elia group

Elia | 50Hertz | EGI

Powering the decade of electrification

FINANCIAL REPORT 2021

1. Corporate Governance Statement

Corporate governance report

This Corporate Governance Statement contains the main aspects of Elia Group SA/NV's corporate governance framework, including all relevant information on events affecting Elia Group SA/NV's governance during the financial year 2021.

In 2021 Elia Group SA/NV's corporate governance was based on the following pillars:
- **the (Belgian) 2020 Corporate Governance Code[1], which Elia Group SA/NV has adopted as its benchmark code;**
- **the (Belgian) Code of Companies and Associations[2];**
- **Elia Group SA/NV's Articles of Association.**

Board of Directors

1 Bernard Gustin
2 Claude Grégoire
3 Geert Versnick
4 Michel Allé
5 Luc De Temmerman
6 Frank Donck
7 Cécile Flandre
8 Luc Hujoel
9 Roberte Kesteman
10 Jane Murphy
11 Dominique Offergeld
12 Pieter De Crem
13 Rudy Provoost
14 Saskia Van Uffelen

1 The (Belgian) 2020 Corporate Governance Code can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).
2 The (Belgian) Code of Companies and Associations can be found on the website of the ministry of justice (http://www.ejustice.just.fgov.be/cgi_loi/wet.pl).

Composition of the management bodies as at 31 December 2021

Board of Directors

CHAIRPERSON

- Bernard Gustin, non-executive independent director

VICE-CHAIRPERSONS

- Claude Grégoire, non-executive director appointed upon proposal of Publi-T
- Geert Versnick, non-executive director appointed upon proposal of Publi-T

DIRECTORS

- Michel Allé, non-executive independent director
- Pieter De Crem, non-executive director appointed upon proposal of Publi-T [3]
- Luc De Temmerman, non-executive independent director
- Frank Donck, non-executive independent director
- Cécile Flandre, non-executive director appointed upon proposal of Publi-T
- Luc Hujoel, non-executive director appointed upon proposal of Publi-T [4]
- Roberte Kesteman, non-executive independent director
- Jane Murphy, non-executive independent director
- Dominique Offergeld, non-executive director appointed upon proposal of Publi-T
- Rudy Provoost, non-executive director appointed upon proposal of Publi-T
- Saskia Van Uffelen, non-executive independent director

Advisory Committees to the Board of Directors

NOMINATION COMMITTEE

- Luc Hujoel, Chairman [5]
- Pieter De Crem [6]
- Luc De Temmerman
- Frank Donck
- Jane Murphy

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

- Luc De Temmerman, Chairman
- Pieter De Crem [7]
- Roberte Kesteman
- Dominique Offergeld
- Saskia Van Uffelen

STRATEGIC COMMITTEE

- Geert Versnick, Chairman [8]
- Michel Allé
- Claude Grégoire [9]
- Bernard Gustin
- Rudy Provoost
- Luc Hujoel, standing invitee [10]
- Dominique Offergeld, standing invitee [11]

Joint auditors

- Ernst & Young Réviseurs d'Entreprises SRL, represented by Paul Eelen
- BDO Réviseurs d'Entreprises SRL, represented by Felix Fank

Executive Management Board

- Chris Peeters (Chief Executive Officer and TSO Head Elia)
- Catherine Vandenborre (Chief Financial Officer)
- Stefan Kapferer (TSO Head 50 Hertz)
- Peter Michiels (Chief Human Resources, Internal Communication Officer and Chief Alignment Officer)
- Michael Freiherr Roeder von Diersburg (Chief Digital Officer)

Secretary-General

- Siska Vanhoudenhoven

3 Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.
4 Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 31 December 2021 (at midnight). To replace Luc Hujoel, the Board of Directors, upon the proposal of Publi-T, co-opted Thibaud Wyngaard on 17 December 2021 as non-executive director with effect from 1 January 2022. The confirmation of the appointment of Thibaud Wyngaard as non-executive director will be proposed to the Ordinary General Meeting to be held on 17 May 2022.
5 Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV as of 31 December 2021 (at midnight). The Board of Directors of 17 December 2021 appointed Geert Versnick to replace Luc Hujoel as Chairman of the Nomination Committee with effect from 1 January 2022.
6 Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.
7 Pieter De Crem was co-opted by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.
8 Further to the appointment of Geert Versnick as Chairman of the Nomination Committee with effect from 1 January 2022, the Board of Directors of 17 December 2021 appointed Dominique Offergeld to replace Geert Versnick as Chairman of the Strategic Committee with effect from 1 January 2022. Geert Versnick is a standing invitee of the Strategic Committee since 1 January 2022.
9 Since 9 February 2021.
10 Since 9 February 2021 and until 31 December 2021
11 Since 1 January 2022, Dominique Offergeld chairs the Strategic Committee.

Board of Directors

Appointment procedure and Term and expiry of directorships

Elia Group SA/NV is managed by a Board of Directors that is composed of at least ten (10) and maximum fourteen (14) members. At least three members of the Board of Directors are independent directors in the meaning of the applicable legal (article 7:87 of the Code of Companies and Association and provision 3.5 of the 2020 Corporate Governance Code) and statutory provisions.

All members are appointed by the General Meeting of shareholders and may be dismissed by it.

The independent directors are proposed for appointment by the Board of Directors to the Ordinary General Meeting based on the recommendation of the Nomination Committee. The non-independent directors are appointed by the Ordinary General Meeting upon proposal of Publi-T, in accordance with article 13.2 of the Articles of Association of Elia Group SA/NV.

For reasons of time management and practicality the Board of Directors did not propose that the 2021 Ordinary General Meeting voted separately on the proposed (re)appointment of each of the four directors and thus decided to deviate from provision 5.7 of the 2020 Corporate Governance Code. However, at the Ordinary General Meeting of 2022, Elia Group SA/NV will submit the appointment or renewal of each director separately to the General Meeting of shareholders in accordance with provision 5.7 of the 2020 Corporate Governance Code.

The directors of Elia Group SA/NV are appointed or reappointed for a maximum term of six years.

The maximum six-year term of the directorships diverges from the maximum four-year term recommended by the 2020 Corporate Governance Code. The maximum six-year term is justified in light of the technical, financial and legal specificities and complexities that apply within the group and that require a certain level of experience achieved through continuity in the composition of the Board of Directors.

Specific requirements for members of the Board of Directors

The Articles of Association stipulate that the Board of Directors is composed exclusively of non-executive directors.

In addition, in accordance with the Articles of Association, the members of the Board of Directors may not be members of the supervisory board, the board of directors or bodies that legally representing an undertaking that fulfils any of the following functions: production or supply of electricity. Nor may the members of the Board of Directors carry on any other function or activity, whether remunerated or not, in favour of an undertaking falling under the preceding sentence.

In addition to their independence (see above), the independent directors are appointed partly for their knowledge of financial management and partly for their relevant technical knowledge of the company's activities.

In accordance with the Articles of Association and the Code of Companies and Associations, at least one third (1/3) of the directors must be of the opposite sex to the remaining two thirds.

In accordance with provision 5.5 of the 2020 Corporate Governance Code, members of the Board of Directors may not accept more than five directorships in listed companies.

In accordance with the Articles of Association, at least one director must have the necessary accounting and auditing expertise.

In addition to the legal and statutory selection criteria, the Board of Directors has approved on March 2, 2021, in application of provision 5.1 of the 2020 Corporate Governance Code, additional criteria applicable to all newly appointed directors. All these criteria can be found in the Corporate Governance Charter published on the website **www.elia.be** (under 'Company, 'Corporate Governance', 'Document library').

The composition of the Board of Directors guarantees that decisions are taken in the

the interest of Elia Group SA/NV. This composition is based on a gender mix and on diversity in general, as well as on the complementarity of skills, experience and knowledge. When renewing the directorships of the members of the Board of Directors, care is taken to ensure that a linguistic balance is achieved and maintained within the group of directors of Belgian nationality.

Current composition of the Board of Directors

The Board of Directors is currently composed of fourteen (14) directors. Seven (7) directors are independent non-executive directors, in the meaning of article 7:87 of the Code of Companies and Associations and provision 3.5 of the 2020 Corporate Governance Code. The seven (7) other non-executive directors are non-independent directors appointed by the Ordinary General Meeting upon proposal of Publi-T, as per the current shareholder structure and article 13.2 of the Articles of Association of Elia Group SA/NV (see also the 'Shareholder structure' section on pages 16 of this statement).

Diversity within the Board of Directors

Number of directors as at 31 December 2021	Unit	2021
Men	Aged 35 < 54	1
	Aged ≥ 55	8
Women	Aged 35 < 54	2
	Aged ≥ 55	3

Changes in the composition of the Board of Directors in 2021

Kris Peeters tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. To replace Kris Peeters, the Board of Directors, upon the proposal of Publi-T, co-opted Pieter De Crem on 9 February 2021 as non-executive director as from that date. The Ordinary General Meeting held on 18 May 2021 confirmed his appointment as non-executive director.

Luc Hujoel tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 31 December 2021 (at midnight). To replace Luc Hujoel, the Board of Directors, upon the proposal of Publi-T, co-opted Thibaud Wyngaard on 17 December 2021 as non-executive director with effect from 1 January 2022. The confirmation of the appointment of Thibaud Wyngaard as non-executive director will be proposed to the Ordinary General Meeting to be held on 17 May 2022.

Term and expiry of directorships

In line with the maximum six-year term of directorship, Luc De Temmerman and Saskia Van Uffelen's mandates were renewed at the Ordinary General Meeting of 2021 for a one-year term, ending immediately after the 2022 Ordinary General Meeting relating to the financial year ending on 31 December 2021. Furthermore, Frank Donck's mandate was renewed at the Ordinary General Meeting of 2021 for a six-year term, ending immediately after the 2027 Ordinary General Meeting relating to the financial year ending on 31 December 2026.

Geert Versnick and Pieter De Crem's directorships will expire immediately after the 2026 Ordinary General Meeting relating to the financial year ending 31 December 2025.

The directorships of Bernard Gustin, Cécile Flandre, Claude Grégoire, Dominique Offergeld, Roberte Kesteman and Rudy Provoost will expire immediately after the 2023 Ordinary General Meeting relating to the financial year ending 31 December 2022.

Michel Allé, Luc De Temmerman and Saskia Van Uffelen's directorships will expire immediately after the 2022 Ordinary General Meeting relating to the financial year ending 31 December 2021.

For the sake of clarity, the end of term of each director referred to above is also mentioned in the following chart:

	End of term immediately after the Ordinary General Meeting to be held in	(relating to financial year ending)
Bernard Gustin, Chairman	2023	(2022)
Geert Versnick, Vice-Chairman	2026	(2025)
Claude Grégoire, Vice-Chairman	2023	(2022)
Michel Allé	2022	(2021)
Pieter De Crem	2026	(2025)
Luc De Temmerman	2022	(2021)
Frank Donck	2027	(2026)
Cécile Flandre	2023	(2022)
Luc Hujoel[12]	2026	(2025)
Roberte Kesteman	2023	(2022)
Jane Murphy	2023[13]	(2022)[14]
Dominique Offergeld	2023	(2022)
Rudy Provoost	2023	(2022)
Saskia Van Uffelen	2022	(2021)

End of term immediately after the Ordinary General Meeting to be held in	Number of directors
2022	3
2023	7
2026	3
2027	1

On 10 February 2010 Jane Murphy was appointed as non-executive independent director of Elia Group SA/NV for the first time. Consequently, on 10 February 2022 Jane Murphy will have been member of the Board of Directors for 12 years. Jane Murphy will however, in deviation of provision 3.5 of the 2020 Code of Corporate Governance, continue to seat in the Board of Directors until her replacement by the Ordinary General Meeting of 17 May 2022. The Board of Directors is of the opinion that pursuing her mandate over a very short period of time will not endanger her independence. It will also ensure continuity in the works of the Board of Directors and the advisory committees up to the Ordinary General Meeting of 17 May 2022.

12 As stated above, Thibaut Wyngaard was co-opted as non-executive director by the Board of Directors on 17 December 2021 to replace Luc Hujoel as director with effect from 1 January 2022. It shall be proposed to the Ordinary General Meeting to be held on 17 May 2022 to confirm his appointment, ending immediately after the 2026 Ordinary General Meeting (relating to the financial year ending 31 December 2025).

13 However, Jane Murphy will be replaced by the Ordinary General Meeting of 17 May 2022 relating to the financial year 2021, as on 10 February 2022 Jane Murphy will have been a member of the Board of Directors for 12 years.

14 See footnote hereabove.

In accordance with the provisions of the Articles of Association, the Board of Directors is supported by four advisory committees: the Nomination Committee, the Audit Committee, the Remuneration Committee and the Strategic Committee. The Board of Directors ensures that these advisory committees operate in an efficient manner.

Competences of the Board of Directors

Elia Group SA/NV has a one-tier ("*système moniste/monistisch system*") structure as governance model. The Board of Directors has, in accordance with article 17.2 of the Articles of Association, the power to perform all acts necessary or useful for achieving the statutory purpose, with the exception of those acts reserved by law or by the Articles of Association to the General Meeting. Thus, the Board of Directors has inter alia the following powers:

1° approval/amendment of the general strategy, financial and dividend policy of the company, including the strategic orientations or options for the company as well as the principles and problems of a general nature, in particular with regard to risk management and personnel management;

2° approval, follow-up and amendment of the business plan and budgets of the company;

3° without prejudice to other specific powers of the Board of Directors, entering into any commitment where the amount exceeds fifteen million euros (EUR 15,000,000), unless the amount as well as its main characteristics are explicitly provided for in the annual budget;

4° decisions on the corporate structure of the company and of the companies in which the company holds a participation, including the issue of securities;

5° decisions on the incorporation of companies and on the acquisition or transfer of shares (regardless of the manner in which these shares are acquired or transferred) in companies in which the company directly or indirectly holds a participating interest, insofar as the financial impact of this incorporation, acquisition or transfer exceeds two million five hundred thousand euros (EUR 2,500,000);

6° decisions on strategic acquisitions or alliances, significant divestments or transfers of core activities or assets of the company;

7° significant changes to accounting or tax policies;

8° significant changes in the activities;

9° decisions concerning the launch of or acquisition of participations in activities outside the management of electricity networks;

10° strategic decisions to manage and/or acquire new electricity networks outside Belgium;

11° in relation to (i) Elia Transmission Belgium SA/NV and Elia Asset SA/NV: monitoring their general policy as well as the decisions and matters referred to in 4°, 5°, 6°, 8°, 9° and 10° above; (ii) the key subsidiaries designated by the Board of Directors (other than Elia Transmission Belgium SA/NV and Elia Asset SA/NV): the approval and monitoring of their general policy as well as the decisions and matters referred to in 1° to 10° above; (iii) the subsidiaries other than the key subsidiaries: the approval and monitoring of their general policy as well as the decisions and matters referred to in the 4°, 5°, 6°, 8°, 9° and 10° above;

12° exercising general supervision on the Executive Management Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order inter alia to assess whether the company's business is being conducted in a due and proper way;

13° the powers granted to the Board of Directors by or by virtue of the Belgian Code of Companies and Associations or the Articles of Association.

In the framework of the risk management competence of the Board of Directors, the Board of Directors approved a reference framework for internal control and risk management, established by the Executive Management Board, that is based on the COSO II framework. The Board of Directors has also appointed a Compliance Officer who is responsible for monitoring the company's compliance with laws and regulations and for applying the relevant internal guidelines. The Compliance Officer reports at least once a year to the Board of Directors on the execution of his mission.

With respect to the exercise of its supervision oversight responsibilities (see item 12° hereabove), the Board of Directors is at least responsible for the following:

- exercising general supervision on the Executive Management Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order to, inter alia, assess whether the company's business is being conducted in a due and proper way;
- monitoring and reviewing the effectiveness of the advisory committees of the Board of Directors;
- taking all necessary measures to ensure the integrity and timely publication of the financial statements and other significant financial and non-financial information communicated to shareholders and potential shareholders;
- approving an internal control and risk management framework, set up by the Executive Management Board and evaluating the implementation of this framework. The Board of Directors also describes in the annual report the main features of the internal control and risk management systems of the Elia Group SA/NV;
- supervising the performance of the statutory auditors and the internal audit function, taking into account the review carried out by the Audit Committee.

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by the Elia Group SA/NV pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors and, to the extent necessary, to any third party acting on behalf of the company.

Meetings and decision-making

The Board of Directors meets whenever required in the interests of the company and at least once (1) per quarter. It must be convened whenever the company's interests so require and whenever at least two (2) directors so request. It deliberates validly in accordance with the rules that it lays down.

The meetings of the Board of Directors can be held via video conference, conference call or using other means of remote communication, provided all the members agree and the organisational principles of the Board are adhered to. The decisions of the Board of Directors can be taken in accordance with article 7:95, second paragraph of the Code of Companies and Associations by unanimous written agreement of the directors.

The Board of Directors constitutes a collegiate body in which the members strive for consensus in their deliberations.

The deliberations of the Board of Directors are set down in minutes. These minutes are filed in a special register.

Activity report

In 2021, the Board of Directors of Elia Group SA/NV met nine (9) times.

The Board of Directors primarily focused on strategic issues, the financial and regulatory situation of the company and its subsidiaries, the business continuity of the activities in view of the COVID-19 pandemic, the progress on major investment projects, various governance matters and the follow-up of the risks.

Members who were unable to attend usually granted a proxy to another member. In accordance with article 19.4 of the Articles of Association of the company, members who are absent or unable to attend may grant a written proxy to another member of the Board of Directors to represent them at a given meeting of the Board of Directors and vote on their behalf at that meeting. However, no director can hold more than two proxies.

Attendance rate

Bernard Gustin, Chairman	9/9
Geert Versnick, Vice-chairman	7/9
Claude Grégoire, Vice-chairman	9/9
Michel Allé	8/9
Pieter De Crem[15]	8/8
Luc De Temmerman	9/9
Frank Donck	9/9
Cécile Flandre	8/9
Luc Hujoel	9/9
Roberte Kesteman	9/9
Jane Murphy	9/9
Dominique Offergeld	8/9
Rudy Provoost	9/9
Saskia Van Uffelen	9/9

Conflict of interest

The directors of Elia Group SA/NV must strictly observe the provisions of article 7:96 of the Code of Companies and Associations. The procedure of article 7:96 of the Code of Companies and Associations was not applied in 2021, as there were no conflicts of interest. In accordance with the Corporate Governance Charter, outside the scope of the legal conflict of interest regime, the directors must disclose to the Board of Directors any information in their possession that may be relevant to the Board of Directors' decision-making. In the case of sensitive or confidential information, directors consult with the Chairman of the Board of Directors.

Advisory committees

As set out above, in order to carry out its tasks and responsibilities effectively, the Board of Directors is supported by four (4) advisory committees: the Remuneration Committee, the Audit Committee, the Nomination Committee and the Strategic Committee (see below).

In principle, an advisory committee makes recommendations to the Board of Directors in certain specific matters for which it has the necessary expertise. The power of decision itself rests exclusively with the Board of Directors. The role of an advisory committee is therefore limited to providing advice to the Board of Directors.

The Board of Directors monitors the effectiveness of the advisory committees.

Members of the executive and senior management may be invited to attend advisory committee meetings to provide relevant information and insights into their areas of responsibility.

Each advisory committee reports to the Board of Directors after each meeting.

Secretary to the Board of Directors

The Board of Directors appointed a Secretary General who advises the Board of Directors on all matters of governance. The Secretary General performs all administrative duties of the Board of Directors (agenda, minutes, filing, etc.) and ensures the preparation of documents necessary to carry out the tasks of the Board of Directors.

The role of the Secretary General includes:

- supporting the Board of Directors and its committees on all governance matters;
- preparing the Corporate Governance Charter and the Corporate Governance Statement;
- ensuring a good information flow within the Board of Directors and its committees and between the Executive Management Board and the Board of Directors;
- ensuring that the essence of the discussions and decisions at board meetings are accurately captured in the minutes; and
- facilitating induction and assisting with professional development as required.

Directors have individual access to the Secretary General.

15 Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

Interactions with the executive management board

The Chairman establishes a close relationship with the Chief Executive Officer and provides him with support and advice, while respecting the executive responsibility of the Chief Executive Officer.

The Chairman ensures effective interaction between the Board of Directors and the Executive Management Board.

There is a periodic, institutionalised interaction between the Board of Directors and the Executive Management Board in the form of a statutory reporting obligation on the part of the Executive Management Board to the Board of Directors.

The Chairman and Vice-Chairman of the Executive Management Board may, together or individually, participate in the meetings of the Board of Directors in an advisory capacity.

In addition, the directors remain available to give advice, also outside of board meetings.

Interactions with the shareholders

The Chairman of the Board of Directors ensures effective communication with shareholders and ensures that directors develop and maintain an understanding of the views of the shareholders and other significant stakeholders.

The Elia website also contains a calendar of periodic information and General Meetings (**www.elia.be**, under 'investors', 'upcoming events').

Shareholders and interested parties can always address their questions directly to the Investor Relations department (see for contact details: **www.elia.be**, under 'investors').

Evaluation

The Board of Directors' evaluation procedure is conducted in accordance with principle 9 of the 2020 Corporate Governance Code. The evaluation of the directors is conducted by means of a transparent and regular procedure that sees directors complete an evaluation questionnaire, then possibly undergo an individual interview with the Chairman of the Board of Directors and the Chairman of the Nomination Committee. The results are discussed by the Board of Directors and, as the case may be, appropriate actions are taken in the areas which can be improved.

