00	60.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	60.00	60.00
Gridlab GmbH	Germany	Mittelstraße 7, 12529 Schönefeld	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
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH - UK	50.00	50.00
Associated companies accounted for using the equity method				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	21.66	26.00
Ampacimon SA	Belgium	Rue des Chasseurs Ardennais 3, 4031 Angleur	19.64	19.64
Other participations				
EMCC European Market Coupling Company GmbH	Germany	Hopfenmarkt 31, 20457 Hamburg	0.00	12.00
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	8.00	8.00
Atlantic 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	5.20	5.20
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	4.62	4.62

8.6. Subsequent events

There are no important events to report after 31 December 2016.

8.7. Miscellaneous

Impact of the result of the United Kingdom referendum

The Group has started an analysis of the potential impact resulting from the Brexit on the consolidated financial statements. At this stage a full impact analysis is not possible given the lack of position taken both by the UK government and Europe. The Group expects to be able to provide a preliminary feedback as of the end of 2017.

At this stage the Group does not expect any impact on the construction of the Nemo Link interconnector.

8.8. Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors KPMG Bedrijfsrevisoren Burg. CVBA (represented by Benoit Van Roost) and Ernst & Young Bedrijfsrevisoren BCVBA (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 following table sets forth the fees of the joint auditors and its associated companies related to the delivered services with respect to accounting year 2016:

in EUR	Belgium	Other offices in the network	Total
Statutory Audit	175,336	339,380	514,716
Audit related	135,905	221,150	357,055
Income tax	105,496	61,377	166,873
Indirect tax	67,261	1,000	68,261
Other advisory	0.000	82,701	82,701
Total	483,998	705,608	1,189,606

9. REGULATORY FRAMEWORK AND TARIFFS

9.1 Regulatory framework in Belgium

9.1.1 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 trans- position 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, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the regulatory authorities supplement this framework to create the regulatory framework.

9.1.2 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. The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative framework the provisions of the 3rd European package that apply to them. The regional decrees have been complemented by several other rules on matters such as public services, renewable energy and authorisation procedures for suppliers.

9.1.3 Regulatory agencies

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

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 for the computation of the different tariffs applicable to the grid users;
- certifying that the system operator actually owns the infra- structure that it operates and meets the regulatory requirements for independence from generators and suppliers.

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 tariffs for grids that perform the function of transmitting electricity, as tariff setting falls under the sole jurisdiction of CREG for these grids.

9.1.4 Tariff setting

TARIFF REGULATIONS
On 18 December 2014, CREG adopted a decree setting out calculation methods and establishing tariff conditions for the electricity grid users performing a transmission function. The CREG introduced her tariff proposal 2016-2019 on 30 June 2015 based on the aforementioned methodology. This tariff proposal, adapted in accordance with the discussion held between Elia and the CREG in the course of the 2nd half of 2015 was approved on December 3, 2015.

TARIFF REGULATIONS APPLYING IN BELGIUM
As the operator of grids performing a transmission function (covering the transmission grid and the local and regional transmission grids in Belgium), Elia makes most of its income from the regulated tariffs charged for use of these grids (tariff income), which are approved in advance by CREG. As of 1 January 2008, the prevailing tariff regulation mechanisms provide for the setting of approved tariffs for four-year periods, barring specific circumstances. The tariff methodology established by CREG at the end of 2014 did not change this system. 2016 was therefore the first year of the third 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, in the case of some costs, based on estimated volumes of electricity injected into the grid, in accordance with the terms of the tariff methodology drawn up by CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia under the form of performance incentives and the predicted values of various cost categories. Those costs are classified in 3 groups: the controllable costs, for which the efficiency gains or losses are equally shared between Elia (increase/decrease of authorised benefit) and the grid users (reduction/increase in future tariffs); the non-controllable costs over which Elia has no influence and for which the deviations versus budget are completely allocated to the total revenue of a future regulatory period; the influenceable costs on which an hybrid rule applies.

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.