Auditors

The Ordinary General Meeting of Elia Group SA/NV held on 19 May 2020 reappointed Ernst & Young Réviseurs d'Entreprises SRL and appointed BDO Réviseurs d'Entreprises SRL as auditors of the company for a period of three years. Their term of office will end immediately after the 2023 Ordinary General Meeting, relating to the financial year ending 31 December 2022. Ernst & Young Réviseurs d'Entreprises SRL is represented for the exercise of this office by Paul Eelen. BDO Réviseurs d'Entreprises SRL is represented for the exercise of this office by Felix Fank.

Significant events in 2021

Elia Group SA/NV rejoined the BEL20 index

In March 2021, Elia Group SA/NV rejoined the BEL 20 index, the benchmark index of Euronext Brussels. Elia Group SA/NV has been listed on Euronext Brussels since 2005 and was previously included in the BEL 20 between March 2012 and March 2017. Its return to the index demonstrated the market's confidence in its growth and strategy. At the end of January, Elia Group SA/NV received the BelMid Company of the Year 2020 award, in recognition of the fact that it had achieved the greatest relative growth in terms of market capitalisation in 2020 on Euronext Brussels.

EU Taxonomy case study published

As a driver of the energy transition, Elia Group SA/NV is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Group SA/NV therefore published a white paper which outlines the company's eligibility and alignment with the EU Taxonomy. The paper includes the methodology used for the assessment, highlights the group's implementation of sustainable tools and practices, and reinforces its commitment to operating its businesses in a sustainable way.

Amendments to the articles of association following implementation of the capital increase reserved for staff members

The Extraordinary General Meeting of Elia Group SA/NV of 19 May 2020 approved the proposed capital increase reserved for members of staff of the company and its Belgian subsidiaries. This capital increase has been planned to take place in two stages, in December 2020 and March 2021, for a maximum amount of €6 million (maximum of €5,000,000 in 2020 and maximum of €1,000,000 in 2021) subject to the issuing of new Class B shares, with cancellation of the preferential subscription right of existing shareholders in favour of staff members of the company and its Belgian subsidiaries.

The issue price of the capital increase of 22 December 2020 was set at €73.74 per share, i.e. at a price equal to the average of the closing prices of the last thirty calendar days preceding 29 October 2020, reduced by 16.66%. The total value of the December 2020 capital increase (including share premium) was €4,996,401.18 and 67,757 Class B shares in Elia Group SA/NV were issued.

The issue price of the capital increase of 18 March 2021 was set at €83,14 per share, i.e. at a price equal to the average of the closing prices of the last thirty calendar days preceding 28 January 2021, reduced by 16.66%. The total value of the March 2021 capital increase (including share premium) was € 611,910.40 and 7,360 Class B shares in Elia Group SA/NV were issued.

Accordingly, articles 4.1 and 4.2 of the Articles of Association of Elia Group SA/NV relating to the share capital and the number of shares were amended on 18 March 2021. The latest version of Elia Group

SA/NV's Articles of Association is available in full on the company's website (www.eliagroup.eu, under 'About Elia Group', 'Corporate Bodies').

Other significant events

For the other significant events in 2021, **see the pages 18-19-20 of the Elia Group SA/NV Integrated Report.**

Remuneration Committee

Composition

The Remuneration Committee is composed of at least three (3) and maximum five (5) directors, of whom the majority are independent and at least one third non-independent.

The Remuneration Committee is currently composed of five (5) non-executive directors, of whom three (3) are independent.

Competences

In addition to its usual support role to the Board of Directors, the Remuneration Committee is responsible, pursuant to article 7:100 of the Code of Companies and Associations and to article 16.1 of the Articles of Association, for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Executive Management Board and of the Board of Directors.

In particular, the Remuneration Committee exercises the following powers:

- it formulates proposals to the Board of Directors on the remuneration policy of the directors, the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations, and the members of the Executive Management Board and, if applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders' general meeting;
- it makes proposals to the Board of Directors on the individual remuneration of the directors, the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations, and the members of the Executive Management Board, including the variable remuneration (including, for the other executives referred to in article 3:6, § 3, last paragraph of the Code of Companies and Associations and the members of the Executive Management Board, exceptional remuneration in the form of bonuses) and long-term performance bonuses, whether or not linked to shares, in the form of stock options or other financial instruments, and severance payments, and, if applicable, on the proposals arising therefrom which the Board of Directors must submit to the shareholders' general meeting;
- it prepares the remuneration report which the Board of Directors attaches to the Corporate Governance Statement (that is submitted for consultative vote to the Ordinary General Meeting);
- it comments on the remuneration report at the Ordinary General Meeting.

Activity Report

The Remuneration Committee met six (6) times in 2021.

Attendance rate

Luc De Temmerman, Chairman	6/6
Pieter De Crem[16]	5/5
Roberte Kesteman	6/6
Dominique Offergeld	6/6
Saskia Van Uffelen	6/6

Elia Group SA/NV evaluates its management staff on a yearly basis in accordance with its performance management policy. This policy also applies to members of the Executive Management Board. The Remuneration Committee approved the proposed collective and individual targets for the Executive Management Board for 2021. Accordingly, the Remuneration Committee evaluates the members of the Executive Management Board on the basis of a series of collective and individual targets, of both a quantitative and qualitative nature, also taking into account the feedback from internal and external stakeholders. It should be noted that the current remuneration policy concerning the variable portion of the Executive Management Board's remuneration takes into account the implementation of multi-year tariffs. Consequently, the salary scheme for members of the Executive Management Board includes, among other things, an annual variable remuneration and long term incentive (LTI) spread out over the multi-year regulation period. The annual variable remuneration, which is connected with Elia Group SA/NV's strategy, has two components: the attainment of collective quantitative targets and the individual performances, including progress on net profit, infrastructure projects, safety and culture, security of (electricity) supply and sustainability or efficiency.

In addition, the remuneration policy foresees in the allocation of exceptional cash bonuses for specific projects in specific, non-recurring cases.

During the financial year 2021, the Remuneration Committee prepared the remuneration report for consultative vote of the Ordinary General Meeting of 2021 and reviewed Elia Group SA/NV's remuneration policy which was approved by the Ordinary General Meeting of 2021. In addition, the Remuneration Committee reviewed the compensation model of the Executive Management Board of Elia Group SA/NV in view of ya new remuneration policy for the Executive Management Board that will be presented to the Ordinary General Meeting for approval on 17 May 2022.

In view of provision 7.6 of the 2020 Corporate Governance Code, the Remuneration Committee examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021. The Board of Directors has followed the recommendation of the Remuneration Committee and has decided that a share based remuneration is not suitable within Elia Group SA/NV as (i) Elia's activities are by nature organised in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference

16 Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

shareholding that naturally pursues fixed long-term objectives and sustainability goals. In addition (and in deviation from provision 7.9 of the 2020 Corporate Governance Code), the Board of Directors decided not to impose a minimum threshold of shares to be held by the members of the Executive Management Board. The Board of Directors is indeed of the opinion that the way in which the remuneration of the members of the Executive Management Board is structured, sufficiently contributes to the long-term interests and the sustainability of the company. Moreover, the fixed remuneration guarantees commitment in more difficult times whereas the variable remuneration and the LTI guarantee ambition in achieving the performance criteria that translate the company's strategy (see also the remuneration report for explanations as to provisions 7.6 and 7.9 of the 2020 Corporate Governance Code.)

Audit Committee

Composition

The Audit Committee is composed of at least three (3) and maximum five (5) directors, of whom two (2) shall be independent directors.

The Audit Committee is currently composed of five non-executive directors, three (3) of whom are independent.

The members of the Audit Committee have a collective expertise in the field of the company's activities.

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

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

Dominique Offergeld (non-executive director of Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV, appointed upon the proposal of Publi-T) has a degree in economics and social science (specialisation: public economics) from Université Notre Dame de la Paix in Namur. She has taken various extra-academic programmes, including the General Management Program at Cedep (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, and was subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999. In 2001 she became advisor to the Deputy Prime Minister and Minister for Foreign Affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was previously director of (among others) Publigas and government commissioner at Fluxys. She was also Chairwoman of the Board of Directors and the Audit Committee of SNCB. Between 2014 and 2016, she was director of the Minister for Mobility's Strategy Unit, with responsibility for Belgocontrol and the SNCB. She has been CFO of ORES since August 2016, a position she also held between 2008 and 2014.

Competences

In addition to its usual support role to the Board of Directors, the Audit Committee is, pursuant to article 7:99 of the Code of Companies and Associations and article 15.1 of the Articles of Association, in particular responsible for:

- examining the accounts and exercising control over the budget;
- monitoring the financial reporting process;
- monitoring the effectiveness of the company's internal control and risk management systems;
- monitoring the internal audit and its effectiveness;
- monitoring the statutory audit of the annual accounts, including follow-up on questions raised and recommendations made by the statutory auditors and, as the case may be, by the auditor responsible for monitoring the consolidated accounts;
- reviewing and monitoring the independence of the statutory auditors and, as the case may be, of the auditor responsible for monitoring the consolidated accounts, in particular regarding the provision of additional services to the company;
- formulating a proposal to the Board of Directors for the (re) appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the conditions of their appointment;
- as the case may be, investigating the issues giving rise to the resignation of the statutory auditors, and making recommendations regarding all appropriate actions in this respect;
- monitoring the nature and extent of the non-audit services provided by the statutory auditors;
- reviewing the effectiveness of the external audit process.

The Audit Committee makes recommendations on the selection, (re)appointment and resignation of the Head of Internal Audit.

At the beginning of each year, the Audit Committee asks the head of Internal Audit for his or her «Annual Work Plan». The Audit Committee ensures that an appropriate balance is struck between financial and operational audit work. This «Annual Work Plan» is communicated by the Head of Internal Audit to the Executive Management Board at the same time.

The Audit Committee evaluates at least once (1) a year the effectiveness of the internal control and risk management systems with the Head of Internal Audit, the external auditors and any experts whose intervention the Committee considers necessary.

The purpose of this assessment is to ensure that the main risks (including risks related to fraud and compliance with applicable laws and regulations) are properly identified, managed and reported.

The Audit Committee reviews the comments on internal control and risk management included in the Corporate Governance Statement of the company's annual report.

In addition, the Audit Committee reviews the specific arrangements in place for the company's employees to raise concerns, in confidence, about possible irregularities in financial reporting or other matters.

As from 2022, the Audit Committee will also contribute to the preparation of Elia Group SA/NV's sustainability report and will monitor the implementation of the group's sustainability policy.

The Audit Committee may investigate any matter that falls within its remit. For this purpose, it is given the resources it needs to perform this task, has access to all information, with the exception of confidential commercial data concerning grid users, and can call on internal and external experts for advice.

Activity Report

The Audit Committee met five (5) times in 2021.

Attendance rate	
Michel Allé, Chairman	5/5
Frank Donck	5/5
Roberte Kesteman	5/5
Dominique Offergeld	5/5
Rudy Provoost	4/5

In 2021, the Audit Committee examined the 2020 annual accounts, under both Belgian GAAP and IFRS as well as the half-yearly results as at 30 June 2021 and the 2021 quarterly results, in accordance with Belgian GAAP and IFRS rules. The Audit Committee also reviewed the yearly budget process and the group Business Plan for 2022-2026.

In addition, the Audit Committee followed up the risk management activity and took note of the Internal Audits carried out and the recommendations made. The Audit Committee follows an action plan for each Internal Audit carried out, in order to improve the efficiency, traceability and awareness of the areas audited and thereby reduce the associated risks and provide assurance that the control environment and risk management are appropriate. The Audit Committee followed the various action plans from a number of perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the Internal Audit department. The Audit Committee noted the strategic risks and the ad-hoc risk analyses based on the environment in which the group operates. The Audit Committee in 2021 also reviewed the Belgian GAAP valuation rules of the company, examined the proposal to enter into a liquidity agreement and followed the evolution of the legislation relating to sustainability.

Furthermore, the Audit Committee regularly examined the compliance of the non-audit services provided by the auditors with legal requirements.

Nomination Committee

Composition

The composition of the Nomination Committee respects provision 4.19 of the 2020 Corporate Governance Code but deviates from the Articles of Association of the company. Accordingly, the Nomination Committee is currently composed of five (5) directors, of whom a majority are independent.

Competences

In addition to its usual support role to the Board of Directors, the Nomination Committee is responsible for providing advice and support to the Board of Directors regarding the appointment of the directors, the Chief Executive Officer and the members of the Executive Management Board.

The Nomination Committee plans the orderly renewal of the directors. The Nomination Committee leads the process for the reappointment of retiring directors.

The Nomination Committee ensures that sufficient and regular attention is paid to the renewal of executive managers. The Nomination Committee also ensures that adequate talent development programs and diversity programs are in place.

Activity Report

The Nomination Committee met nine (9) times in 2021.

Attendance rate	
Luc Hujoel, Chairman	9/9
Luc De Temmerman	9/9
Pieter De Crem[17]	7/7
Frank Donck	9/9
Jane Murphy	9/9

In line with its competences under the Articles of Association, the Nomination Committee dealt in 2021 in particular with the following matters: compliance with the requirements in the area of full ownership unbundling concerning the non-executive directors (article 13.1 of the Articles of Association of Elia Group SA/NV), proposal for the (reappointment of non-executive directors, follow up of future Board mandates to be renewed in 2022, review of the Corporate Governance Charter, report of the Compliance Officer and preparation of the 2021 Corporate Governance Statement.

Strategic Committee

Composition

The Strategic Committee is composed of not more than five (5) directors, two (2) of whom are independent.

The Strategic Committee is currently composed of five (5) directors, two (2) of whom are independent.

Two (2) directors are invited on a permanent basis to the meetings of the Strategic Committee.

Up to 9 February 2021, the Strategic Committee was composed of Geert Versnick (Chairman), Michel Allé, Bernard Gustin, Luc Hujoel and Rudy Provoost. In addition, Claude Grégoire and Dominique Offergeld were invited to attend all meetings of the Strategic Committee as “standing invitees”.

The Board of Directors of 9 February 2021 decided to appoint Claude Grégoire as member of the Strategic Committee, while Luc Hujoel became a standing invitee of the Strategic Committee.

Therefore, since 9 February 2021 (and up to 31 December 2021), the Strategic Committee was composed of Geert Versnick (Chairman), Michel Allé, Claude Grégoire, Bernard Gustin and Rudy Provoost. In addition, Dominique Offergeld and Luc Hujoel were invited to attend all meetings of the Strategic Committee as “standing invitees”.

Since 1 January 2022, further to the voluntary resignation of Luc Hujoel and the appointment of Geert Versnick as Chairman of the Nomination Committee, Dominique Offergeld chairs the Strategic Committee, while Geert Versnick is a standing invitee.

Competences

The Strategic Committee has an advisory role and is responsible for providing advice and recommendations to the Board of Directors on the matters entrusted to it. The Strategic Committee has no decision-making powers and has therefore no authority to decide on the strategy of the Elia Group SA/NV.

The Strategic Committee is responsible for providing advice and recommendations to the Board of Directors concerning the company’s business development activities and international investment policy in the broadest sense of the term, including the method of financing.

As from 2022, the Strategic Committee will also advice the Board on the sustainability policy of Elia Group SA/NV as well as on the reporting in view of the new European taxonomy legislation.

The Strategic Committee examines the issues without prejudice to the role of the other advisory committees set up within the Board of Directors.

17 Pieter De Crem was co-opted as non-executive director by the Board of Directors of 9 February 2021, upon the proposal of Publi-T, to replace Kris Peeters, who tendered his voluntary resignation as non-executive director of Elia Group SA/NV with effect from 1 January 2021. The Ordinary General Meeting held on 18 May 2021 confirmed the appointment of Pieter De Crem as non-executive director.

Activity Report

The Strategic Committee met nine (9) times in 2021.

Attendance rate	
Geert Versnick, Chairman	9/9
Michel Allé	8/9
Claude Grégoire	8/9
Bernard Gustin	9/9
Rudy Provoost	8/9
Luc Hujoel	9/9
Dominique Offergeld	9/9

Executive Management Board

Current composition of the Executive Management Board

1 **Chris Peeters**
Chief Executive Officer and TSO Head Elia

2 **Catherine Vandenborre**
Chief Financial Officer

3 **Stefan Kapferer**
TSO Head 50 Hertz

4 **Peter Michiels**
Chief Human Resources, Internal Communication Officer,
Chief Alignment Officer

5 **Michael Freiherr Roeder von Diersburg**
Chief Digital Officer

As mentioned above, Elia Group SA/NV has a one-tier structure tier ("*système moniste/monistich system*") as governance model. In accordance with the possibility provided for by article 7:121 of the Code of Companies and Associations, and pursuant to its Articles of Association, the Board of Directors delegated the day-to-day management to an Executive Management Board (*Collège de gestion journalière/College van dagelijks bestuur*).

Competences of the Executive Management Board

In accordance with Article 17.3 of the Articles of Association, the Executive Management Board is responsible for, within the limits of the rules and principles of general policy and the decisions adopted by the Board of Directors of the company, all acts and decisions that do not exceed the needs of the daily management of the company, as well as those acts and decisions that do not justify the intervention of the Board of Directors for reasons of minor importance or urgency, including:

1° the day-to-day management of the company, including all commercial, technical, financial, regulatory and personnel matters related to this day-to-day management of the company, including, inter alia, all commitments (i) when the amount is less than or equal to 15 million euros (EUR 15,000,000) or (ii) when the amount as well as its main characteristics are explicitly provided for in the annual budget;

2° the regular reporting to the Board of Directors on its operational activities in the company in execution of the powers granted in accordance with article 17.3 of the Articles of Association, with due observance of the legal restrictions regarding access to commercial and other confidential data relating to net users and the processing thereof and the preparation of the decisions of the Board of Directors, including in particular: (a) timely and accurate preparation of the annual accounts and other financial information of the company in accordance with the applicable accounting standards and company policy, and the appropriate communication thereof; (b) preparation of the adequate publication of key non-financial information about the company; (c) preparation of the financial information in the half-yearly statements that will be submitted to the Audit Committee for advice to the Board of Directors as part of its general task of monitoring the financial reporting process; (d) implementation of internal controls and risk management based on the framework approved by the Board of Directors, without prejudice to the follow-up of the implementation within this framework by the Board of Directors and the investigation conducted by the Audit Committee for this purpose; (e) submitting to the Board of Directors the financial situation of the company; (f) making available the information necessary for the Board of Directors to carry out its duties, in particular by preparing proposals on the policy issues set out in article 17.2 of the Articles of Association (see the powers of the Board of Directors above);

3° the regular reporting to the Board of Directors on its policy in the key subsidiaries designated by the Board of Directors and the annual reporting to the Board of Directors on its policy in the other subsidiaries and on the policy in the companies in which the company directly or indirectly holds a participating interest;

4° all decisions relating to proceedings (both before the Supreme Administrative Court and other administrative courts, as well as before the ordinary courts of law and arbitration tribunals) and in particular for taking decisions in the name and for the account of the company to file, amend or withdraw an appeal and to engage one or more lawyers to represent the company;

5° all other powers delegated by the Board of Directors.

The Executive Management Board has all powers necessary, including the power of representation, and sufficient margin for manoeuvre to exercise the powers that have been delegated to it and to propose and implement a corporate strategy, without prejudice to the powers of the Board of Directors.

Meetings and decision-making

The Executive Management Board generally meets at least twice (2) a month. Executive Management Board Members who are unable to attend usually grant a proxy to another Executive Management Board Member. A written proxy, conveyed by any means (of which the authenticity of its source can be reasonably determined), can be given to another member of the Executive Management Board, in accordance with the internal rules of procedure of the Executive Management Board. However, no member may hold more than two proxies. In 2021, the Executive Board met on 21 occasions.

Each quarter, the Executive Management Board reports to the Board of Directors on the company's financial situation (in particular on the balance between the budget and the results stated) and reports at each meeting of the Board of Directors on all day-to-day management responsibilities, in particular the management by the group of the transmission system activities in the main Belgian and German affiliates of the group (Elia Transmission Belgium SA/NV / Elia Asset SA/NV and 50 Hertz Transmission GmbH). As part of its reporting in 2021, the Executive Management Board kept the Board of Directors informed of the company's/the group's financial situation, the follow-up of its investment programme (including the monitoring and development of major investment projects), the follow-up on the group's infrastructure (including as to maintenance and operations), the evolutions in the energy policy field (including the main decisions taken by regulators and administrations), human resources matters, safety and security issues, M&A/business development matters and the evolution of the share price. The Executive Management Board also follows-up most important group risks and their mitigation measures as well as the recommendations of the Internal Audit.

Changes in the composition of the Executive Management Board

There was no change in the composition of the Executive Management Board in 2021.

The composition of the Executive Management Board is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge. When searching for and appointing new members of the Executive Management Board, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Diversity within the Executive Management Board

Number of Executive Board Members as at 31 December 2020		
Men	Aged 35 < 54	1
	Aged ≥ 55	3
Women	Aged 35 < 54	1
	Aged ≥ 55	0

Code of Conduct, Code of Ethics and Corporate Governance Charter

CODE OF CONDUCT

Following the entry into force of European Regulation No. 596/2014 on market abuse ('Market Abuse Regulation'), Elia Group SA/NV amended its Code of Conduct that aims to prevent members of key personnel and persons discharging managerial responsibilities in the group from potentially breaking any laws on the use of privileged information and market manipulation. The Code of Conduct lays down a series of regulations and communication obligations for transactions by those individuals in relation to their Elia Group SA/NV securities, in accordance with the provisions of the Market Abuse Regulation and the Act of 2 August 2002 on monitoring of the financial sector and other financial services. This Code of Conduct is available on the website **www.elia.be** (under 'Company, 'Corporate Governance', 'Document library').