In that context, the following formula, which has been applied since 1 January 2016, 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% x average RAB of the year n x [(OLO n)+ (Beta x risk premium)] x illiquidity premium]; plus
- B: [(S – 33%) x average RAB x (OLO n + 70 base points)]; where
- OLO n is the interest rate for Belgian 10-year linear bonds for the year in question;
- S = consolidated capital and reserves/RAB, in accordance with Belgian accounting standards (BE GAAP);
- Beta is calculated based on daily Elia share prices, compared with the BEL 20 index, over a three-year period. The value of the product of the beta parameter and the risk premium cannot be lower than 0.53;
- The risk premium is fixed at 3.5%;
- The illiquidity premium is fixed at 1.10.

PART A

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

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

CREG encourages a ratio between equity and regulated asset base that is as close as possible to 33%. As a consequence part B (applicable to the reference equity exceeding 33% of the RAB) is remunerated at a lower rate.

PART B

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

The Electricity Act also provides that the regulator may set higher remuneration rates for capital that is invested to finance projects of national or European interest.

Non-controllable elements

This category of costs (and revenues) over which Elia has no direct control are not subject to incentive mechanisms by the CREG, and are an integral part of the costs used to determine the tariffs. The tariffs are set based on forecast values for these costs.

The most important costs consist of the following items: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which are referred to as "Influenceable costs"), costs related to line relocation imposed by a public authority, and taxes, partially compensated by revenues from non-tariff activities (for example cross border congestion revenues). This also includes financial charges/revenues for which the principle of financial embedded debt has been confirmed. As a consequence, all actual and reasonable finance costs related to debt financing are included in the tariffs.

Controllable elements

The costs (and revenues) over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to a sharing rule of productivity and efficiency improvement that may occur during the regulatory period. The sharing factor is 50%. Therefore, Elia is encouraged to control a defined category of its costs. Any saving with repect to the allowed (adjusted) budget positively impacts the net profit of the Issuer by 50% of the amount (before tax); symetrically, any over spending affects its profit negatively.

Influenceable costs

The reservation costs of ancillary services, except for black start, are qualified as 'influencable costs' meaning that budget overruns or efficiency gains form an incentive (in so far as they are not caused by a given list of external factors). 15% of difference in expenses between Y-1 and Y is profit/loss (pre-tax) for the Issuer, with a cap and a floor of -2 million euros and 6 million euros.

Other Incentives

- *Incentive on 'strategic investment projects' (Mark-up on investments)*

  As the CREG considers that strategic investments (i.e. investments mainly aimed at enhancing EU integration) are of primary importance for the community, it agreed with the Issuer to introduce a mark-up on a selected list of projects. This additional remuneration is calculated as a percentage on the cumulative actual amount dispensed (investment amounts are capped per year and per project). The mark-up applies at full rate as long as the OLO rate is equal or below 0.5 per cent. If the actual interest rate of OLO is higher than 0.5 per cent., part of the mark-up is reduced accordingly (capped at OLO rate 2.16 per cent.). In order to receive the mark-up, the Issuer must perform the commissioning of the relevant investment in due time,otherwise 10% of the amount earned for the corresponding project is to be reimbursed. Additionnaly, after commissioning, the Issuer must ensure a sufficient availability of the concerned asset; otherwise, 10% of the amount earned for the corresponding project is to be reimbursed;

- *Market integration:* This incentive consists of the (i) enhancement of import capacity, and (ii) increase of welfare generated by regional market coupling. Both elements can influence only positively the net profit (pre-tax) of the Issuer as the mechanism predefines a floor and a cap for each incentive €0 to €6 Mio for the import capacity and €0 to €11 Mio for the welfare. (iii) The profit (dividends and capital gains) resulting from financial participations in other companies which the CREG has accepted as being part of the RAB, is allocated as follows: 40 % is allocated to future tariff reductions and 60 % (before tax) to the Issuer's profit;

- *'Investment programme':* This incentive is related to 2 objectives; (i) optimal ex ante/ex post justification by the Issuer of project CAPEX (€0 to 2.5 Mio), and (ii) the timely realisation of 4 large infrastructure projects (Stevin, Brabo, Alegro and 4th phase shifter) (€0 to 1 Mio per project). Both elements can influence only positively the net profit (pre-tax) of the Issuer as the mechanism predefines a floor and a cap for each of the objectives;