CODE OF ETHICS

Elia Group SA/NV's Code of Ethics defines what Elia Group SA/NV regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees.

The Board of Directors and the Executive Management Board regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees.

CORPORATE GOVERNANCE CHARTER AND INTERNAL RULES OF PROCEDURE OF THE BOARD OF DIRECTORS, THE BOARD'S ADVISORY COMMITTEES AND THE EXECUTIVE MANAGEMENT BOARD

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board's advisory committees and the Executive Management Board can be found on the website **www.elia.be** (under 'Company', 'Corporate Governance', 'Document library'). The responsibilities of the Board of Directors and of the Executive Management Board are described in detail in the Articles of Association of the company and are therefore not reiterated in the internal rules of the Board of Directors and of the Executive Management Board. In March 2021 Elia Group SA/NV has finalised a new version of its Corporate Governance Charter in order to comply with the group's new structure and governance, the changes introduced by the Code of Companies and Associations and the new 2020 Corporate Governance Code.

Disclosure obligations

TRANSPARENCY RULES – NOTIFICATIONS

Disclosure based on the act on major shareholdings of 2 may 2007

Elia Group SA/NV received no notifications in 2021 within the meaning of the Act of 2 May 2007 on disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on disclosure of major shareholdings.

In accordance with article 15 of the Act of 2 May 2007, Elia Group SA/NV published on 18 March 2021, as a result of Elia Group SA/NV's capital increase reserved for its staff and for the staff of its Belgian subsidiaries and the issuance of 7,360 new shares, that it has issued a total of 68,728,055 shares. See the press release published on **www.eliagroup.eu** (under 'News', 'Press releases', 'Regulated information').

Disclosure based on the act on takeover bids of 1 april 2007

On 23 November 2007 Publi-T communicated to the company that it held on 1 September 2007 more than 30% of the securities with voting rights in the company. No update of this notification was notified as of 1 September 2021.

The shareholder structure as at 31 December 2021, based on the transparency notifications received by Elia Group SA/NV up to that date, is the following:

Shareholder	Number of shares (= Denominator)	Type of shares***	% of shares	% of voting rights
Publi-T	30,806,445*	Class B & C*	44.82%	44.82%
Publipart	2,280,231	Class A & B **	3.32%	3.32%
Belfius Insurance	714,357	Class B	1.04%	1.04%
Katoen Natie Group	4,228,344	Class B	6.15%	6.15%
Interfin	2,598,143	Class B	3.78%	3.78%
Other free float	28,100,535	Class B	40.89%	40.89%
TOTAL	**68,728,055**		**100%**	**100%**

*Publi-T holds a total of 30,806,445 shares, of which 30,722,070 are class C shares (and 84,375 are class B shares)

**Publipart holds a total of 2,280,231 shares, of which 1,717,600 are class A shares (and 562,631 are class B shares)

***The Company's share capital amounts to € 1,714,205,819.64, represented by 68,728,055 ordinary shares. The shares are divided into three classes: 1,717,600 class A shares; 36,288,385 class B shares; and 30,722,070 class C shares. All shares have identical voting, dividend and liquidation rights, but class A and class C shares carry certain special rights regarding the nomination of candidates for appointment to the Board of Directors and voting on shareholders' resolutions.

According to the transparency notification of 30 October 2014, Publi-T and FPIM (Belfius Insurance) are acting in concert within the meaning of article 3 §1, 13° b) of the Belgian law of May 2, 2007.

ITEMS TO BE DISCLOSED PURSUANT TO ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007

In accordance with article 3:6, §2, 7° of the Code of Companies and Associations, Elia Group SA/NV discloses hereafter the items referred to under article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Capital structure

As at 31 December 2021, the capital of the company amounted to € 1,714,205,819.64, represented by a total of 68,728,055 shares, among which 1,717,600 Class A Shares (2,50% of the total share capital and

voting rights), 36,288,385 Class B Shares (52,80% of the total share capital and voting rights) and 30,722,070 Class C Shares (44,70% of the total share capital and voting rights). All shares have no par value and are fully paid-up.

Total capital		
€ 1,714,205,819.64		
Total number of securities conferring voting rights (by class)		**% of the total share capital**
class A	1,717,600	2.50%
class B	36,288,385	52.80%
class C	30,722,070	44.70%
TOTAL	**68,728,055**	
Total number of voting rights (by class)		**% of the total voting rights**
class A	1,717,600	2.50%
class B	36,288,385	52.80%
class C	30,722,070	44.70%
TOTAL	**68,728,055**	

Class A and Class C shares are respectively held by Publipart SA/NV and Publi-T SC/CV. Pursuant to article 4.3 of the Articles of Association, all shares have the same rights irrespective of the class to which they belong, unless otherwise provided in the Articles of Association. In this context, the Articles of Association provide that certain specific rights are attached to Class A and Class C shares with respect to (i) the appointment of members of the Board of Directors (article 13.2) and (ii) the approval of decisions of the General Meeting (articles 28.2 and 33.1).

Restriction on the transfer of shares

Articles 4.3 and 4.4 of the Articles of Association provide restrictions as to shareholding by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits or if otherwise performing any of the functions of production or supply of electricity and/or natural gas.

Besides, Class A and C shares are subject to a preemptive right to the benefit, respectively of Class C and A shareholders, in accordance with article 9 of the company's Articles of Association.

Holders of securities with special control rights

See above for Class A and C shareholders rights.

Control mechanism of any employee share scheme where the control rights are not exercised directly by the employees

There is no employee share scheme with such a mechanism.

Restrictions on the exercise of voting rights

Article 4.3 of the Articles of Association provides that voting rights attached to shares held directly or indirectly by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits, respectively, are suspended. In addition, article 11.2 of the Articles of Association stipulates that the company may suspend exercise of the rights attaching to securities that are subject to joint ownership, usufruct or pledge until such time as one person has been designated as the holder of these rights vis-a-vis the company.

Shareholders' agreement

The company is not aware of provisions of a shareholders' agreement that would restrict the transfer of shares or the exercise of voting rights otherwise than as stipulated in the Articles of Association.

Appointment and replacement of directors

The appointment and replacement of directors are governed by articles 12 and 13 of the Articles of Association. Their main provisions are described above.

Amendment to the articles of association

The rules governing the amendment to the company's Articles of Association are provided by the Code of Companies and Associations as well as by article 29 of the Articles of Association. The Articles of Association may be amended by an Extraordinary General Meeting convened for that purpose. The object of the proposed amendments must be stated on the agenda. The Extraordinary General Meeting shall only validly adopt such resolution if at least

50% of the share capital is present or represented and with a majority of 75% of the votes cast, whereby abstentions are not taken into account either in the numerator or in the denominator. If the attendance quorum is not met at a first General Meeting, a second General Meeting may be convened and will decide without any attendance quorum requirement. If the amendments to the Articles of Association relate to the rights attached to a or several class(es) of shares, the quorum and majority requirements abovementioned apply within each category of shares. For certain specific matters (e.g. amendment of the purpose of the company), higher voting majorities may apply. Pursuant to article 28.2 of the Articles of Association, as long as the Class A and/or Class C shares represent more than twenty-five per cent (25%) of the total number of shares, no decision can be adopted by the General Meeting, without prejudice to the majority provided for in the Articles of Association and the Code of Companies and Associations, unless such decision is approved by a majority of the Class A and/or Class C shares that are present or represented. If, in the case of an increase in the capital of the company, the Class A and/or Class C shares are diluted and no longer represent more than twenty-five per cent (25%) of the total number of shares, the Class A and/or the Class C shares will retain the aforementioned right as long as the Class C shares represent more than fifteen per cent (15%) of the total number of shares.

Powers of the board of directors, in particular to issue and buy back shares

With regards to the powers of the Board of Directors in general, reference is made to the section 'Competences of the Board of Directors' (see above).

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by the company pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors of the company and, to the extent necessary, to any third party acting on behalf of the company. It also applies to the direct and, to the extent necessary, indirect subsidiaries of the company.

This power does not affect the possibilities of the Board of Directors, in accordance with the applicable legal provisions, to acquire own shares if no power by virtue of the Articles of Association or power by the General Meeting is required for this purpose.

Within the above framework, Elia Group SA/NV has entered into a liquidity agreement with Exane BNP Paribas providing the latter with the mandate to purchase and sale Elia Group SA/NV shares on the regulated market of Euronext Brussels. Exane BNP Paribas is acting on behalf and for the account of Elia Group SA/NV and within the framework of a discretionary mandate as authorized by the Extraordinary General Meeting of 18 May 2021. The purpose of the liquidity contract is to support the liquidity of the Elia Group SA/NV shares listed on Euronext Brussels.

Significant agreements that may be impacted by a change of control of the company

There are no such agreements.

Agreements between Elia group sa/nv and its directors or employees providing for compensation if the directors resign or are made redundant without valid reason or if the employment of the employees ceases because of a takeover bid

No specific dismissal arrangements have been agreed outside the legal framework.

Remuneration of the members of the Board of Directors and of the Executive Management Board

Introduction

This remuneration report relates to the remuneration of the members of the Board of Directors and of the Executive Management Board of Elia Group SA/NV during the financial year 2021. This remuneration report is based on the remuneration policy applicable in the company since 2021.

This remuneration policy was drafted and approved by the Board of Directors of 25 March 2021 based on a reasoned advice of the Remuneration Committee of Elia Group SA/NV on 24 March 2021, in order to submit it for approval to the Ordinary General Meeting of 18 May 2021. The Ordinary General Meeting of 18 May 2021 approved the remuneration policy.

The remuneration policy can be consulted using the following hyperlink:

https://www.elia.be/en/investor-relations/shareholders-meetings-overview/2021-may-shareholder-meeting-details

This remuneration policy applies within Elia Group SA/NV as from 1st January 2021.

A new remuneration policy will be submitted to the Ordinary General Meeting of Elia Group SA/NV of 17 May 2022, in accordance with Article 7:89/1 of the Belgian Code of Companies and Associations. Subject to approval by the said General Meeting, it will be applicable as from 1st January 2022.

1. Total remuneration of the members of the Board of Directors and of the Executive Management Board

1.1. TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Elia Group SA/NV is composed of 14 non executive board members. The present report gives an overview of their remuneration for all their mandates within the Elia group.

Until 18 May 2021, all members of the Board of Directors of Elia Group SA/NV were also member of the Board of Directors of Elia Transmission Belgium SA/NV and Elia Asset SA/NV. However, independent director Frank Donck voluntarily resigned from the Boards of Directors of Elia Transmission Belgium SA/NV and Elia Asset SA/NV as of 18 May 2021, so that he is now a member of the Elia Group SA/NV Board of Directors only.

1.1.1. Fixed remuneration

The remuneration of the directors consists of a base salary of €12,500 for Elia Group SA/NV, €6,250 for Elia Transmission Belgium SA/NV and €6,250 for Elia Asset SA/NV and an attendance fee per meeting of the Board of Directors of €750 for Elia Group SA/NV, €375 for Elia Transmission Belgium SA/NV and €375 for Elia Asset SA/NV, starting with the first Board meeting attended by the director. The base salary and the attendance fee are increased by 100% for the Chairman of the Board of Directors of both Elia Group SA/NV and Elia Transmission Belgium SA/NV and Elia Asset SA/NV.

The base salary for each member of the Audit Committee, the Remuneration Committee, the Nomination Committee (Elia Group SA/NV) respectively the Corporate Governance Committee (Elia Transmission Belgium SA/NV / Elia Asset SA/NV) and the Strategic Committee (which only exists in Elia Group SA/NV) is set at €3,000 per annum per committee of Elia Group SA/NV and at €1,500 per annum per committee of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV. The attendance fee, starting with the first meeting attended by the member, for each member of a committee is set at €750 per committee meeting of Elia Group SA/NV and at €375 per committee meeting of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV. The base salary and the attendance fee are increased by 30% for each committee Chairman.

The base salaries and attendance fees are indexed each year in January according to the consumer price index for the month of January 2016.

The base salaries and attendance fees cover all expenses, with the exception of (a) expenses incurred by directors domiciled outside Belgium during the exercise of their mandate (such as transport and subsistence expenses), insofar these directors are domiciled outside Belgium at the time of their appointment or, if the directors in question change their domicile after their appointment, after approval of the Remuneration Committee, (b) of all expenses incurred by directors in the event a meeting of the Board of Directors is organized outside Belgium (e.g. in Germany) and (c) of all expenses incurred by directors during their travels abroad in the framework of their mandate, at the request of the Chairman or the Vice-Chairmen of the Board of Directors.

All costs and fees are charged to the company's operating expenses. In 2021, one meeting of the Board of Directors has been organized outside Belgium, in particular in Germany, for which the Company has paid the expenses.

All remunerations were granted in proportion to the duration of the directorship.

At the end of each first, second and third quarter an advance on the annual fees is paid to the directors. A final settlement is made in December of the current year.

The table below reflects the total fixed remuneration (including indexation) paid out to each director for all mandates within the Elia group during the financial year 2021 in execution of the rules set out above.

Directors	Fixed remuneration		Total fixed remuneration
	Base salary	**Attendance fees**	
Michel ALLÉ	€ 38,753.50	€ 31,668.00	€ 70,421.50
Pieter DE CREM [18]	€ 40,053.00	€ 32,480.00	€ 72,533.00
Luc DE TEMMERMAN [19]	€ 42,001.50	€ 42,711.20	€ 84,712.70
Frank DONCK [20]	€ 27,635.64	€ 27,608.00	€ 55,243.64
Cécile FLANDRE [21]	€ 27,063.00	€ 12,992.00	€ 40,055.00
Claude GRÉGOIRE	€ 30,310.00	€ 21,112.00	€ 51,422.00
Bernard GUSTIN [22]	€ 57,373.00	€ 36,540.00	€ 93,913.00
Luc HUJOEL [23]	€ 35,506.50	€ 34,672.40	€ 70,178.90
Roberte KESTEMAN [24]	€ 42,066.76	€ 36,540.00	€ 78,606.76
Jane MURPHY	€ 33,558.00	€ 30,044.00	€ 63,602.00
Dominique OFFERGELD	€ 40,053.00	€ 30,856.00	€ 70,909.00
Rudy PROVOOST	€ 36,805.00	€ 27,608.00	€ 64,413.00
Saskia VAN UFFELEN [25]	€ 33,558.00	€ 24,360.00	€ 57,918.00
Geert VERSNICK [26]	€ 31,284.10	€ 18,676.00	€ 49,960.10
Total	**€ 516,021.00**	**€ 407,867.60**	**€ 923,888.60**

18 Director as from 9 February 2021. Peter De Crem's fees are paid to the company Ed Merc BV.
19 Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm.V.
20 Frank Donck's fees are paid to the company Ibervest NV.
21 Cécile Flandre's fees are paid to the company Publi-T SC
22 Bernard Gustin's fees are paid to the company Bernard Gustin SRL.
23 Director until 31 December 2021 at midnight. Luc Hujoel's fees are paid to the company Interfin SCRL.
24 Roberte Kesteman's fees are paid to the company Symvouli BV.
25 Saskia Van Uffelen's fees are paid to the company Quadrature Cabinet Conseil SRL.
26 Geert Versnick's fees are paid to the company Fleming Corporation BV.

The tables below give a detailed overview of the fixed remuneration (including indexation) paid out to each director for the mandates within Elia Group SA/NV, Elia Transmission Belgium SA/NV and Elia Asset SA/NV respectively.

FIXED REMUNERATION OF THE DIRECTORS IN ELIA GROUP SA/NV

Elia Group SA/NV Directors	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee		Strategic Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 13,531.00	€ 7,308.00	€ 4,221.10	€ 5,278.00	-	-	-	-	€ 3,247.00	€ 6,496.00
Pieter DE CREM [27]	€ 13,531.00	€ 6,496.00	-	-	€ 3,247.00	€ 5,684.00	€ 3,247.00	€ 4,060.00	-	-
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 13,531.00	€ 7,308.00	-	-	€ 3,247.00	€ 7,308.00	€ 4,221.10	€ 6,333.60	-	-
Frank DONCK	€ 13,531.00	€ 7,308.00	€ 3,247.00	€ 4,060.00	€ 3,247.00	€ 7,308.00	-	-	-	-
Cécile FLANDRE	€ 13,531.00	€ 6,496.00	-	-	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 13,531.00	€ 7,308.00	-	-	-	-	-	-	€ 3,247.00	€ 6,496.00
Bernard GUSTIN Chairman of the Board of Directors	€ 27,062.00	€ 14,616.00	-	-	-	-	-	-	€ 3,247.00	€ 7,308.00
Luc HUJOEL [28] Chairman of the Nomination Committee	€ 13,531.00	€ 7,308.00	-	-	€ 4,221.10	€ 9,500.40	-	-	-	-
Roberte KESTEMAN	€ 13,531.00	€ 7,308.00	€ 3,247.00	€ 4,060.00	-	-	€ 3,247.00	€ 4,872.00	-	-
Jane MURPHY	€ 13,531.00	€ 7,308.00	-	-	€ 3,247.00	€ 7,308.00	-	-	-	-
Dominique OFFERGELD	€ 13,531.00	€ 6,496.00	€ 3,247.00	€ 4,060.00	-	-	€ 3,247.00	€ 4,872.00	-	-
Rudy PROVOOST	€ 13,531.00	€ 7,308.00	€ 3,247.00	€ 3,248.00	-	-	-	-	€ 3,247.00	€ 6,496.00
Saskia VAN UFFELEN	€ 13,531.00	€ 7,308.00	-	-	-	-	€ 3,247.00	€ 4,872.00	-	-
Geert VERSNICK Vice-Chairman of the Board of Directors and Chairman of the Strategic Committee	€ 13,531.00	€ 5,684.00	-	-	-	-	-	-	€ 4,221.10	€ 7,308.00

27 Director as from 9 February 2021
28 Director until 31 December 2021 at midnight. Luc Hujoel's fees are paid to the company Interfin SCRL.

FIXED REMUNERATION OF THE DIRECTORS OF ELIA TRANSMISSION BELGIUM SA/NV WHO ARE ALSO DIRECTORS OF ELIA GROUP SA/NV[29]

Elia Transmission Belgium SA/NV Directors	Board of Directors		Audit Committee		Corporate Governance Committee		Remuneration Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 6,766.00	€ 3,654.00	€ 2,111.20	€ 2,639.00	-	-	-	-
Pieter DE CREM[30]	€ 6,766.00	€ 3,248.00	-	-	€ 1,624.00	€ 2,842.00	€ 1,624.00	€ 2,030.00
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	€ 2,111.20	€ 3,166.80
Frank DONCK[31]	€ 2,571.08	€ 1,218.00	€ 617.12	€ 1,218.00	€ 617.12	€ 2,030.00	-	-
Cécile FLANDRE	€ 6,766.00	€ 3,248.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 6,766.00	€ 3,654.00	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€ 13,532.00	€ 7,308.00	-	-	-	-	-	-
Luc HUJOEL[32] Chairman of the Corporate Governance Committee	€ 6,766.00	€ 3,654.00	-	-	€ 2,111.20	€ 5,278.00	-	-
Roberte KESTEMAN	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 2,030.00	€ 1,006.88	€ 2,030.00	€ 1,624.00	€ 2,436.00
Jane MURPHY	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	-	-
Dominique OFFERGELD	€ 6,766.00	€ 3,248.00	€ 1,624.00	€ 2,030.00	-	-	€ 1,624.00	€ 2,436.00
Rudy PROVOOST	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 1,624.00	-	-	-	-
Saskia VAN UFFELEN	€ 6,766.00	€ 3,654.00	-	-	-	-	€ 1,624.00	€ 2,436.00
Geert VERSNICK Vice-Chairman of the Board of Directors	€ 6,766.00	€ 2,842.00	-	-	-	-	-	-

29 Lieve Creten is a director of Elia Transmission Belgium SA/NV, but is not a director of Elia Group SA/NV. Her remuneration is therefore not disclosed in the present remuneration report, in accordance with applicable legislation. Please note however that her remuneration is in line with the remuneration policy and therefore in line with the remuneration of the other directors of Elia Transmission Belgium SA/NV.
30 Director as from 9 February 2021
31 Director until 18 May 2021.
32 Director until 31 December 2021 at midnight. Luc Hujoel's fees are paid to the company Interfin SCRL.

FIXED REMUNERATION OF THE DIRECTORS OF ELIA ASSET SA/NV WHO ARE ALSO DIRECTORS OF ELIA GROUP SA/NV[33]

Elia Asset SA/NV Directors	Board of Directors		Audit Committee		Corporate Governance Committee		Remuneration Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€ 6,766.00	€ 3,654.00	€ 2,111.20	€ 2,639.00	-	-	-	-
Pieter DE CREM[34]	€ 6,766.00	€ 3,248.00	-	-	€ 1,624.00	€ 2,842.00	€ 1,624.00	€ 2,030.00
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	€ 2,111.20	€ 3,166.80
Frank DONCK[35]	€ 2,571.08	€ 1,218.00	€ 617.12	€ 1,218.00	€ 617.12	€ 2,030.00	-	-
Cécile FLANDRE	€ 6,766.00	€ 3,248.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€ 6,766.00	€ 3,654.00	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€ 13,532.00	€ 7,308.00	-	-	-	-	-	-
Luc HUJOEL[36] Chairman of the Corporate Governance Committee	€ 6,766.00	€ 3,654.00	-	-	€ 2,111.20	€ 5,278.00	-	-
Roberte KESTEMAN	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 2,030.00	€ 1,006.88	€ 2,030.00	€ 1,624.00	€ 2,436.00
Jane MURPHY	€ 6,766.00	€ 3,654.00	-	-	€ 1,624.00	€ 4,060.00	-	-
Dominique OFFERGELD	€ 6,766.00	€ 3,248.00	€ 1,624.00	€ 2,030.00	-	-	€ 1,624.00	€ 2,436.00
Rudy PROVOOST	€ 6,766.00	€ 3,654.00	€ 1,624.00	€ 1,624.00	-	-	-	-
Saskia VAN UFFELEN	€ 6,766.00	€ 3,654.00	-	-	-	-	€ 1,624.00	€ 2,436.00
Geert VERSNICK Vice-Chairman of the Board of Directors	€ 6,766.00	€ 2,842.00	-	-	-	-	-	-

33 Lieve Creten is a director of Elia Asset SA/NV, but is not a director of Elia Group SA/NV. Her remuneration is therefore not disclosed in the present remuneration report, in accordance with applicable legislation. Please note however that her remuneration is in line with the remuneration policy and therefore in line with the remuneration of the other directors of Elia Asset SA/NV.
34 Director as from 9 February 2021.
35 Director until 18 May 2021.
36 Director until 31 December 2021 at midnight. Luc Hujoel's fees are paid to the company Interfin SCRL.

1.1.2. Variable remuneration

The members of the Board of Directors do not receive any variable remuneration.

1.1.3. Pension

The members of the Board of Directors do not receive any additional remuneration or contribution to finance any pension costs.

1.1.4. Other components of the remuneration

The members of the Board of Directors do not receive any remuneration other than the fixed remuneration.

1.1.5. Extraordinary items

The members of the Board of Directors have not received any non-recurring remuneration in the financial year 2021.

1.1.6. Total remuneration of the members of the Board of Directors in 2020 and in 2021

The total remuneration of the members of the Board of Directors in 2021 amounted to EUR 923,888.60 and is reflected in the table under heading 1.1.1., as no other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2021.

The total remuneration of the members of the Board of Directors in 2020 amounted to EUR 844,529.77. No other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2020.

1.2. TOTAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

The Executive Management Board of Elia Group SA/NV is composed of 5 members.

Three of them (being Chris Peeters – the Chief Executive Officer, Catherine Vandenborre – Chief Financial Officer and Peter Michiels – Chief Human Resources & Internal Communications Officer, Chief Alignment Officer) also serve as member of the Executive Management Board of Elia Transmission Belgium SA/NV and of Elia Asset SA/NV, one member (being Stefan Kapferer) also serve as CEO of 50Hertz Transmission GmbH and one member (being Michael Freiherr von Roeder von Diersburg) exclusively acts as member of the Executive Management Board of Elia Group SA/NV.

All the members of the Executive Management Board of Elia Group SA/NV have employee status[37].

1.2.1. Fixed remuneration

The table below gives an overview of the total fixed remuneration, which only consists of a base salary paid in cash, in 2021 of the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2021.

Member of the Executive Management Board	Total fixed remuneration paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	€ 474,122.06
Catherine VANDENBORRE Chief Financial Officer	€ 354,912.92
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 402,000.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 275,000.00
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 242,520.66
Total	**€ 1,748,555.64**

1.2.2. Variable remuneration

The table below gives an overview of the total variable remuneration in 2021 of the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2021.

Member of the Executive Management Board	Total variable remuneration paid by the Elia group	
	One-year variable[38]	Multi-year variable
Chris PEETERS Chief Executive Officer – Chairman	€ 300,948.05	€ 121,601.70
Catherine VANDENBORRE Chief Financial Officer	€ 134,388.11	€ 90,527.23
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 175,172.30	€120,600.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 103,245.12	€ 68,750.00
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 91,834.53	€ 62,174.40
Total	**€ 805,588.11**	**€ 463,653.33**

The amount of the variable remuneration reported is paid in cash or as part of an option plan.

The remuneration policy deals with the determination of an appropriate balance between fixed and variable remuneration, and between cash and deferred remuneration. In view of recommendation 7.10 of the Corporate Governance Code 2020, the variable remuneration in the short term has been capped at 75% for the

37 Mr Chris Peeters, Mrs Catherine Vandenborre and Mr Peter Michiels' employment contracts are subject to Belgian law and Mr Stefan Kapferer and Mr Michael Freiherr von Roeder von Diersburg's employment contracts are subject to German law.
38 The amount of the variable short-term remuneration for the members of the Executive Management Board that also serve as members of the Executive Management Board of Elia Transmission Belgium SA/NV and Elia Asset SA/NV, includes (i) a Bonus Pension Plan and (ii) an amount in cash in execution of the Collective Labour Agreement 90.

Chief Executive Officer and between 45% and 60% for the other members of the Executive Management Board of the total annual remuneration as defined by article 3:6, §3, third Alinea, 1°, a) of the Belgian Code of Companies and Associations.

In accordance with article 17.9 of the articles of association the Board of Directors has deviated from the requirements of section 7:91, second paragraph of the Belgian Code of Companies and Associations.

1.2.3. Pension

The table below gives an overview of the total pension contributions paid for the members of the Executive Management Board of Elia Group SA/NV for the services rendered by them to any company of the Elia group during the financial year 2021.

All pension plans for members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group during the financial year 2021 were of the defined contribution type, with the amount paid before tax being calculated on the basis of the annual remuneration.

All pension contributions are fixed.

Member of the Executive Management Board	Total pension contributions paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	€ 123,602.19
Catherine VANDENBORRE Chief Financial Officer	€ 82,519.91
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 100,250.00
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	NA [39]
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 52,351.87
Total	**€ 358,723.97**

1.2.4. Other components of the remuneration

The other benefits granted to the members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group during the financial year 2021 including guaranteed income in the event of longterm illness or an accident, healthcare and hospitalisation insurance, invalidity insurance, life insurance, reduced energy prices, other allowances, assistance with public transport costs, provision of a company car, employer-borne costs and other minor benefits, are in line with the regulations applying to all company executives and local market standard.

1.2.5. Extraordinary items

No non-recurring remuneration (e.g. a specific bonus in view of a certain project) been awarded in 2021.

1.2.6. The relative share of fixed and variable remuneration

The table below gives an overview of the relative share of fixed and variable remuneration in 2021 of the members of the Executive Management Board of Elia Group SA/NV for their services within the Elia group in the financial year 2021.

To determine the relative share of fixed and variable remuneration, the relative share of the fixed remuneration was obtained by dividing the sum of the fixed components (in particular: the fixed remuneration (including the other benefits) and the pension contributions) by the amount of the total remuneration, multiplied by 100. The relative share of the variable remuneration was calculated by dividing the sum of the variable components (i.e. the variable remuneration and the extraordinary items of the remuneration) by the amount of the total remuneration, multiplied by 100.

Member Executive Management Board	Relative share of fixed and variable remuneration paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	60.27% - 39.73%
Catherine VANDENBORRE Chief Financial Officer	67.69% - 32.31%
Stefan KAPFERER Chief Executive Officer 50Hertz	64.33% - 35.67%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	62.80% - 37.20%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	68.08% - 31.92%
Average	**64.08% - 35.92%**

39 Mr Michael Freiherr von Roeder von Diersburg did not receive pension contributions for the year 2021.

1.2.7. Total remuneration of the members of the Executive Management Board in 2021

Member of the Elia Group Executive Board	Fixed Remuneration		Variable Remuneration		Extra-ordinary items	Pension contri-butions	Total remune-ration	Relative share of fixed and variable remuneration
	Base salary	Other benefits	One-year variable	Multi-year variable				
Chris PEETERS Chief Executive Officer – Chairman	€ 474,122.06	€ 43,324.01	€ 300,948.05	€ 121,601.70	0	€ 123,602.19	€ 1,063,598.01	60.27% - 39.73%
Catherine VANDENBORRE Chief Financial Officer	€ 354,912.92	€ 33,672.04	€ 134,388.11	€ 90,527.23	0	€ 82,519.91	€ 696,020.21	67.69% - 32.31%
Stefan KAPFERER Chief Executive Officer 50Hertz	€ 402,000.00	€ 31,209.00	€ 175,172.30	€ 120,600.00	0	€ 100,250.00	€ 829,231.30	64.33% - 35.67%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	€ 275,000.00	€ 15,353.00	€ 103,245.12	€ 68,750.00	0	NA	€ 462,348.12	62.80% - 37.20%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	€ 242,520.66	€ 33,636.49	€ 91,834.53	€ 62,174.40	0	€ 52.351,87	€ 482,517.95	68.08% - 31.92%
Total	**€ 1,748,555.64**	**€ 157,194.54**	**€ 805,588.11**	**€ 463,653.33**	**0**	**€ 358.723,97**	**€ 3,533,715.59**	**64.08% - 35.92%**

2. Share-based remuneration

BOARD OF DIRECTORS

The members of the Board of Directors do not receive any share-based remuneration.

In view of recommendation 7.6 of the Corporate Governance Code 2020, the Remuneration Committee has examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021.

The Board of Directors of November 2020 has followed the recommendation of the Remuneration Committee and has decided that today such share-based remuneration is not suitable within Elia Group SA/NV as (i) Elia's activities are by nature organized in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference shareholding that naturally pursues fixed long-term objectives and sustainability goals.

EXECUTIVE MANAGEMENT BOARD

The members of the Executive Management Board did not receive any share-based remuneration.

The members of the Executive Management Board, however, have the possibility to acquire shares either via the capital increases reserved for the staff of Elia Group SA/NV and its Belgian subsidiaries or via an offer to acquire shares for the staff of 50Hertz Transmission GmbH.

In addition, the members of the Executive Management Board are free to buy Elia Group SA/NV shares on the market.

In deviation of recommendation 7.9 of the Corporate Governance Code 2020, the Board of Directors has decided that there is no minimum number of shares to be held by the members of the Executive Management Board.

As at 31 December 2021, the members of the Executive Management Board held the following number of shares of Elia Group SA/NV:

Elia Group SA/NV Member of the Executive Management Board	On	Number of shares
Chris PEETERS Chief Executive Officer - Chairman	31.12.2021	4,649
Catherine VANDENBORRE Chief Financial Officer	31.12.2021	1,421
Stefan KAPFERER Chief Executive Officer 50Hertz	31.12.2021	290
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	31.12.2021	174
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	31.12.2021	1,315
Total	**31.12.2021**	**7,849**

3. Severance pay

No severance payments were made in 2021.

4. Any use of the right to reclaim

Premiums paid for the previous period may be recovered in cases of proven fraud or financial statements containing significant errors.

During the financial year 2021 there was no reason to exercise this right to reclaim.

5. Information on how the remuneration complies with the remuneration policy and how performance criteria were applied

5.1. INFORMATION ON HOW THE REMUNERATION COMPLIES WITH THE REMUNERATION POLICY

The objective of Elia Group SA/NV's remuneration policy is to attract, retain and reward the best talent so that Elia Group SA/NV can achieve its short- and long-term goals within a coherent framework. The Elia Group SA/NV Strategic Ambitions aim to (i) design, deliver and operate the future transmission grid infrastructure supporting renewable energy sources (RES) integration , (ii) further shape the (European) markets and ensure high security of supply, (iii) ensure sustainability of its activities, (iv) strengthen the position of the group through inorganic growth and expand into new business areas, (v) be a leader in health and safety and evolve its culture and talents, (vi) finance the future, (vii) realise its digital transformation, and (viii) increase efficiency, realize synergies and optimize resource allocation.

The total amount of remuneration paid out to the members of the Executive Management Board in the financial year 2021 has contributed to the long-term objectives and the sustainability of Elia Group SA/NV as the structure of the Executive Management Board's remuneration is designed to promote sustainable value creation by the company. The level of the fixed remuneration ensured, on the one hand, that the Elia group could rely on a professional and experienced management, even in more difficult times, such as the Covid-19 crisis. The payment of the short-term bonus, on the other hand, ensured the realization of the performance criteria that translate the Elia group's strategy. The long-term success of the company was further stimulated by the long-term incentive plan, through which the members of the Executive Management Board were also rewarded in case of a.o. the realization of the energy transition.

5.2. Information on how performance criteria were applied

5.2.1. Short-term variable remuneration

The first pillar of variable remuneration is based on the achievement of a number of targets set by the Remuneration Committee at the beginning of 2021, with a maximum of 45% of variable remuneration relating to **individual targets** and a minimum of 70% to the achievement of Elia Group SA/NV 's **collective targets** ('short-term incentive plan').

With regard to **individual short-term targets**, the table below gives an overview of the individual targets and their relative weight.

Member Executive Management Board	Individual targets	Relative weighting of the performance criteria
Chris PEETERS Chief Executive Officer - Chairman	Group Building	30%
	Elia Group Management Board building	20%
	Strategy Development	30%
	Develop partnership strategy	20%
Catherine VANDENBORRE Chief Financial Officer	Invest in new sources of growth	30%
	Putting sustainability at the heart of the finance function	30%
	Financing the new business model (digital transformation, inorganic)	30%
	Implement a transformation office	10%
Stefan KAPFERER Chief Executive Officer 50Hertz	Offshore growth	25%
	Digital & customer centricity	25%
	Enhanced capex delivery	25%
	Increase the relevance of the group	25%
Michael FREIHERR VON ROEDER VON DIERSBURG Chief Digital Officer	Drive the digital transformation	30%
	Lay the foundation for a modular business architecture and data centric business	30%
	Manage legacy cost base down	20%
	Start moving from Project to Product	20%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	Create a high performance organisation Build Offshore talent pipeline	40%
	Build a dynamic business and leadership culture Sustainability	40%
	Accelerate digital transformation	20%

In view of the fact that nearly all individual short-term targets were achieved or exceeded, the individual short-term remuneration awarded during the financial year 2021 amounts to € 96,420.27 for Mr Chris Peeters, to € 41,831.21 for Mrs Catherine Vandenborre, to € 55,476.00 for Mr Stefan Kapferer, to € 29,551.50 for Mr Michael Freiherr von Roeder von Diersburg and to € 29,256.70 for Mr Peter Michiels.

With regard to the **collective short-term targets**, the table below gives an overview of the overall collective short-term targets of the Executive Management Board members and their relative weight, as defined for the financial year 2021.

	Belgium	Relative weighting of the performance criteria	Germany	Relative weighting of the performance criteria
Financial	Net Profit (after tax) & Efficiency	20%	Net Profit (after tax)	20%
Quality	Safety & Culture	20%	Value Based Culture	20%
Capex delivery	Capex Projects (quantitative and qualitative goals)	25%	Demand driven grid development	20%
Security of supply	Security of Supply	20%	Security of Supply	20%
Sustainability/ Efficiency	Sustainability	15%	Efficiency	20%

In view of the fact that nearly all collective short-term targets were achieved or exceeded, the collective short-term remuneration awarded during the financial year 2021 amounts to € 204,527.78 for Mr Chris Peeters, to € 92,556.90 for Mrs Catherine Vandenborre, to € 62,577.83 for Mr Peter Michiels, to € 119,696.30 for Mr Stefan Kapferer and to € 73,693.62 for Mr Michael Freiherr von Roeder von Diersburg.

5.2.2. Long-term variable remuneration

The second pillar of the variable remuneration is based on multi-year criteria set for four years ('long-term incentive plan'). These amounts are reviewed at the end of each year depending on the realization of the long-term criteria and according to the criteria "*on time, on budget and on quality*".

The table below gives an overview of the overall collective long-term targets of the Executive Management Board members for the financial year 2021 and of their relative weight.

Collective targets	Relative weighting of the performance criteria
Elia Group realization of critical investment portfolio	50%
Elia Group efficiency savings	50%

In view of the fact that all long-term targets were exceeded, the collective long-term remuneration awarded during the financial year 2021 amounts to € 121,601.70 for Mr Chris Peeters, to € 90,527.23 for Mrs Catherine Vandenborre, to € 62,174.40 for Mr Peter Michiels, to € 120,600.00 for Mr Stefan Kapferer, and to € 68,750.00 for Mr Michael Freiherr von Roeder von Diersburg. These amounts will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Management Board on 31 March 2022[40]

6. Derogations and deviations from the remuneration policy and from the procedure for its implementation

There have been no derogations nor deviations from the remuneration policy as this policy was approved in 2021.

40 For Mr Stefan Kapferer and Mr Michael Freiherr von Roeder von Diersburg, these amounts will be paid in 2024, on condition that the member concerned is still acting as member of the Executive Management Board on 31 December 2023.

7. Comparative information on the change of remuneration and the Elia group performance

The tale below first gives an overview of the evolution in time over the last five years of respectively the total remuneration of the members of the Board of Directors of Elia Group SA/NV for all mandates within the Elia group and of the total renumeration of the members of the Executive Management Board of Elia Group SA/NV for all mandates within the Elia group. In this regard, one should bear in mind that, following the founding of Elia Transmission Belgium SA/NV and the conversion of Elia System Operator SA/NV into Elia Group SA/NV in 2019, the composition of the Executive Management Board has changed in 2020.

The table below further gives an overview of the evolution of the performance of the Elia group.

The average remuneration (on a full-time equivalent basis) of the employees of the Elia group in 2021 amounts to 99,196.10 EUR. The average remuneration of all employees is calculated as the total (IFRS-based) labor costs (exclusive social security contributions of the employer) divided by the number of employees on an FTE basis.

Total remuneration of the members of the Board of Directors of Elia Group SA/NV

Annual Change	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021
Board of directors	€ 872,583.54	1%	€ 885,128.26	-3%	€ 861,045.20	-2%	€ 844,529.77	9%	€ 923,888.60

Total remuneration of the members of the Executive Board

Annual Change	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021
Total	€ 3,715,740.35	11%	€ 4,115,752.83	12%	€ 4,623,753.44	-31%	€ 3,199,058.00	10 %	€ 3,533,715.59
CEO	€ 873,254.95	15%	€ 1,007,986.54	17%	€ 1,181,809.42	-20%	€ 949,206.00	12%	€ 1,063,598.01
Other members	€ 2,632,766.45	18%	€ 3,107,766.29	11%	€ 3,441,944.02	-35%	€ 2,249,852.00	10%	€ 2,470,117.58

Performance of the Elia group

Annual Change (in millions)	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020	2021 vs. 2020	2021
Turnover	€ 867.10	123%	€ 1,931.80	20%	€ 2,319.00	7%	€ 2,473.60	16%	€ 2,859.7
EBIT	€ 324.60	55%	€ 502.60	13%	€ 569.70	2%	€ 578.50	-7%	€ 540.1
Normalized net income	€ 203.40	38%	€ 280.80	9%	€ 306.80	0%	€ 308.10	7%	€ 328,3

The ratio between the highest remuneration of a member of the Executive Management Board and the lowest remuneration of an employee of the Elia group, expressed on a full-time equivalent basis, in 2021 was 27.46.

8. Information on shareholder vote

The general meeting of shareholders of Elia Group SA/NV of 18 May 2021 approved the 2020 remuneration report of Elia Group SA/NV with a majority of 89%.

Risk management and uncertainties facing the company

GRI 102-15, GRI 102-30

What for?

The Elia group's ambition to deliver the infrastructure of the future and enable a successful energy transition to the benefit of the consumer is formulated in a highly challenging context. The changing European energy market, large-scale deployment of renewable-based generation technologies with intermittent and harder to predict production patterns, increases in commodity prices and rises in energy bills, steadily increasing energy consumption, ageing infrastructure, resource bottlenecks, to name but a few, increase the complexity of the group's activities and, in particular the mission of transmission system operators of Elia Transmission Belgium SA/NV and of 50Hertz Transmission GmbH. There is a need to anticipate (unwanted) events and understand their causes, consequences and likelihood. All this with the aim of making informed decisions. That is exactly what risk management is about: it allows us to manage the effect of uncertainties on the achievement of objectives . As put in a mildly provocative way by risk management expert James Lam : "The only alternative to risk management is crisis management and crisis management is much more expensive, time consuming and embarrassing. "

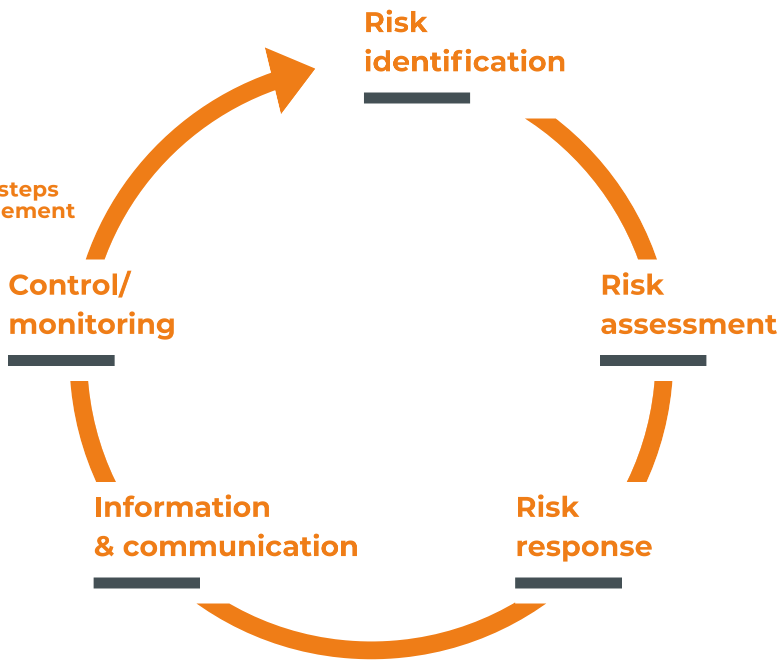
How does it work?