- *Network availability:* If the average interruption time ("**AIT**") reaches a target predefined by the CREG, the Issuers net profit (pre-tax) is impacted positively with a maximum of €2 Mio;

- *Innovation:* operational subsidies and tax exemptions for R&D, are considered controllable income. As an incentive, an amount corresponding to max 50% of the amount of subsidies received is attributable to the net profit of the Issuer with a minimum of €0 and a maximum of €1 Mio;

- *Discretionary:* On an annual basis the CREG stipulates the objectives for this section. The incentive could influence positively the Issuers net profit (pre-tax) by between €0 and maximum €2 Mio.

Settlement of deviations from budgeted values

The actual volumes of electricity transmitted may differ from the forecast volumes. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs and such deviation from budgeted values creates a "regulatory debt" (or a "regulatory receivable"). The same mechanism applies to Non-controllable elements.

The regulatory framework provides that the above mentioned deviations, at the end of the regulatory period, are taken into account by the Issuer as part of the budgeted amounts for setting the tariffs for the next regulatory period.

Cost and revenue allocation between regulated and non-regulated activities

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

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

9.2 Regulatory framework in Germany

9.2.1 Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (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 (Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzentgeltverordnung – StromNEV)), which establishes, inter alia, principles and methods for the grid tariff calculations and further obligations of system operators;
- the Ordinance on Electricity Network Access (Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung – StromNZV), 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 (Verordnung über die Anreizregulierung der Energieversorgungsnetze (Anreizregulierungsverordnung – ARegV)), 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.

9.2.2 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.

9.2.3 Tariff setting in Germany

The current regulation mechanism is established in Germany by ARegV. According to ARegV, 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, the second regulatory period started on 1 January 2014 and will end on 31 December 2018. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under 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 usually 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 onshore investments) for what are called investment measures. The cost of debt related to investment measures 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 regulatory account. 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 and grid losses costs gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Since the revision of the ARegV in 2016, also costs for the curtailment of renewable energy sources in order to relief grid congestions are based on forecast values. Moreover, costs resulting from European projects of common interest (PCI) where a cost contribution of Germany has been decided can be included as PNIC, albeit with a two-year time-lag;
- Temporary non-influenceable costs (TNIC) and influenceable costs (IC): these costs include return on equity depreciation, cost of debt, of imputed trade tax and other operational expenses 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 for TSOs 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 influence able 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 second regulatory period (2014-2018), the return on equity is set at 7.14 % for investments made before 2006 and 9.05 % 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'. In 2016, the BNetzA determined the return on equity applicable for the 3rd regulatory period (2019-2023); compared to the 2nd regulatory period, the values were significantly decreased to 5.12% for investments made before 2006 and 6.91% for investments made since 2016. The return on equity is calculated before corporate tax and after imputed trade tax;

- Separately from the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations, offshore liabilities... For this purpose, several surcharges have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

In 2016, a revision of the ARegV entered into force implementing various relevant changes especially regarding the regulatory regime for distribution system operators. However, also TSOs are affected as the ARegV revision changes several PNIC aspects such as the methodology for the determination of replacement portions in new investment measures (for already approved and applied for investment measures, the conservation of the status quo is foreseen), the consideration of costs from the curtailment of renewable energy sources based on forecast values and the consideration of PCI costs. Moreover, the ARegV revision substantiates the methodologies that can be applied for the measurement of the individual efficiency of the four German TSOs, allowing only an international benchmark or a relative reference grid analysis for this purpose.

As of 31 December 2016, 50Hertz had obtained approval for 77 of the 112 active investment measure requests made since 2008. Based on the total investment budget request volume of 12.3 bn. € the approved investment budget as of the same date accounts for 7.2 bn. €.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on the 15th of October 2016 for the year 2017. Compared to 2016, they have increased in average by 42%. Main reason for this significant increase is the consideration of forecast costs for the curtailment of renewable energy sources following the ARegV revision which means that in order to convert the old methodology to the revised one, two cost positions (forecast costs 2017 in addition to actual costs 2015) are included. Moreover, the increasing investment costs especially for offshore expansion in the Baltic Sea and in the North Sea contribute to the tariff increase.