Uncertainties may generate desirable events - the opportunities - and unwanted events - the risks. Both are in the scope of risk management. Different types of objective aspects might be impacted by risks, like health and safety, continuity of supply or profitability. These are called the risk dimensions.

The Risk Management framework of Elia group is strongly linked to COSO's framework , which gathers best practices for assessing business risks. In line with these guidelines, risk management takes place at different levels in the organisation (strategic, business/ operational, project...) and relies on Elia group's strategy and risk appetite, the level of risk our organisation is prepared to accept in pursuit of its objectives. This risk appetite is a guidance based on 5 matrices which capture financial, reputational, health and safety and operational/societal risks and impacts. Once a risk is identified as substantive based on the corporate risk appetite, a dialogue takes place to make sure relevant contextual factors are adequately taken into account in the assessment. The most substantive risks are integrated into the risk reporting and the evaluation of the adequacy between risks and responses is then challenged up to the level of the Executive Management Board and the Board of Directors. If the (aggregated) risk is below the critical level defined by the risk appetite, the risk is assessed as medium and a cost-benefit analysis determines the use of control measures to reduce risks. For a few cases where it facilitates decision-making, the risk appetite has been translated into more operational criteria, which are used by the operational entities.

There are processes in place which aim at identifying key risks, assessing them, defining appropriate responses, communicating them to the Board of Directors and monitoring the effectiveness of mitigation actions. All the information collected by these processes is recorded in risk registers. Regular exchanges between risk managers and risk owners allow these registers to be kept up-to-date. The most important elements are summarised in risk reports, which in 2021 were presented three times to the Board of Directors and Audit Committee.

Figure 1 **Illustration of the steps of the Risk management process**



1 ISO 31000
2 James Lam, Enterprise Risk Management, Wiley Finance
3 COSO: Committee of Sponsoring Organisations

Contextual factors

MACROECONOMIC CONTEXT

2021 was characterised by an uncertain macroeconomic climate. The covid-19 context has highlighted vulnerabilities in global supply chains, notably for semiconductor manufacturing and advanced packaging or critical minerals and materials. The global economy recovery is hampered by the emergence of virus variants as well as higher commodity prices and shipping prices (container freight rates). These in turn lead to increases in company's production costs, followed by increases in final prices of goods and services, with ultimately an adverse impact on the inflation issue described hereunder. As well as this, interest rates remained very low in 2021, following the European Central Bank's monetary policy, but this situation may change in the future. Evolutions in long-term interest rates may affect the expected return for transmission system operators.

INFLATION

The lockdown episodes of last winter have been followed by a strong demand recovery. This has triggered raw material, energy and staffing scarcity. The consequence of this is a significant increase in commodity and shipping prices in 2021, which in turn adversely impacted the inflation rate in general. In the short term rising inflation and interest rates have no major impact on Elia group's regulated activities as they are mainly covered by the regulatory framework. The increase in raw material prices leads to higher capex cost, which are fully incorporated in the regulatory asset base and as such remunerated. Also depending on the type of opex costs (controllable / non-controllable), the regulatory framework covers the impact of inflation. Should interest rates increase, the financial charges approved by the regulator are passed through to consumers tariffs (embedded debt principle) for Elia Transmission Belgium SA/NV and partly passed through for 50Hertz Transmission GmbH (fully for offshore & for onshore new CAPEX). The impact on long terms provisions (employee benefits/dismantling) is primarily accounted through OCI (other comprehensive income) under IFRS. Capitalised borrowing costs are also higher, but depreciated over time for Elia Transmission Belgium SA/NV.

This being said, inflation may have an adverse impact on the activities of other stakeholders such as balancing responsible parties, customers, suppliers (see supplier's risk), etc, and affect end consumers. An impact on credit risk cannot be ruled out.

Increases in electricity and gas prices may also fuel discussions around the affordability of the energy transition and bring challenge on the transmission infrastructure development plans. This context may also place a greater pressure on the transmission system operators of the group to deliver new infrastructure and maintain the existing infrastructure efficiently.

COVID 19

2021 was characterised by the development of vaccination. However, access to healthcare and vaccination remains very unequal between low income and high-income countries. The existence of pockets where the immunity against the virus is far lower facilitates the emergence of virus variants and disrupts the global economy recovery.

The way in which this contextual factor influences our business is outlined in the following sections on risks and responses. Efforts are deployed towards a minimization of possible impacts on our people and operations, notably on security of supply, health and safety and projects.

PREPARING THE ENERGY TRANSITION

As outlined in the risk description, preparing the energy transition in the context of nuclear phase-out requires additional generation units being available for ensuring both the network balancing and adequacy. This in turns requires a framework in which investors will feel confident enough to invest in those generation units. The implementation of those generation units, and in particular the permitting process, is sometimes an issue. Additionally, preparing for the energy transition has a cost. Finding ways to finance them in a manner that is responsible for the future generations and in a context of inflation, with rising energy prices, potential higher interest rate and higher indebtedness is a challenge in itself.

ENERGY DEMAND & ENERGY EFFICIENCY

While global energy demand had steadily increased over the past decades, with some contraction episodes related to pandemic lockdown, energy efficiency is also one of the key measures outlined by the EU in respect of Union-wide CO_2 footprint reduction. Significant energy efficiency measures in Belgium and Germany can potentially affect power consumption and thus reduce the volumes of electricity transmitted via the group's networks. The same applies for a slowing down of the economic activities of industrial clients and a reduction of their consumption. These effects may be counterbalanced by an intensification of the use of electrical vehicles and electrification of industrial processes.

Link between opportunities, main risks, materiality topics & strategic priorities

Elia Group SA/NV closely monitors its main risks and opportunities to support informed decision-making and efficiently control their impact on our performance. The tables hereunder provide a brief explanation of the main opportunities and risks, their impact on value chain activities and their link with the 3 pillars of growth as well as the trend evolution compared to 2020. An opportunity is a positive uncertainty, likely to generate an increase in the value of the respective capital(s). Risks are negative uncertainties. Detailed information on these risks can be found hereafter.

					Link with our pillars of growth		
Risk	**Description**	**Risk category**	**Management of risk**	**Evolution of estimated probability and impact compared with FY2020**	**Delivering the infra-structure of the future & developing and operat-ing a sustain-able power system**	**Develop-ing new services that create value for cus-tomers in the energy system**	**Growing beyond our current perimeter to deliver soci-etal value**
Changing HR needs	The group's culture & skills must be aligned with our strategy. We are acting in an environment which has increased in complexity; this requires a more agile, digital and innovative mindset. Specific technical skills (in offshore, digitalisation, intellectual property...) are needed to support the achievement of our strategy - and these skills need to be acquired despite the current 'talent war'."	Strategic	- Culture change & leadership programs - Launch of a Digital Transformation Office - Talent management framework - Training - New Way of Working policies - Diversity & inclusion initiatives - Well-being initiatives	=	X	X	X
Changing/ new regulatory conditions	Unplanned and/or inconvenient changes to or misinterpretations of regulatory or policy mechanisms in Belgium or Germany could clash with the group's existing and envisioned strategy, causing severe financial and organisational impacts.	Regulatory	- Regular contact with European & national authorities - Proactive anticipation of new directives & regulations - Membership of ENTSO-E, which can provide advocacy for changes which are aligned with our strategy	=	X		X
The COVID-19 pandemic	The pandemic could impact system operations (and, therefore, continuity of supply) if minimum staff numbers in critical departments cannot be guaranteed as a result of COVID infections or quarantine measures (this includes the impact of COVID-19 on the mental well-being of our employees and on our revenues).	Regulatory/ strategic	- Regular surveys which check the mental well-being of our staff - Reinforced safety and access measures in control centres - Antigen tests made available on site - Vaccinations provided at our offices in Germany - Dedicated COVID-19 taskforce in Belgium	=	X		
Early termination of Transmission System Operator licences	An early revocation of the transmission system operator licenses belonging to Elia Transmission Belgium SA/NV and/or 50Hertz Transmission GmbH would have an adverse material impact on these entities and therefore on Elia Group SA/NV.	Regulatory	- Safeguarding security of supply and enhanced and accelerated CAPEX delivery are our top priorities - Strong governance processes in place with a focus on compliance	=	X		
Sustainability of income	Changes to the regulatory parameters could impact the profitability of the group.	Regulatory	- Ensuring that our strategy is aligned with the interests of society - Maintaining and growing our asset base - Increasing efficiency in our investment and asset maintenance policies - Regular and open dialogue with our regulators	↗	X	X	X
Balancing	The growth in the number of renewable energy units connected to distribution systems across Europe and the number of connections to large offshore wind farms creates new challenges for operational grid management, particularly in terms of the increased volatility of energy flows across our network.	Operational	- Grid expansion and a higher use of the grid - National and international cooperation for grid control - Reforms to market design to unlock more flexibility (such as our proposed consumer-centric market design) - Unlocking the potential held in flexible load management - Digital and customer centricity initiatives - Enabling new market players/ technologies - Preparing an integrated balancing market at EU level	=	X	X	
Adequacy	The electrification of other sectors across society will lead to a growing electricity demand; the growth in renewable energy sources may be too slow to cover this increased demand.	Operational	- Adequacy and flexibility studies - Providing useful information to the authorities - Capacity remuneration mechanism in Belgium to guarantee the country's security of supply in the longer term - Dimension 1 of our ActNow programme: accelerating the decarbonisation of the power sector	=	X	X	

Risk	Description	Risk category	Management of risk	Evolution of estimated probability and impact compared with FY2020	Link with our pillars of growth		
					Delivering the infrastructure of the future & developing and operating a sustainable power system	Developing new services that create value for customers in the energy system	Growing beyond our current perimeter to deliver societal value
Contingency events & business continuity disruption	Unforeseen events that alter the smooth operation of one or more infrastructure components are a risk; examples of such events include unfavourable weather conditions, human errors, malicious attacks, terrorism and equipment failure.	Operational	- Implementation of IT security measures - Security screening of critical functions - Limiting access to control rooms and data rooms - Redundancy of infrastructure - Redundancy of critical tools - Additional security layer for critical infrastructure - Risk preparedness plan for electricity sector - Business continuity and restoration plans - Asset condition monitoring	=	X	X	X
Climate change and the energy transition	Changes to the climate and the energy transition cause uncertainties and challenges in terms of the markets, system and infrastructure.	Operational	- ActNow programme - Infrastructure design / stringent climate-related design conditions - Climate vulnerability assessments - Climate adaptation plan for our existing infrastructure	↗	X	X	
Failure of information & communication technology (ICT), data security & protection measures	A failure of our ICT systems and processes or a breach of their security measures could result in losses for customers and reduced revenues for the group and its affiliates.	Operational	- Implementation of IT security measures (e.g.: IT segmentation, backups, failover mechanisms) - Compliance with relevant regulation (GDPR/network codes/NIS directive/ ISO27000) - Employee awareness raising and training	↗	X	X	
Permitting	The need to obtain infrastructure approvals and permits within certain time frames represents an important challenge. These approvals and permits can be challenged (in court), further delaying projects.	Operational	- Transparent communication and dialogue with local communities - Concrete and open stakeholder management - Working closely with local authorities towards common goals	=	X		X
Suppliers	Given the complexity of infrastructure works, the increasing demands on the market, and the fact that factories have increasing numbers of orders to fulfil, the group may find it challenging to find enough suppliers for its projects, may end up paying more for services or may have to deal with issues surrounding the quality of products/services they purchase.	Operational	- Earlier placing of orders - Improved capacity forecasts - Widening the range of possible suppliers - Improved support for new suppliers - Encouraging increased transparency across the supply chain - Internal expertise related to critical technologies and tools - Regular price revisions	↗	X		X
Health and safety accidents	Accidents, asset failure or external attacks may cause harm to people which may lead to liabilities.	Operational	- Promotion of a strong safety culture (safety culture ladder) - Active implementation of Health and Safety policies	=	X	X	
Negative changes in financial markets	The ability of the organisation to access global sources of financing to cover its financing needs or repayment of its debt could be impacted by the deterioration of financial markets.	Financial	- Strong treasury risk monitoring - Diversified financing sources in debt instruments and good balancing of maturities of its funding- Green financing - Ring-fenced group structure with seperate S&P credit rating for ETB, Elia Group and Eurogrid GmbH	↗	X		X
Cashflow	Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues (incl. interest expenses) may have a negative short-term effect on the financial position of the group.	Financial	- Daily short-term liquidity management - Availability of credit lines and commercial paper programs - Improvements in forecasting (energy volumes) - Involvement in the design of regulatory mechanims and tariffs	=	X		X
New business developments	Any negative results from new business developments are entirely borne by the group; they represent an additional financial risk and could impact its reputation.	Financial	- Ring-fenced group structure - Capped liabilities in contracts - Strong governance and risk management process for decision-making regarding new business developments	=		X	X
Legal disputes, liabilities	The outcome of legal disputes and lawsuits may negatively affect business operations and/or the organisation's financial results.	Financial	Risk management process aimed at avoiding legal disputes as far as possible - Capped liabilities in contracts - Identification of appropriate legal provisions	=	X	X	X

Opportunity	Brief description of the opportunity	Response to opportunity	Importance of opportunity compared with FY2020	Link with our pillars of growth		
				Delivering the infra-structure of the future & developing and operat-ing a sustain-able power system	Develop-ing new services that create value for cus-tomers in the energy system	Growing beyond our current perimeter to deliver soci-etal value
Offshore evolution	As Elia Group, we have to support the harnessing of offshore capacity by coming up with smart solutions for planning and operations, as well as the timely delivery of onshore and offshore infrastructure.	- Definition of the group's offshore strategy, so the organisation can play an active role in offshore development and help Europe to reach its targets in this area.	=	X		X
Digital transformation	The group must embed digitalisation across all of its activities in order to drive its transformation; better understand how the world will evolve; and develop its activities to operate efficiently in the interest of society."	- Digitalisation is an integral part of the group's strategy - The organisation of the group has been adapted to enable more digitalisation - Launch of a digital transformation programme and a digital transformation office	=	X	X	
Relevance role played in the energy transition leading to a sustainable future	The energy transition lies at the heart of Elia Group's vision and Elia Transmission Belgium and 50Hertz Transmission aim to play an exemplary role by integrating sustainability into their activities and be a trusted advisor for the authorities.	- The interests of society drive every decision taken - Ambitious sustainability targets included in the ActNow programme - Studies carried out to anticipate impacts (e.g. Roadmap to net zero / Vision 2050, e-mobility study) - Climate change vulnerability assessments	↗	X	X	X
CAPEX realisation	The execution of its project portfolio in a timely and effective manner forms a key part of Elia Group's strategy. The group is aware that this opportunity is closely linked to its ability to manage a much larger portfolio than it ever has before in a context of operational constraints (see risk section).	- Strong culture of high performance and delivery - Implementation of federal development plans - Risk management in infrastructure projects - Enhanced CAPEX delivery - Efficiency and simplification through use of Group behavioural standards	↗	X		X

Opportunities & responses provided

OFFSHORE EVOLUTION

The EU estimates that in the future roughly 18% or up to 450 GW of the total required generation capacity could be provided by offshore wind (see e.g. **https://windeurope.org/about-wind/reports/our-energy-our-future/**). To supply Europe's load centers with offshore wind from the North and Baltic Seas, the transmission infrastructure will have to undergo an immense expansion, for which a future-proof system planning will be critical. Over the last years, the Elia group has taken a leading role in offshore grid developments and positioned itself as a frontrunner in delivering efficient and future-proof solutions with project such as MOG, NemoLink or Kriegers Flak Combined Grid Solution. The group will continue to develop smart solutions for the uptake and integration of offshore wind energy into the grid, as well as ensure timely delivery of onshore and offshore infrastructure. Failure to do so may delay EU and Member State decarbonisation targets, as well as deprive industrial and household consumers from using green energy.

Response

Against the background of the group's strong track-record in project delivery and its leading position in shaping innovative solutions for offshore grid concepts, the group will expand its activities in the offshore industry. It is the group's target to design and deliver offshore grid projects by providing optimised solutions depending on the customers' needs and priorities. The group wants to further create value for (European) society in the context of the Green Deal and also expands its overall relevance in the industry.

DIGITAL TRANSFORMATION

Several trends are changing fundamentally the landscape in which the group operates. The world of tomorrow will be dominated by variable renewable production:

- The place of large international power flows between countries and large centers of renewable energy sources production
- As well as the place of decentralised and numerous energy exchanges among consumers and energy actors.

In order to manage increasing complexity in a decentral and renewables-based energy system, to meet the changing needs and expectations of consumers, the realization of the digital transformation it is key for success. In front of this massive transformation of how energy is produced, exchanged and consumed, the group must use digitalisation in all its activities in order to drive its transformation, better understand how the world will evolve and develop our activities to operate at the interest of society in tomorrow's energy landscape.

Response

The Elia group has recognised the importance of digitalisation and how it will transform the power system in the future. Therefore digitalisation is integral part of the strategy. The group's organisation has been adapted to enable more digitalization. Technical initiatives like "Internet of Energy" as well as cultural and HR-related ones enable the group also to better understand and match the needs of the consumers of tomorrow. A digital transformation program and a digital transformation office have also been launched.

RELEVANCE FOR THE ENERGY TRANSITION LEADING TO A SUSTAINABLE FUTURE

With the Green Deal, the European Union has set the objective to be carbon neutral by 2050. The transmission system operators have a major role to play in this transition, both to help the integration of renewable energy sources into the system and to provide the means to the consumers to decarbonised and take advantage of the energy transition (correct market rules, access to price signals...). The energy transition lies at the heart of Elia group's vision and the transmission system operators of the group aim at playing an exemplary role to integrate sustainability in their activities as well as to be a trusted advisor for the authorities both at national (Belgium and Germany) and EU level. In that respect, the transmission system operators of the group provide support in files linked to the future of the energy system (like nuclear phase-out or development of hydrogen) in a comprehensive, well thought out and impartial manner.

Response

All the teams of the group are dedicated to deliver the best of themselves. The interest of society drives every decision made. Arguments brought to a debate are always built from internal or external studies and critically analyzed. As trusted advisors, the transmission system operators of the group strive to provide the best possible recommendations on the future energy system and for the decarbonisation of the society to authorities, resulting from careful and well though analyses using the best expertise, data and information available. The Elia group has set ambitious internal sustainability targets through its "Act Now" program. The Elia group is committed to become a role model and to influence positively the outside world through actively shaping the energy transition for a sustainable world (in line with our purpose).

Sustainability will become a stronger compass to guide business plan decisions (and consequently resource allocations, prioritization) in order to reach the proper ambition level of projects and activities.

In November 2021, the "Roadmap to net zero" study, containing the group's vision on building a climate-neutral European energy system by 2050, was published and well received by the various stakeholders. It is available at this address: **https://www.elia.be/en/news/press-releases/2021/11/20211119_elia-group-publishes-roadmap-to-net-zero**.

CAPITAL EXPENDITURE (CAPEX) REALISATION

The execution of its project portfolio in a timely and effective manner is key to the Elia group strategy. Not only is it a prerequisite to the integration of further renewable energy sources and a safeguard of a reliable power system, but also an important element of the remuneration of the group, as well as an opportunity to further reinforce its reputation of high professionalism in the delivery of infrastructure. This would in turn facilitate further growth potential (e.g.: offshore). The group is aware though that this opportunity is closely linked to its ability to manage a larger portfolio than ever, under other operational constraints described in the permitting and suppliers' risks.

Responses

In a response to the above, the Elia group has launched a project with initiatives along several dimensions:

- Strong project performance and delivery culture
- Implementation of federal development plans
- Roles and responsibilities
- Methods and tools
- Risk management in infrastructure projects
- Enhanced Capex Delivery
- Efficiency & simplification through use of Group standards

For each of these dimensions, we look for measures to reach the next level maturity. The Innovation section provides further insights on Opportunities.

Strategic/regulatory risks and responses provided

CHANGING HR NEEDS

The energy transition drives us to a consumer centric model on which our strategy and ambition is based. To enable this consumer-centric model, the group culture and planned changes must be fully aligned with the group strategy. Additionally, specific technical expertise (offshore, digitalisation, IP...) is now required to support the achievement of the group strategy while it may be challenging to find these profiles on the hiring market. Also, the pandemic has highlighted the need to take extra care of our employee's well-being and pay more attention to their personal needs.

Responses

Training – Training of our staff on various fields such as technical, economical and soft skills, IT or languages skills are delivered via the Elia Academy. The Elia Group Digital Academy completes the training catalogue with a set of videos, podcasts and e-books relevant for our business and available online.

Work policies - Within the Elia group, HR initiatives, policies and processes are designed to support the implementation of our strategy and objectives. The New Way of Working policy is a good example. When supported by an adequate set of tools and technologies many employees can efficiently fulfill their role at distance. This policy provides a flexible framework, which enables homeworking to represent about half of the working time and work at premises the other half. This ensures a healthy balance between virtual and physical interactions, between work life and private life while also supporting our sustainability ambitions by limiting transport-related CO_2 emissions.

Covid - Specific task forces continuously monitor the measures taken by the public authorities in Germany and Belgium in the covid-19 context and coordinate their implementation, so that our group complies with the requirements in force at any time.

The well-being of our employees is essential for our group. It is the scope of our Care 4 Energy program. Our employees may benefit from different resources, ranging from publications providing advice on how to work in an ergonomic way at home to tailored support via a well-being officer, a dedicated platform named BloomUp (Elia Transmission Belgium SA/NV) or a dedicated app (50Hertz Transmission GmbH). The group also supports the participation of its employees in sports activities and organises regular surveys to monitor the well-being situation amongst its employees.

Culture and talent management - A reinforced focus on talent and culture led to several anticipating actions. The Talent@Elia Group initiative is one of them. It focuses on developing a leadership model and a talent management framework. This enables the group to keep a close eye on both critical competences and critical functions. The Make a Difference program is another initiative which aims to reinforce desirable behaviors shown by our employees.

Diversity and inclusion is a priority for our Group. Our hiring processes are designed to support inclusive recruitment. Also, culture or our organization aims to foster inclusive leadership and an open and ethical company culture.

Social dialogue – The Group puts into practice social dialogue. The development of needs to adapt with the (new) realities of our employees may then be identified and considered in the evolution of our work policies.

CHANGING/NEW REGULATORY CONDITIONS

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

Responses

In order to minimise uncertainties, the two transmission system operators of the group strive to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German law. For the year 2021 this concerned mainly the so-called "Fit-for-55 Package", striving to reach the European goals of 55% CO_2 reduction by 2030. Furthermore the Hydrogen and Decarbonised gas package deserves a particular attention, as well as the overall ambition to speed-up the role out of renewable generation and related grid infrastructure. Apart from developing own position papers, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are also members of the European Network of Transmission System Operators for Electricity (ENTSO-E). Through participating in this network, the transmission system operators provide advocacy for evolutions in line with their strategy.

Further information

In Belgium, the regulatory and legal framework entails risks with regard to the division of powers between federal and regional entities (for instance, contradictions between the various regulations, including the grid codes, could hinder the ability to perform the group's activities). Political sensitivities are also emerging on the impact of public policies on households and company energy bills, which could materialise in the form of legislation affecting the adequate coverage of these costs. The further development of and changes to these regulations may also impact the group's liability in the event of a power outage on the grid or – in the context of a reform of the State – the division of powers between federal and regional authorities, potentially including the power to approve transmission tariffs. In order to minimise those risks, the group also strives to anticipate proactively evolution brought to national or local legislations.

PANDEMIC RISK (COVID TYPE)

The group is affected by the COVID pandemic. This has a potential impact both on its ability to carry out its activities (mainly in case the minimum occupancy in critical functions would be endangered because of contaminations and quarantine measures) and on its revenues. However, the group so far managed to minimise the impact of this crisis. Next to those direct effects, the group is aware that the covid context and the reduction in social contacts may play an adverse role on the well-being of our collaborators and increase psycho-social risks.

Responses

Business continuity plans are up to date. These include a resilience planning for critical functions. The group provided vaccination in Germany and self-tests in both countries. As explained in the HR risk description, the group has taken extra care of the well-being of his employees and developed HR policies which allow an effective homeworking for the administrative functions. The group has also integrated health-related actions for its personnel and contractors working on the field, to ensure the maintenance and the development of its infrastructure progressed as planned. The group can indeed confirm that the impact of the pandemic on the execution of the infrastructure plans has been minimal in 2021, which is also thanks to an excellent cooperation with its contractors.

Stringent measures have been maintained in control centers throughout the year.

The impact of a potential drop of energy consumption by the consumers would be limited because most of the group's tariffs are not based on the volume of energy but on the peak of power taken from the network, which remains steady.

The group has also undertaken a careful monitoring to ensure that its customer's invoices are paid on time.

EARLY TERMINATION OF TRANSMISSION SYSTEM OPERATOR LICENCE

To execute their activities of transmission system operators, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH have a licence, which can be revoked earlier if they do not have, inter alia, the human, technical and/ or financial resources to guarantee the continuous and reliable operation of the grid in accordance with the applicable legislation, as well as the unbundling obligations as described in Article 9 of the EU Electricity Directive. Such a revocation would have an adverse material impact on Elia Transmission Belgium SA/NV and/or 50Hertz Transmission GmbH and therefore on Elia Group SA/NV.

Responses

The Elia group has performed a reorganisation by the end of 2019, which enabled the ring-fencing of the Belgian regulated activities of the group from its other activities (German regulated activities or non-regulated activities). This in turn limits the risk of cross-subsidy between regulated activities or with non-regulated activities. It thereby provides the group with a suitable framework for the further development of all activities.

Further information

Elia Transmission Belgium SA/NV was confirmed as the Belgian transmission system operator with effect from December 31, 2019 by different public entities (the Federal Government for a period of 20 years, the Brussel's Government for a period of 20 years, and the Flemish regulator for a period of 4 years). The risk of early termination of its transmission system operator licences is therefore limited in the short term.

SUSTAINABILITY OF INCOMES

The remuneration of the group is almost entirely driven by the regulatory framework applicable to Elia Transmission Belgium SA/NV, 50Hertz Transmission GmbH and NemoLink. Changes to the regulatory parameters could affect the profitability of the group. A sufficient regulatory allowed remuneration allows the transmission system operators of our group to act in favor of society through maintaining a reliable transmission service to the community and enabling the development of the energy transition infrastructure. The realisation of certain parameters defined in the tariff methodologies are subject to specific uncertainties that could affect the group's financial position. In particular, the remuneration of the group depends in part on its ability to realise the needed projects and maintain the realised assets, as the current remuneration in both Belgium and Germany is subject to the Regulatory Asset Base. This depends on its ability to obtain the necessary permits and to manage potential environmental and public health risks and accommodate city planning constraints without incurring significant costs. If the group would not be able to realise or not timely/ economically realise its investment programme, this could have a negative impact on the group's future profits.

Responses

In the context of the energy transition, the development needs of transmission infrastructure in Belgium and Germany require the implementation of ambitious investment programs, which indirectly contributes to increasing their Regulatory Asset Base. The group also strives to develop tariff methodologies that take into account the changes brought about by the energy transition and the decentralization of energy generation. Lastly, the group seeks to act as efficiently as possible in its investment and asset maintenance policies. This allows consumers to benefit from the scale effect of centralised grid management.

Further information

End 2019, the Belgian regulator (CREG) approved Elia Transmission Belgium SA/NV's Tariff proposal for the 2020- 2023 regulatory period. CREG and Elia Transmission Belgium SA/NV have signed an agreement on 22 December 2021 on procedures for the adoption of the tariff methodology and for approval of tariff proposals and tariff changes for the 2024-2027 regulatory period.

In 2021, the German regulator (BundesNetzAgentur or BNetzA) has confirmed a decrease in the regulatory allowed return of equity for the period 2024-2028. This decline is driven by the lower interest rates on the market. It is possible that other changes in the regulatory regime may contribute to partially compensate this decrease. However, these changes and the definition of other components of the future regulatory regime still need to be clarified in the coming months.

The credit insulation of Elia Transmission Belgium SA/NV limits the risks that a change in the credit metrics of Eurogrid GmbH adversely affects Elia Transmission Belgium SA/NV's rating or vice versa.

Operational risks & responses provided

BALANCING

The production of electrical energy should be equal to the demand at any time. The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) use balancing energy to balance unplanned fluctuations in the production of electricity or the energy load. The growth in the number of renewable energy units connected to distribution systems across Europe and, the connection of large offshore wind farms, also creates new challenges for operational grid management, particularly through increased volatility of energy flows on our network.

Responses

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

As an illustration of the aforementioned measure, in the course of 2021, Elia group launched its Consumer Centric Market Design (CCMD) proposal, as part of a wider Consumer Centric system vision. CCMD aims at implementing market design changes enabling to move from "competition for the meter" to "competition behind the meter", thereby unlocking new/additional service provisions to end consumers and enabling them more easier valorise and market their flexibility. Subject to timely regulatory approval, Elia group's ambition is to have the CCMD vision rolled out by 2024-2025.

In addition, in the course of 2021, both Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH continued to work on the implementation of the European platforms for the activation of balancing energy and to the preparation of the connection of the Belgian market and German market to these platforms in 2022. Integrating balancing markets enables, subject to available cross border capacity, to mutualise balancing energy available to each transmission system operator to balance its control block.

ADEQUACY

The federal governments in place have a key role to play in ensuring that enough capacity is available in their countries to avoid the risk of an electricity shortage and problems of supply. The transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH), for their part, provide them with useful information.

Further information

As foreseen by law, Elia Transmission Belgium SA/NV looks bi-annually at Belgium's adequacy situation in the longer term. These studies assess the adequacy between load projections and anticipated available capacity (incl. DSR, load shifting, batteries…) in Belgium and the surrounding countries. The anticipated available capacity includes politically set objectives in terms of renewable generation as well as an economic viability gap to assess if sufficiently robust signals are available to trigger investments in the market to close any potential adequacy gap as defined by the legal security of supply criteria. Elia Transmission Belgium SA/NV published such a study in June 2019 ("Adequacy & Flexibility Study 2020-2030" - hereafter the "2019 AF Study") and in June 2021 ("Adequacy & Flexibility Study 2022-2032" - hereafter the "2021 AF Study"). Both studies are available on Elia Transmission Belgium SA/NV's website, see e.g.: **https://www.elia.be/fr/marche-de-electricite-et-reseau/adequation/etudes-adequation**

Both studies concluded that as a result of the planned nuclear phase-out, Belgium would face an adequacy gap by 2025 and that there are insufficient robust investment signals to expect this gap to be filled up by the market without additional intervention. Following the 2019 AF study, in order to guarantee Belgium's security of supply in the longer term, the Belgian Parliament adopted in 2019 a modification of the Electricity Law in order to introduce a capacity remuneration mechanism (CRM). Elia Transmission Belgium SA/NV assisted the government in designing and implementing this CRM mechanism and has been appointed by the latter to operate it.

In August 2021, the European Commission approved the Belgian CRM (its compliance with State Aid Legislation) and in October 2021 Elia Transmission Belgium SA/NV ran a first CRM auction to contract capacities for delivery year 2025-2026. The Belgium CRM scheme/design foresees that for each delivery year a capacity volume to secure the by law set security of supply standards has to be procured through two distinctive auctions, one run in four years before delivery and one run one year before delivery. The aim of this split procurement is, amongst other things, to allow all kind of technologies to participate to the CRM.

The auction modalities/rules, as well as the computation of the amount of capacity to be procured, are determined by a set of legal and/or regulatory documents or decisions.

The results of the first CRM auction (Y-4 for delivery year 2025-2026) have been validated by the CREG and published on Elia Transmission Belgium SA/NV's website, conform the legally applicable prescriptions.

Due to uncertainty on the timely obtaining of environmental permit of the projects in the CRM mechanism, the government has adopted in December 2021 a draft law proposal describing alternative arrangements aiming at ensuring security of supply for delivery year 2025-2026 in case the projects concerned would not be able to secure their environmental permit by a set deadline. The government has concretised these arrangements in March 2022.

CONTINGENCY EVENTS & BUSINESS CONTINUITY DISRUPTION

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

There are causes other than unfavourable weather conditions for contingency events and business continuity disruption. Examples include human errors, malicious attacks, terrorism, equipment failures, etc. Offshore equipment particularly has our full attention, in a context where there is less of a track record with these technologies and a higher complexity for curative actions.

The probability of the occurrence of one or more of the above-mentioned events may increase if the competent authorities do not approve the necessary operational procedures, investments or full time equivalent (FTE) resources proposed by Elia Transmission Belgium SA/NV, Elia Asset SA/NV and 50Hertz Transmission GmbH.

Responses

There are several procedures in place to manage these risks, going from crisis management plans to operational procedures such as defence plans and restoration plans. All of them are regularly trained for and tested with large-scale exercises and simulator trainings so that our staff and transmission system operators, as the case may be, are ready to deal with the most unexpected and extreme situations. Also, in line with the European Directive 2019/941, a risk preparedness plan is now prepared at both national and international levels, in collaboration with Austria, Belgium, Switzerland, Germany, France, Luxembourg and the Netherlands.

In the event of an error attributable to Elia Transmission Belgium SA/NV, Elia Asset SA/NV or 50Hertz Transmission GmbH, the respective general terms and conditions of its contracts provide for appropriate liability caps for the group and the relevant affiliate, as the case may be, to a reasonable level. Each relevant insurance policy is designed to limit some of the financial repercussions if these risks were to occur. Should unfavourable circumstances occur, the transmission system operator may take any emergency measures it deems appropriate, such as disconnecting some or all electricity exports, requesting electricity-generating companies to increase or decrease their electricity production or requesting a reduction in the electricity consumption from the competent Minister in the relevant area to reduce the impact of the event. Additionally, the design and operation of offshore as well as onshore technologies takes constraints related to repair time, monitoring opportunities and grid resilience into accouuirement of a (group) crisis management plan applies to critical infrastructure operators at European level (Article 24 of the Commission Regulation (EU) 2017/1485 calls for the implementation of Business Continuity Plans). It is the ambition of Elia group to be compliant with this regulation as the management of its Critical Infrastructures is one of its priorities.

A framework for crisis management on local/group level for managing all corporate crisis situations such as community relations issues is under development and will enter into force in 2022.

Further information

As a regulated entity, Elia Transmission Belgium SA/NV acts in accordance with the "network codes" applicable at European, federal and regional level, while network access contracts are approved by the regulator. Elia Transmission Belgium SA/NV's exposure under the regulatory framework and these contracts is limited to an acceptable amount. These risks are generally covered by a "liability" insurance contract for the appropriate amounts. In Belgium, due to resource bottlenecks, asset replacements and capital expenditures are generally subject to arbitration, which contributes to the ageing of some asset fleets, complicates the asset management and may eventually affect the availability of some network components and the performance of protection devices. In terms of security, the screening of relevant profiles is applied and projects to improve the security of critical infrastructure are ongoing.

CLIMATE RISKS

The risks associated with climate change are especially important for the group given our ambition to deliver the infrastructure of the energy transition, which helps achieve climate targets at the same time. Climate change and energy transition bring uncertainties and challenges to transmission system operators of the group missions related to markets, system and infrastructure.

Climate risks are often classified as physical climate risks and transitional risks[41].

Physical climate risks fall into two categories: chronic and acute ones. Based on the best climate scenario information available today, a vulnerability assessment of the group's activities took place, in line with the technical screening criteria of the EU Taxonomy Delegated act. This assessment highlighted the possible harmful effect of heatwave, cold wave/winter incident, storm, drought and wildfire. All these phenomena belong to acute physical risks and lead to less favorable operating conditions for the group's assets or even damage them. Such circumstances may trigger risk factors for contingency events and business continuity disruption.

Transitional risks are related to the transition to a lower carbon economy, which implies extensive policy, legal, technology and market changes.

Responses

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

The design of our infrastructure already considers stringent climate conditions. However, further enhancements may still be required in the future. Indeed, events with unprecedented incidence and intensity have already occurred and the increasing maturity of climate scenarios[42] will continue to provide insights on less well-known extreme phenomena. This greater awareness is likely to trigger revisions of the standards specifying how structural design should be conducted in Europe, of urban planning requirements, and will lead to the introduction of new European directives, etc. Next to these regulatory changes, the Elia group has integrated the management of physical climate risks in its company-wide risk management process and in its Act Now sustainability program. Our experts identify these risks, assess them, as well as the appropriateness of our response. This may lead, amongst other things, to a revision of our specifications or the launch of dedicated projects aiming to increase the resilience of the infrastructure. Following the flooding events of July 2021, a risk analysis is ongoing. Its deliverables include an updated list of substations with flooding risks, a list of pragmatic measures aiming at increasing the resilience of both existing and future infrastructure, as well as the CAPEX impact of their implementation. This flooding risk analysis is a concrete example of how climate vulnerability assessments, may highlight needs for the infrastructure network, in order to achieve its adaptation. Other risk exercises will follow so that all acute physical risks are covered and regularly reviewed.

The ageing of infrastructure, already mentioned in the previous section, is also a key parameter to consider in the evaluation of the infrastructure resilience to climate risks. As a matter of fact, materials and structures will inevitably be affected by the effect of time, the environment, repeated mechanical and electrical loading, etc. Also, some old overhead line supports were designed according to less stringent standards with regards to climate risks. The timely replacement of this infrastructure, combined with an efficient circularity approach will help tackle climate adaptation issues all by keeping climate change risks under control.

In November 2021, the "Roadmap to Net Zero" study, containing the group's vision on building a climate-neutral energy system by 2050, was published[43]. This document aims to support the energy transition through providing energy system insights and defining focus points for efficient decision making. The results are relevant for Europe as a whole, the entire energy sector and policy makers.

FAILURE OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT), DATA SECURITY & PROTECTION.

A failure of the ICT systems and processes used by the group or a breach of the security measures may result in losses for customers and reduced revenues for the group and its affiliates. The group and its relevant affiliates also collect and store sensitive data, their own business data and that of their suppliers and business partners. The group and its relevant affiliates are also subject to several privacy and data protection rules and regulations, including, as of 25 May 2018, the General Data Protection Regulation (EU Regulation 2016/679 of 27 April 2016) regarding personal data as well as the NIS directive (EU Directive 2016/118 of 6 July 2016 concerning measures for a high common level of security and network and infor-

41 See e.g. the recommendations of the Taskforce on Climate Related Financial Disclosures https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf
42 An example of recent climate scenario publication is Intergovernmental Panel on Climate Change's 6th assessment report, published in August 2021 available at the following address: www.ipcc.ch/assessment-report/ar6/.
43 https://www.elia.be/en/news/press-releases/2021/11/20211119_elia-group-publishes-roadmap-to-net-zero

mation systems across the Union). Despite all of the precautions taken, important system hardware and software failures, failure of compliance processes, computer viruses, malware, cyber-attacks, accidents or security breaches could still occur. Any such events could impair the ability of the group and/or the ability of any of the group's relevant affiliates to provide all or part of their services and generally may result in a breach of their legal and/or contractual obligations. This could, in turn, result in legal claims or proceedings, contractual liability, liability under any other data protection laws, criminal, civil and/or administrative sanctions, a disruption of the operations of the group or the operations of the relevant affiliates of the group, or damage the reputation of the group or its relevant affiliates, and in general could adversely affect the business of the group and its relevant affiliates.

Responses

The group and each of its relevant affiliates take appropriate measures to revise, update and back up its ICT processes and hardware software and network protection (for example, failover mechanisms) on an ongoing basis to the maximum extent permitted by technical and financial considerations. Furthermore, data governance and classification, as well as data protection and information security (ISO 27001) are applied and monitoring has started. The two transmission system operators of the group also continuously adapt their processes to further ensure compliance and strengthen their resilience.

PERMITTING RISK

The changing European energy market and largescale deployment of renewable-based generation technologies also requires the further development of the infrastructure of Elia Asset SA/NV (and Elia Transmission Belgium SA/NV) and 50Hertz Transmission GmbH. Electricity grids are recognised as enabling the energy transition. The development of such infrastructure and interconnectors with other neighbouring countries are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents an important challenge to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Responses

In order to manage uncertainties related to permitting, concrete and upfront stakeholder management takes place, as well as transparent communication to the community. Working hands in hands with authorities on a common goal (i.e. the integration of renewables while ensuring the security of supply with affordable energy prices) helps to build sustainable relations and achieve grid projects within the timeframe of climate ambitions. For instance, in spite of COVID circumstances, the group worked together with governments and local municipalities to develop and be able to go further with digital participation strategies. By having this proactive and agile approach, the group did not suffer from significant delays to progress and obtain the decisions we were waiting for in 2020 and 2021.

Further information

In Belgium, some projects are particularly important to facilitate the energy transition: the interconnection projects, the reinforcement of the backbone (HTLS projects), the construction of new projects to reinforce the backbone, such as Ventilus and Boucle du Hainaut and finally the development of the second wave of offshore windfarms. Despite the common interest for the society, they also require a great deal of effort to gain community acceptance due to local impact. Further information on these projects is available in our Federal Development Plan 2020-2030: **https://www.elia.be/fr/infrastructure-et-projets/plans-investissements/plan-de-developpement-federal-2020-2030**.

In Germany, the speed of the permitting process is a general risk across all large infrastructure projects. The new German government states in its coalition agreement 2021 a clear ambition to speed up the process for approvals and permits. Further information on how this could be realised are not yet known.

SUPPLIER'S RISK

The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) rely on a limited number of key suppliers to provide them with material and realise their investment projects. Given the complexity of the infrastructure works, the increasing demand in the market, and the factories' full order books, the group may not be able to find sufficient suppliers or supply capacity for their projects. In addition, the lockdowns have been followed by a strong demand recovery, generating supply chain bottlenecks as well as raw material, energy and staffing scarcity. These elements induced a significant increase in commodity and transportation prices, which in turn adversely impacted the supply chain of our suppliers and the inflation rate in general, as explained in a following part of the document (see contextual factors). This makes the challenge yet greater for our suppliers to deliver the required number of goods or services in a timely manner and with the adequate level of quality. Any cancellation of or delay in the completion of its infrastructure works could have an adverse effect on the business and reputation of the group and its affiliates. Last, the availability of skilled HR profiles are also important to mitigate these risks and allow contractors to demonstrate a deeply embedded safety culture. Should they fail to have enough skilled profiles, this might adversely impact the group's business, including the safety of our works. In addition, the group and the relevant affiliates of the group are also exposed to the risk of public procurement claims and their respective suppliers, when facing financial difficulties, may not be able to comply with their contractual obligations.