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

ADD REPORT – 2 to 3 pages

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 and can be obtained on request from Elia System Operator SA, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion with an explanatory paragraph thereon.

Statement of financial position after distribution of profits

ASSETS (in million EUR)	2016	2015
FIXED ASSETS	3,620.7	3,602.1
Financial fixed assets	3,620.7	3,602.1
Affiliated companies	3,572.3	3,579.5
Participating interests	3,572.3	3,579.5
Other enterprises linked by participating interests	48.4	22.7
Participating interests	48.2	22.5
Other participating interests	0.2	0.2
CURRENT ASSETS	1,628.5	1,895.5
Amounts receivable after more than one year	63.0	15.4
Trade receivables	8.8	0.0
Other amounts receivable	54.2	15.4
Inventories and contracts in progress	5.8	4.7
Contracts in progress	5.8	4.7
Amounts receivable within one year	1,428.4	1,271.9
Trade debtors	208.8	198.5
Other amounts receivable	1,219.6	1,073.4
Investments	0.0	217.3
Other term deposits	0.0	217.3
Cash at bank and in hand	126.9	380.7
Deferred charges and accrued income	4.5	5.6
TOTAL ASSETS	**5,249.3**	**5,497.7**

EQUITY AND LIABILITIES (in million EUR)	2016	2015
CAPITAL AND RESERVES	1.764,1	1,717.8
Capital	1.518,7	1,515.2
Issued capital	1.518,7	1,515.2
Share premium account	11,8	10.0
Reserves	173,9	173.1
Legal reserve	173,0	173.0
Untaxed reserve	0,9	0.0
Profit carried forward	59,7	19.5
PROVISIONS, DEFERRED TAXES	0,5	0.3
Provisions for risks and charges	0,5	0.3
Other risks and charges	0,5	0.3
LIABILITIES	3.484,7	3,779.6
Amounts payable after one year	2.590,7	2,610.2
Financial debts	2.590,7	2,610.2
Unsubordinated debentures	2.094,9	2,094.5
Credit institutions	0,0	20.0
Other loans	495,8	495.8
Amounts payable within one year	418,1	825.8
Current portion of amounts payable after more than one year	20,0	540.0
Financial debts	82,7	0.0
Credit institutions	78,0	0.0
Other loans	4,7	0.0
Trade debts	204,9	168.7
Suppliers	196,1	161.3
Advances received on contracts in progress	8,8	7.4
Amounts payable regarding taxes, remuneration and social security costs	7,7	8.6
Taxes	0,6	0.2
Remuneration and social security	7,1	8.4
Other amounts payable	102,8	108.6
Accrued charges and deferred income	475,9	343.5
TOTAL EQUITY AND LIABILITIES	**5.249,3**	**5,497.7**

Income statement

(in million EUR)	2016	2015
OPERATING INCOME	732.9	792.6
Turnover	714.7	780.4
Increase/(decrease) in inventories of finished goods, works and contracts in progress	1.0	1.2
Other operating income	17.2	11.0
OPERATING CHARGES	(669.8)	(661.9)
Services and other goods	(634.2)	(622.4)
Remuneration, social security costs and pensions	(35.2)	(39.5)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	(0.2)	0.0
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.2	0.0
Other operating charges	0.4	0.0
OPERATING PROFIT	63.1	130.8
Financial income	**182.6**	**118.9**
Income from financial fixed assets	123.0	113.0
Income from current assets	4.9	4.9
Non-recurring financial income	54.7	1.0
Financial charges	**(97.2)**	**(113.8)**
Debt charges	(93.9)	(109.8)
Other financial charges	(3.3)	(2.4)
Non-recurring financial charges	0.0	(1.6)
PROFIT FOR THE PERIOD BEFORE TAXES	148.5	135.8
Income taxes	**(11.3)**	**(10.4)**
Income taxes	(11.3)	(10.4)
PROFIT FOR THE PERIOD	137.2	125.4
Transfer to untaxed reserves	(0.8)	0.0
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	136.4	125.4