Responses

The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) maintain ongoing dialogue with their suppliers to enhance transparency in the supply chain and regularly perform predictive capacity analysis at market level Targeted measures are taken to mitigate specific risks. Examples include earlier order placement for some categories, the development of more resilient purchasing strategies and diversification of their supplier portfolio. The HR initiatives aiming to increase the internal technology knowhow and skillset with respect to critical technologies and tools also contribute to limit the risk of dependencies with respect to EU and non-EU suppliers. Price revision formulas are more often used to minimise the most recent development of the supplier's risks.

HEALTH & SAFETY ACCIDENTS

Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate facilities where accidents and asset failures may cause harm to people. As a result, the group and its relevant affiliates may be exposed to adverse impact on their capitals, mainly human, asset and financial. Potential liabilities may have a negative impact on their financial position, require significant financial and managerial resources, or possibly damage their respective reputations.

Responses

The safety and well-being of individuals (both the group's staff, the staff of the relevant affiliates and third parties) is a key priority and a daily concern for the group and the relevant affiliates. The group and its relevant affiliates have put a Health and Safety policy in place and system-based management tools, such as process and procedure management and unwanted event follow-up applications, proactive site visits and a supported prevention attitude.

Action is taken towards a Just Culture, which aims at creating a constructive environment to deal with safety topics in an atmosphere of trust and the encouragement of responsible behavior. Such a culture implies having safety systems designed to support and provide an appropriate response to safety risks.

A strong safety culture does not guarantee to eliminate all safety risks but it will provide an adequate environment to keep improving in this topic and will support the cultural growth.

Financial risks & responses provided

NEGATIVE CHANGES IN FINANCIAL MARKETS

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

Fluctuations of interest rates may negatively influence the financial situation of the group. The allowed return on equity defined in the regulatory schemes can be adversely affected by the decrease of interest rates. Changes in interest rates could affect the cost of debt the group will have to incur.

In order to finance its investments and to achieve its short and long-term strategic goals, the group and its affiliates need to access debt and capital markets

To finance its investments CAPEX, the group is dependent on its ability to access the debt and capital markets in order to raise the necessary funds to repay its existing indebtedness and meet its financial needs for its future investments. Geopolitical issues and the evolution of the pandemic Covid-19 could further impact the financial markets, resulting in potential volatility, which could have a negative impact on the growth of the group and on the pursuit of its objectives.

Elia Group SA/NV, Elia Transmission Belgium SA/NV and Eurogrid GmbH are rated by S&P. There is no assurance that the rating will remain stable for any given period or that the rating will not be lowered by the rating agency if, in its judgment, circumstances in the future so warrant. A decision by a rating agency to downgrade or withdraw the company's credit rating could reduce the group's funding options and increase its cost of borrowing.

Responses

The financial risks (liquidity, funding, market risks etc.) faced by the group are described and controlled. To this end, the group has defined responsibilities and procedures specifically for the financial instruments to be used and the operating limits for managing them. These procedures and related systems are revised on a regular basis to reflect any changes in market conditions and the activities of the group. The financial impact of these risks is limited, as Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH operate under the Belgian or German regulatory framework. As part of the group's efforts to mitigate the funding risk (including refinancing risk), the group aims to diversify its financing sources in debt instruments (standard or green bond), balances the maturity of its funding to the long term lifetime of its assets and assures developing strong relationships with a group of financial institutions. Additionally, as a listed company, Elia Group SA/NV also has access to the equity market.

Management of the liquidity risk ensures adequate coverage of financial needs through contracting suitable credit lines and the management of the commercial paper programme and an active management of any surplus liquidity.

CASHFLOW

The fluctuation in interest rates of the group's debt mentioned in the previous section can also have an impact on the actual financial charges by causing a time differential (positive or negative) between the financial costs effectively incurred by the group and the forecast financial costs. This could cause transitory effects on the cash position of the group.

Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues may have a short-term effect on the cash position of the group.

Existing legal rules foresee that costs linked to the public service obligations of transmission system operators are covered by tariffs (and tariff evolutions) which are approved by the regulators on a regular basis. In the framework of their respective competences, national and regional governments have taken measures to support the further development of renewable energy by introducing different support mechanisms. The two transmission system operators of the group (Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH) are entitled to several of these public service obligations mechanisms. This may have an indirect impact on the group's cashflow: deviations from the expected market price (Germany) or number of sales of green certificates at a guaranteed minimum price (Belgium) or deviations from the expected volumes of infeed of renewable energy and lower end user consumption could generate short-term and mid-term significant cash expenses.

Responses

The short-term liquidity risk is managed on a daily basis with the funding needs being fully covered through the availability of credit lines and a commercial paper program. Other risk mitigation measures include being involved in the design of public service obligation mechanisms aiming to support the development of renewable energy. Once these mechanisms are in place, performing good forecasts on end-user consumption, renewable energy sources-infeed, market prices, the expected number of sales of green certificates at a guaranteed minimum price, as well as reporting and communicating issues to governments and regulators can contribute to keeping a good balance.

Further information

With the advent of Belgian laws and regulations governing decentralised or renewable energy generation, notably via photovoltaic solar panels and wind turbines, the federal and regional governments organised the issuance of so-called 'green certificates' (GC), which are used as a financial support mechanism for renewable energy. The offshore green certificate public service obligation generates an increasingly large cash outflow, and will as from 2022 be compensated by state funds based on taxes put at disposal to Elia Transmission Belgium SA/NV on monthly base. This mechanism will replace the costs covering by the tariff. In order to ensure the financial position of Elia Transmission Belgium SA/NV, an effective and timely payment of those state funds has been organised by a dedicated protocol with the parties involved, to limit the risk of pre-financing of these costs by Elia Transmission Belgium SA/NV.

The EEG mechanism is prescribed by German law (AusglMechV) and is linked to the support of the production of the renewable energy sources (RES). The transmission system operators pay the RES producers the difference between market price and the price prescribed by law for their generated energy and recharges the difference to the end user applying a surcharge amount per kWh. If the RES infeed is higher than expected, or market prices are lower than estimated or end user consumption is lower than expected, the liquidity of 50Hertz Transmission GmbH can be heavily affected. Due to strongly increased market prices and pay out of the German federal subsidy grant to the transmission system operator the pressure on 50Hertz Transmission GmbH cashflow has relaxed compared to 2020. However, volatility in market prices and end user consumption could still impact the liquidity significantly. Especially as we are still confronted with the pandemic situation

NEW BUSINESS DEVELOPMENTS

Any negative results from new business developments are entirely born by Elia Group NV/SA and represent an additional financial risk.

Responses

The reorganization of the group in 2019 explained in the "Risk of early termination of transmission system operator licence" section is one of the responses provided. Concerning the group affiliate Elia Grid International SA/NV, its main revenue stream in 2021 is related to turnkey projects for the Elia group, characterised by lower risks of claims and liabilities.

LEGAL DISPUTES & LIABILITIES

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

Responses

The group and its relevant affiliates carry out their activities in such a way as to reduce (as much as possible) the risk of legal disputes and, if necessary, the appropriate provisions are identified and implemented on a quarterly basis.

R&D (Innovation)

In line with its strategic priorities, innovation within the Elia group is tackling the challenges of increasingly complex operation of the network, higher integration of renewables and efficient infrastructure management. The selection of projects focuses on "real first" initiatives, like long distance drone flights or the use of robots in converter stations. This is fully in accordance with our willingness to continually challenge the existing. The group is even heading towards further disruptive initiatives. These are called moonshots.

The group is also working to build a large ecosystem, that is seen as an enabler for early identification of opportunities and accelerated progress. As an example, the group organises the open innovation challenge. In 2021, its focus was on Offshore Grid Integration.

The link with other risks described earlier is quite direct. Innovation works as a vehicle for cultural change. All projects are carried out in collaboration with the business, they benefit from agile methods and their outcomes serves as a revelation to new technologies. The business may also submit innovation proposals to The Nest, a dedicated risk-free working environment that allows fast prototyping of promising projects.

Features of the internal control and risk management systems

GRI 102-17, GRI 102-30

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

Control environment

ORGANISATION OF INTERNAL CONTROL

Pursuant to the Elia Group SA/NV Articles of Association, the Board of Directors has established an Executive Management Board as well as various committees to help it fulfil its duties: the Audit Committee, the Strategic Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee is, pursuant to Article 7:99 of the Code of Companies and Associations and the Articles of Association, responsible in particular for (ii); (iii); (iv); (v). The Board of Directors has charged the Audit Committee with the main following tasks: (i) examining the accounts and exercising control over the budget; (ii) monitoring the financial reporting process; (iii) monitoring the effectiveness of the company's internal control and risk management systems; (iv) monitoring the internal audit and its effectiveness; (v) monitoring the statutory audit of annual and consolidated accounts, including the follow-up of any issues raised or recommendations made by external auditors; (vi) reviewing and monitoring the independence of external auditors, (vii) formulating a proposal to the Board of Directors for the (re)-appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the conditions of their appointment; (viii) monitoring the nature and extent of the non-audit services provided by the statutory auditors; (ix) reviewing the effectiveness of the external audit process. The Audit Committee generally meets quarterly. The Finance Department helps the Executive Management Board by providing, in a timely manner, correct and reliable financial information to aid not only decision-making with a view to monitoring the profitability of activities, but also effective management of corporate financial services. External financial reporting – one of Elia Group SA/NV' s duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iii) specific reporting obligations applicable to listed companies. The structured approach developed by Elia Group SA/NV helps to ensure that financial data is both exhaustive and precise, taking into account the deadlines for activity reviews and the actions of key players so as to ensure adequate control and accounting.

INTEGRITY AND ETHICS

Elia Group SA/NV's integrity and ethics are a crucial aspect of its internal control environment. The Board of Directors and the Executive Management Board regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees. These rules are communicated to all new employees, and compliance with them is formally included in employment contracts. Elia Group SA/NV's Code of Conduct (the "Code of Conduct") also helps to prevent employees from breaching any Belgian legislation on the use of privileged information or market manipulation. Management consistently ensures that employees comply with internal values and procedures and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts. Elia Group SA/NV's Code of Ethics (the "Code of Ethics") defines what Elia Group SA/NV regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees. Elia Group SA/NV's Code of Ethics expressly states that bribery in any form, misuse of privileged information and market manipulation is prohibited. This is confirmed by the Code of Conduct. Elia Group SA/NV and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by Elia Group SA/NV. Disguising gifts or entertainment as charitable donations is also a violation of the Code of Ethics. Moreover, the Code of Ethics prohibits all forms of racism and discrimination, promotes equal opportunities for all employees, and ensures the protection and confidential use of IT systems.

All parties involved in procurement must abide by Elia Group SA/NV's Purchasing Code of Ethics and all associated regulations. Elia Group SA/NV's Purchasing Code of Ethics is published internally and externally and is based on four pillars: confidentiality, non-discriminatory treatment of suppliers, transparency, and avoidance of conflicts of interest. The management of the employees involved in the procurement and payment processes regularly provides opportunities for training and awareness- raising on these topics.

Elia Group SA/NV offers its employees the opportunity to express their concern about an (alleged) breach of the Code of Ethics without fear of sanctions and/or unfair treatment. In addition to the existing reporting channels, an external system EthicsAlert for reporting integrity breaches has been implemented that is compliant with the EU Whistleblowing Directive. Internal employees as well as external stakeholders can report via this platform their suspicions about possible breaches of the Code of Ethics which may harm Elia Group SA/NV's reputation and/or interests in a protected manner.

Violations of these codes can be reported to the local management or HR, directly to the Compliance Officer or by using the external system after which they will be handled objectively and confidentially in line with the whistleblowing procedure.

Internal Audit's annual programme includes a number of actions and verification audits designed to act as specific safeguards against fraud. Any findings are systematically reported to the Audit Committee. In 2021, no relevant findings relating to financial fraud were reported in the audits making up the annual audit plan of 2021.

ROLES AND RESPONSIBILITIES

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

As regards the financial reporting process, the tasks and responsibilities of all employees in the Accounting Department have been clearly defined with a view to producing financial results that accurately and honestly reflect Elia Group SA/NV's financial transactions. A detailed framework of tasks and responsibilities has been drawn up to identify the main control duties and the frequency with which tasks and control duties are performed. An IFRS Accounting Manual is used by all entities within the scope of consolidation as a reference for accounting principles and procedures, thus ensuring consistency, comparability and accurate accounting and reporting within the group. The Finance Department has the appropriate means (including IT tools) to perform its tasks; all entities within the scope of consolidation use the same ERP software, which has a range of integrated controls and supports task separation as appropriate. The roles and responsibilities of all employees are clarified by providing a description of each job in line with the Business Process Excellence methodology.

COMPETENCIES

With a view to ensuring its various activities are performed reliably and effectively, Elia Group SA/NV clearly spells out the vital importance of its employees' competencies and expertise in its recruitment, training and retention procedures. The Human Resources Department has drawn up the appropriate policies and defined all jobs in order to identify the relevant roles and responsibilities as well as the qualifications needed to fulfil them. Elia Group SA/NV has drawn up a policy for the management of generic and specific competencies in line with the company's values, and promotes training so as to enable all its employees to effectively perform the tasks allocated to them. Requirements with regard to competency levels are continually analysed by means of formal and informal self-assessments at various stages of an employee's career. Training programmes on financial reporting are offered to all employees involved directly or indirectly with that task. The training emphasises the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

Risk management

Risk management is another internal control system that is crucial in helping Elia Group SA/NV to achieve its strategic objectives as defined in its mission. The Board of Directors, the Audit Committee and the Risk Manager jointly and regularly identify, analyse and assess key risks encountered by the company. The risks are identified and assessed qualitatively and/or quantitatively depending on their nature and potential effect. The Risk Manager then makes recommendations on how best to manage each risk considering the close interaction of Elia Group SA/NV's entire risk universe. Based on this assessment, preventive, remedial and/or corrective actions are implemented, including the strengthening of existing internal control activities where applicable. As part of its responsibilities, the Executive Management Board establishes an effective internal control system to ensure, among other objectives, accurate financial reporting. It emphasises the importance of risk management in financial reporting by taking into account, with the Audit Committee, a whole range of associated activities and risks. It ensures that risks are truly reflected in financial results and reports. In addition, Risk Management goes beyond those risks known to Elia Group SA/NV and tries to anticipate the nature and characteristics of emerging risks, which may impact Elia Group' SA/NV s objectives. Financial risk assessments primarily involve the identification of:

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

Financial reporting objectives include (i) ensuring financial statements comply with widely accepted accounting principles; (ii) ensuring that the information presented in financial results is both transparent and accurate; (iii) using accounting principles appropriate to the sector and the company's transactions; (iv) ensuring the accuracy and reliability of financial results. The activities undertaken by Elia Transmission Belgium SA/NV and 50 Hertz Transmission GmbH, as electricity transmission system operators in relation to their physical installations, contribute significantly to the group's financial results. Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations. Risk management is a company-wide activity, actively supported by the delegation of relevant responsibilities to all employees as part of their specific activities, as defined in the risk appetite and risk management process.

CONTINUOUS ASSESSMENT

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

TOP-DOWN APPROACH BASED ON STRATEGIC RISKS

Elia Group SA/NV's strategic risk assessments were reviewed in 2021 three times a year in the Audit Committee. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

BOTTOM-UP APPROACH WITH REGARD TO BUSINESS

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and the Executive Management Board remain in contact and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended. Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Operational management assesses the relevant risks and puts forward action plans. The Board of Directors, upon the advice of the Audit Committee, must approve any significant changes to assessment rules. Risk Management is instrumental for Elia Group SA/NV to maintain its value for stakeholders and the community, works with all departments with a view to optimising Elia Group SA/NV's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

Control activities

MAIN CONTROL ACTIVITIES

Elia Group SA/NV has established internal control mechanisms at its various structural levels so as to ensure compliance with standards and internal procedures geared to the proper management of identified risks. These include:

(i) clear task separation as part of procedures, preventing the same person from initiating, authorising and recording a transaction – policies have been drawn up regarding access to information systems and the delegation of powers;

(ii) integrated audit approach as part of internal procedures so as to link end results with the transactions supporting them;

(iii) data security and integrity through the appropriate allocation of rights;

(iv) appropriate documentation of procedures through the use of the Business Process Excellence Intranet, which centralises policies and procedures. Departmental managers are responsible for establishing activities to control the risks inherent to their department.

FINANCIAL REPORTING PROCEDURE

For all significant financial reporting risks, Elia Group SA/NV sets out appropriate control mechanisms to minimise the probability of error. Roles and responsibilities have been defined in connection with the closing procedure for financial results. Measures have been established for the continuous follow-up of each stage, with a detailed agenda of all activities undertaken by group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations. During the financial closing period, a specific test is performed to ensure control over significantly unusual transactions, accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates. The combination of all these controls ensures the reliability of financial results. Regular internal and external audits also contribute to financial reporting quality. In identifying those risks that may affect the achievement of financial reporting objectives, the Executive Management Board takes into account the possibility of misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. Internal Audit performs specific audits based on the risk assessment for potential fraud, with a view to avoiding and preventing any instances of fraud.

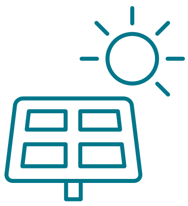
Information and communication

Elia Group SA/NV communicates relevant information to its employees to enable them to fulfil their responsibilities and achieve their objectives. Financial information is needed for budgeting, forecasts and ensuring compliance with the regulatory framework. Operational information is also vital for the production of various reports, essential for the well-functioning of the company. As such, Elia Group SA/NV records recent and historical data needed for corporate risk assessments. Multiple communication channels are used: manuals, memos, emails, bulletin boards and intranet applications. Financial results are reported internally and validated at different levels. The management responsible for financial reporting regularly meets other internal departments (operational and control departments) to identify financial reporting data. It validates and documents the critical assumptions underpinning booked reserves and the company's accounts. At group level, consolidated results are broken down into segments and validated by means of a comparison with historical figures and a comparative analysis between forecasts and actual data. This financial information is reported monthly to the Executive Management Board and is discussed quarterly with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

Monitoring

Elia Group SA/NV continually re-evaluates the adequacy of its risk management approach. Monitoring procedures include a combination of monitoring activities carried out as part of normal business operations, in addition to specific ad hoc assessments on selected topics. Monitoring activities include (i) monthly reporting of strategic indicators to the Executive Management Board and the management; (ii) follow-up on key operational indicators at departmental level; (iii) a monthly financial report including an assessment of variations as compared with the budget, comparisons with preceding periods and events liable to affect cost controlling. Consideration is also given to third-party feedback from a range of sources, such as (i) stock market indices and reports by ratings agencies; (ii) share value; (iii) reports by federal and regional regulators on compliance with the legal and regulatory framework; (iv) reports by security and insurance companies. Comparing information from external sources with internally generated data and ensuing analyses allows Elia Group SA/NV to keep on making improvements. Internal Audit also plays a key role in monitoring activities by conducting independent reviews of key financial and operational procedures in view of the various regulations applicable to Elia Group SA/NV. The findings of those reviews are reported to the Audit Committee to help it monitor internal control and risk management systems and corporate financial reporting procedures. The group's legal entities are also subject to external audits, which generally entail an evaluation of internal control and remarks on (annual and quarterly) statutory and consolidated financial results. External auditors make recommendations for improving internal control systems. In entities that have an Audit Committee, the recommendations, action plans and their implementation are reported annually to that Committee, which in turn reports to the Board of Directors on the independence of the auditor or statutory audit firm and drafts a motion for a resolution on the appointment of external auditors.

2. Investor relations

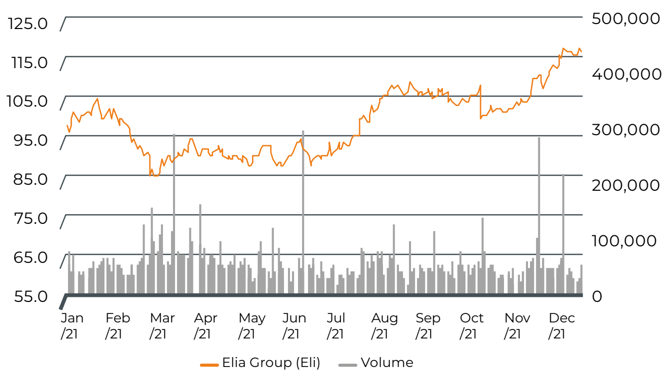


Elia Group's share price in 2021

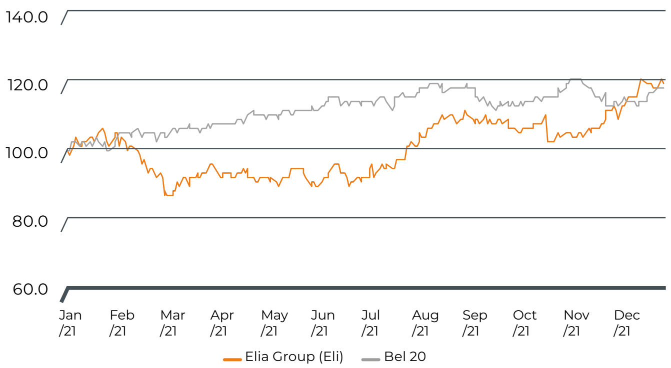
Elia group SA/NV on the stock exchange

Record high for the Elia Group share in 2021 despite volatile markets

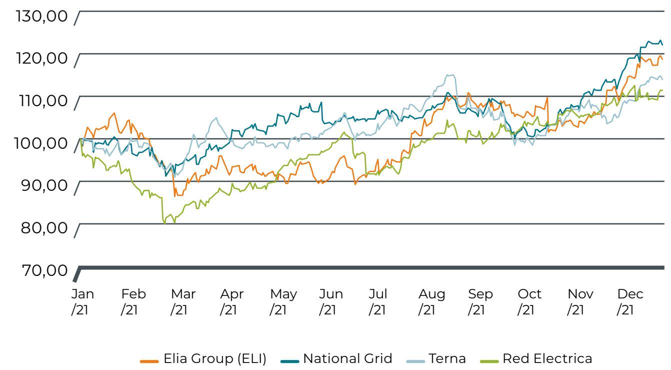
EVOLUTION IN PRICE AND TRADED VOLUMES



EVOLUTION OF THE ELIA GROUP SHARE AGAINST THE BEL20 INDEX



EVOLUTION OF THE ELIA GROUP SHARE AGAINST ITS EUROPEAN COUNTERPARTS



Almost two years on from the beginning of the COVID-19 pandemic and financial markets have remained volitale and dominated by COVID-19 related news flows. Despite the continuation of this unprecedented public health crisis, most of Elia Group SA/NV's operational activities continued supported by their socio-economic importance and the group's vigorous efforts to ensure business continuity.

Driven by the highly regulated nature of our activities, Elia Group SA/NV delivered solid financial results driven by the realisation of investments in Belgium and Germany and strong a strong performance of Nemo Link.

The Elia Group share price, closed the year at a price of €115.70, up 18.67% from €97.50 at the end of 2020. On the 3 March 2021 the share price hit a low of €84.60 and recorded a high of €117.10 on 29 December 2021. The approved dividend of €1.71 for 2020 was paid, leading to a total yearly return of 15.55% inline with peers and the BEL 20 Index.

Liquidity of the Elia Group share increased to 57,532 in shares traded per day in 2021. This increase in liquidity was also supported by the re-entrance of Elia Group SA/NV in the BEL20 index

With 68,728,055 shares outstanding, the company's market capitalisation stood at €7,951,835,964 at the end of December 2021.

Information on treasury shares – liquidity agreement

The Special General Meeting of Shareholders of 18 May 2021 conferred the power to the Board of Directors to acquire the company's own shares, without the total number of own shares held by Elia Group SA/NV pursuant to this power exceeding 10% of the total number of shares, for a compensation that cannot be lower than 10% below the lowest closing price in the thirty days preceding the transaction and not higher than 10% above the highest closing price in the thirty days preceding the transaction.

This power is conferred for a period of five years as from 4 June 2021. It applies to the Board of Directors of Elia Group SA/NV and, to the extent necessary, to any third party acting on behalf of Elia Group SA/NV.

In view of the above, Elia Group SA/NV has entered into a liquidity agreement with Exane BNP Paribas providing the latter with the mandate to purchase and sale Elia Group shares on the regulated market of Euronext Brussels. Exane BNP Paribas is acting on behalf and for the account of Elia Group SA/NV and within the framework of a discretionary mandate as authorized by the Extraordinary General Meeting of 18 May 2021. The purpose of the liquidity contract is to support the liquidity of the Elia Group SA/NV shares listed on Euronext Brussels.

Table I below provides an overview of the treasury shares acquired or disposed of in 2021 within the framework of the liquidity agreement. Table II below provides a more specific overview of the disposals of treasury shares in 2021.

TABLE I: EVOLUTION OF TREASURY SHARES

	Number of shares	Accounting par value	Percentage of capital	Consideration for the acquired or transferred shares (€)
Treasury shares acquired in 2021	270,331	24.94	0.39%	28,354,836
Treasury shares disposed of in 2021[44]	-263,083	24.94	-0.38%	-27,628,488
Situation per 31/12/2021	7,248	24.94	0.01%	726,347

TABLE II: OVERVIEW OF THE DISPOSALS OF TREASURY SHARES

Date	Number of shares	Accounting par value	Percentage of capital	Average price (€)	Lowest price (€)	Highest price (€)
2021	263,083	24.94	0.38%	97.85	106.20	117.60

The voting rights of all treasury shares are suspended by law. As per 31 December 2021, Elia Group SA/NV had 7,248 treasury shares that are not entitled to dividend rights.

Dividend

On 22 February 2022, Elia Group SA/NV Board of Directors decided to propose a nominal dividend of €120.3 million, or €1.75 per share (gross) to the general meeting of shareholders of 17 May 2022, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders. This represents an increase in dividend for the sixth consecutive year and an increase of 2.34% compared to 2020.This gives a net dividend of €1.225 per share.

The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, KBC and Belfius. Dividend payouts for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia Group SA/NV will pay out dividends on registered shares directly to shareholders.

Dividend policy

On 21 March 2019, the Board of Directors formally approved the policy it intends to apply when proposing dividends to the general meeting of shareholders. Under this policy, the full-year dividend growth is intended not to be lower than the increase of the Consumer Price Index ("inflation") in Belgium. The policy supports the group's long-term ambition to offer a secure dividend in real terms to the shareholders while at the same time enabling the group to sustain a strong balance sheet that is needed to fund the group's investment program.

Nevertheless, future dividends will remain dependent upon the results of the group (which are affected by a number of factors, outside the company's control) as well as the company's financial situation, financing needs (in particular, capital expenditures and investment plan) and business perspectives. The proposed dividend represents a pay-out ratio of 43.6% of the IFRS reported profit attributable to owners of ordinary shares.

44.8%

CONTRIBUTION OF GERMANY TO THE NET PROFIT ATTRIBUTABLE TO THE ELIA GROUP

1.75€

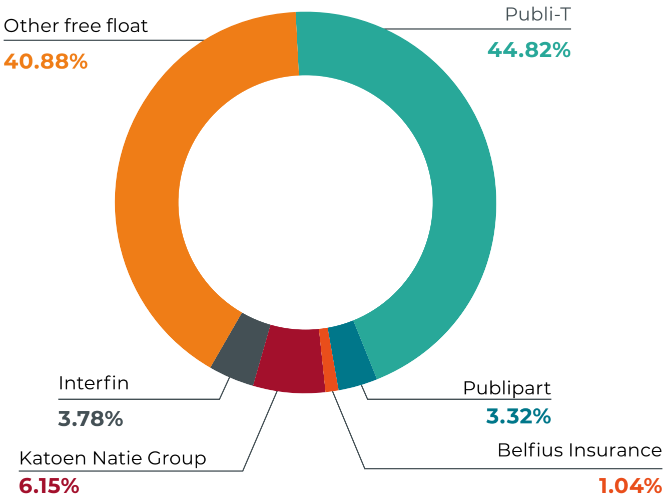
GROSS DIVIDEND PER SHARE

FINANCIAL CALENDAR

15 April 2022	Publication Annual Report 2021
17 May 2022	General meeting of shareholders
18 May 2021	Quarterly statement for Q1 2022
01 June 2022	Payment of 2021 dividend
27 July 2022	Publication of 2022 half-year results
25 November 2022	Quarterly statement for Q3 2022

SHAREHOLDER STRUCTURE

Based on transparency declarations received by the company (in accordance with the Act of 2 May 2007 and the Royal Decree of 14 February 2008.



INVESTORS

For any questions regarding Elia and its shares, please contact:

Elia

Investor Relations, Boulevard de l'Empereur 20
1000 Brussels, Belgium

Tel.: +32 2 546 74 29
Fax: +32 2 546 71 80
E-mail: investor.relations@elia.be

Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia Group website www.eliagroup.eu.

44 As the shares were disposed of on Euronext Brussels, Elia Group SA/NV has no information on the identity of the acquirers.

Key figures

(in € million)	2021	2020	2019	2018	2017 [45]	2016
Consolidated results						
Total revenue and other income	**2,859.7**	2,473.6	2,319.0	1,931.8	867.1	868.1
EBITDA (*)	**1,006.9**	1,005.6	930.2	750.5	455.4	425.0
Results from operating activities (EBIT) (*)	**540.1**	578.5	569.7	502.6	324.6	295.0
Net finance costs	**(106.6)**	(141.5)	(139.6)	(93.2)	(76.5)	(82.9)
Income tax	**(105.2)**	(129.1)	(121.0)	(102.2)	(39.6)	(32.0)
Adjusted net result (*) [46]	**328.3**	308.1	306.2	280.8	203.4	168.0
Reported net result	**328.3**	307.9	309.1	307.1	208.5	179.9
Non-controlling interest	***33.1***	*38.5*	*35.5*	*25.7*	*0.0*	*0.0*
Hybrid securities	***19.2***	*19.3*	*19.3*	*6.2*	*0.0*	*0.0*
Profit attributable to owners of ordinary shares	**276.0**	250.1	254.3	275.2	208.5	179.9

(in € million)	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Consolidated balance						
Total assets	**18,144.3**	15,165.6	13,893.4	13,754.3	6,582.3	6,241.5
Equity attributable to owners of the company	**4,552.0**	4,173.2	4,022.3	3,447.5	2,563.3	2,511.4
Equity attributable to owners of the parent – ordinary shareholders	***3,850.6***	*3,471.8*	*3,320.9*	*2,741.3*	*2,563.3*	*2,511.4*
Equity attributable to owners of the parent -Hybrid securities holders	***701.4***	*701.4*	*701.4*	*706.2*	*0.0*	*0.0*
Net financial debt	**4,886.3**	7,465.0	5,523.1	4,605.6	2,689.1	2,557.3

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Other key figures						
Regulatory Asset Base (RAB) (bn EUR) [47]	**10.3**	9.7	9.1	9.2	7.4	7.1
Dividend per share (EUR)	**1.75**	1.71	1.69	1.66	1.62	1.58
Return on Equity (%)	**6.49%**	6.46%	6.80%	8.16%	8.14%	7.16%
Return on Equity (adj.) (*)	**7.56%**	7.20%	7.66%	10.04%	8.14%	7.16%
Earnings per share (adj.) (EUR) (*)	**4.02**	3.64	3.91	4.52	3.42	2.95
Equity per share (EUR)	**56.0**	50.5	48.4	44.9	42.1	41.2
Number of shares (period-end)	**68,728,055**	68,720,695	68,652,938	61,015,058	60,901,019	60,753,714

(*) Detailed glossary of definitions is included in Appendix.

45 The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated
46 The adjusted net result has been introduced in 2019 as an Alternative Performance Measure. This represents the Normalised net result in prior years
47 The Regulatory Asset Base includes 60% of the RAB of 50Hertz until 2017 and 80% of the RAB as from 2018. In 2019, the composition of the RAB is no longer including EEG and similar surcharges due to change in regulation

Management discussion

Management report and analysis of the 2021 results

2021 Highlights

- Grid investments totalling €376.7 million in Belgium and €850.9 million in Germany made to ensure a reliable, sustainable and affordable energy system
- Good progress on major infrastructure works with new cooperation agreements signed with other transmission system operators
- Belgium's first CRM auction organised
- Partnerships shaping the future energy market to facilitate the transition to a sustainable energy system
- Adjusted net profit up by 6.6% reaching €328.3 million, following Nemo Link's very strong performance and solid operations in Belgium which offset the reduced result in Germany, driven by increased operational expenses
- A dividend of €1.75 per share will be proposed at the General Meeting of 17 May 2022

As a system operator, we are in a privileged position: we are delivering the appropriate grid infrastructure, running a reliable power system and developing new market products to integrate more and more renewables into the system, whilst also enabling others to see what is coming. In this phase of transition, our advisory role is very important. We have access to information which allows us to provide many players with interesting insights. It is our societal responsibility to share the results of our studies and our vision with our stakeholders, engage in dialogue with them and help them understand the context of the energy transition.

Elia Group

Key figures (in € million)	**2021**	**2020**	**Difference (%)**
Revenue, other income and net income (expense) from settlement mechanism	2,859.7	2,473.6	15.6%
Equity accounted investees	49.4	9.2	437.0%
EBITDA	1,006.9	1,005.6	0.1%
EBIT	540.1	578.5	(6.6%)
Adjusted items	0.0	(0.3)	n.r.
Adjusted EBIT	540.1	578.8	(6.7%)
Net finance costs	(106.6)	(141.5)	(24.7%)
Adjusted net profit	**328.3**	**308.1**	**6.6%**
Net profit	**328.3**	**307.9**	**6.6%**
Non-controlling interests	33.1	38.5	n.r.
Net profit attributable to the Group	295.2	269.4	9.6%
Hybrid securities	19.2	19.3	n.r.
Net profit attributable to owners of ordinary shares	276.0	250.1	10.4%
Key figures of the financial position (in € million)	**2021**	**2020**	**Difference (%)**
Total assets	18,144.3	15,165.6	19.6%
Equity attributable to owners of the company	4,552.0	4,173.2	9.1%
Net financial debt	4,886.3	7,465.0	(34.5%)
Key figures per share	**2021**	**2020**	**Difference (%)**
Reported earnings per share (EUR) (Elia share)	4.02	3.64	10.4%
Return on Equity (adj.) (%) (Elia share)	7.56	7.20	4.9%
Equity attributable to owners of the company per share (EUR)	56.0	50.5	10.9%

Results

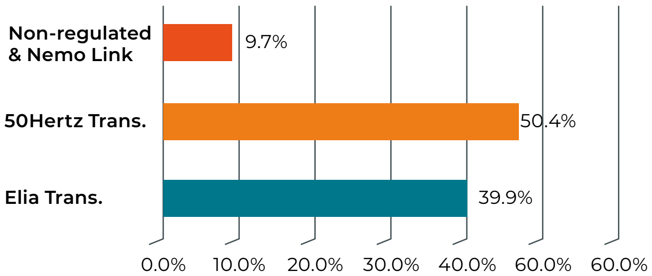
Elia Group's adjusted net profit increased by 6.6%, reaching €328.3 million, driven by the realisation of investments in Belgium and Germany and a strong performance from Nemo Link and was partially offset by the lower result of 50Hertz Transmission due to higher operational costs.

- Looking at the various segments, **Elia Transmission** (Belgium) realised solid results with an adjusted net profit of €131.0 million (+€6.2 million). The higher result was mainly due to a higher fair remuneration and a higher performance on incentives and was offset by lower capitalised borrowings and a lower contribution from employee benefits.
- In Germany, **50Hertz Transmission** (on a 100% basis) recorded a lower adjusted net profit of €165.4 million (-€27.2 million), which was driven by pressure on operational cost due to peaks in maintenance, higher IT costs following our effort to transform into a digital TSO, and higher personnel costs while we increased our talent pool; this was partially offset by one-off regulatory settlements linked to changes in regulation, higher investment remuneration following the asset growth, and higher financial result due to lower interest costs.
- The **non-regulated segment and Nemo Link** posted strong results with an adjusted net profit of €31.9 million (+€41.2 million), which were driven by the very strong performance of Nemo Link and lower regulatory settlements; these were partially offset by higher holding and business development costs. The contribution from Elia Grid International and re.alto remained limited and flat year-over-year.

No **adjusting items** were recorded over 2021.

The **net profit of Elia Group attributable to the owners of ordinary shares** (after deducting the €33.1 million in non-controlling interest and €19.2 million attributable to hybrid securities holders) was up by 10.4%, reaching €276.0 million.

COMPONENTS OF ELIA GROUP'S ADJUSTED NET PROFIT

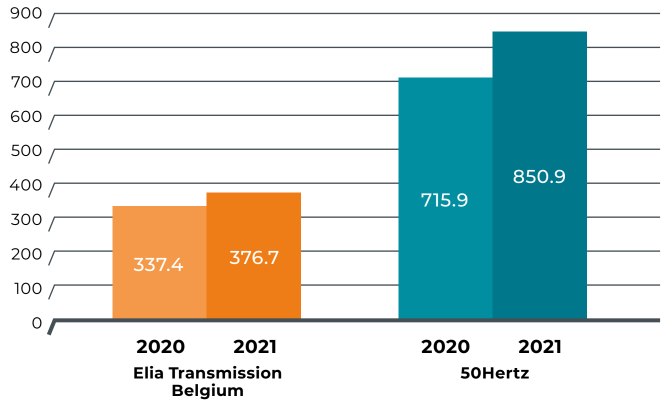


Capital expenditures

Our large-scale (onshore and offshore) infrastructure projects in both Belgium and Germany are underway, enabling the establishment of an integrated European energy system that includes large amounts of distributed renewable production and cross-border electricity flows. The COVID-19 measures did not impede progress on these projects. During the summer months, the flooding in Belgium caused the need for unforeseen repair work on some of our high-voltage substations. Thanks to the huge amounts of commitment demonstrated by our employees, this work was finalised in record time.

In 2021, Elia Group invested €1,227.6 million in the creation and delivery of its onshore and offshore electricity transmission infrastructure, sustainable enhancement of its operational practices, upgrading of the market design and facilitation of the digitalisation of the power sector leading to a growth of the Regulatory Asset Base (RAB) of 6.19%.

ELIA GROUP INVESTMENTS IN 2021 TOTALS €1,227.6 M



Good progress on major infrastructure works

Strengthening the Belgian backbone

To strengthen Belgium's electricity backbone, several major infrastructure works were undertaken along both its north-south and east-west axes. Since the works were carried out on existing high-voltage lines, this required appropriate planning to avoid compromising the country's security of supply.

Of particular importance were the works carried out on the high-voltages lines of **Zandhoven-Kinrooi** and **Avelgem-Avelin**. These are being equipped with a new type of conductor (HTLS technology) that can transport more power without generating higher impact on the landscape. These projects will allow Elia to better distribute and transmit increased electricity flows throughout the country and to its neighbouring countries. The works are being undertaken in phases across several years, with the construction site shifting along the routes as each phase of work is completed. The works on the Avelgem-Avelin line will be finalised by the end of 2022.

In order to optimise Elia's grid to the east of the Province of Liège and enhance the integration of renewable energy in the area, Elia is reinforcing the **Boucle de l'Est** (70 kV to 110 kV) overhead line; as part of this, in 2021, it began dismantling the **Ans-Bressoux** (70 kV) line, paying particular attention to the protection of biodiversity as it did so.

Finally, Elia started expanding the Mercator high-voltage substation in Kruibeke, which plays a crucial role as part of the north-south axis of Belgium's 380 kV backbone, and is related to the upcoming reinforcements which are due to be undertaken between **Liefkenshoek-Kruibeke (Brabo III)** and **Kruibeke-Dilbeek**.

At the **Monceau-sur-Sambre** high-voltage substation, a phase-shifting transformer (PST) was successfully commissioned. This forms an important part of Belgium's connection to France. The project has involved the upgrading of five substations and the laying of 60 km of cable, improving the supply of electricity throughout the region.

Further expansion of the German grid

Important steps were taken throughout 2021 as part of the realisation of the **Ostwind 2** project, which involves the German electricity grid being connected to two new offshore wind farms in the Baltic Sea: Arcadis Ost 1 and Baltic Eagle. The wind farms are set to be commissioned in 2023 and 2024 and will provide a total generation capacity of around 725 MW.

The first two of three 220 kV cable sections have been installed along the seabed. Work is now underway to complete the third section of the submarine cable. Land cables have also been successfully laid between the landing point (where the submarine cable meets the mainland) and the onshore Lubmin substation. To limit the environmental impact of the works, underground protective pipes were installed using horizontal drilling. Work on the Arcadis Ost 1 offshore transformation platform is also on schedule: it was transported from Gdansk (Poland) to a shipyard in Aalborg (Denmark), where assembly of the electrical equipment has started. The offshore installation phase will start in 2022.

50Hertz has started work on its **Kabeldiagonale Berlin** project, which involves laying cables along a tunnel that is around seven kilometres long and runs between two transformer stations some 20 to 30 metres underground. The 380 kV cables, which will replace an old cable system, wil transmit more electricity to the central districts of Berlin.

The works on upgrading the eastern section of the 380 kV **Nordring Berlin** line (which is 75 kilometres long) can now continue after a complaint against the project was dismissed by the courts. This project will replace a 220 kV connection dating back to the 1950s with a new 380 kV line, which has a much higher capacity.

Foundation work has begun along the southern section of the **Uckermark line**. This new 115 km line 380 kV line will connect the Bertikow substation (near Prenzlau) to Neuenhagen in northern Berlin and will transport wind power from the north-east of Germany to the Berlin area. The Bundesnetzagentur, the German regulator, has given the go-ahead for the construction of the 380 kV power line between the Bertikow substation and the Pasewalk substation (in Mecklenburg-Western Pomerania). The 30 km high-voltage line will replace an existing 220 kV line and will increase the transmission capacity in the region by a factor of four.

Construction work aimed at replacing pylons and conductors has also begun on the 380 kV overhead line (150 km-long) between **Pulgar** (Saxony) and **Vieselbach** (Thuringia). In 2021, the eastern section (27 km) was built and commissioned through the use of simplified permit procedures, in accordance with the law. The reinforcement of the Pulgar-Vieselbach project should be finished by 2025. The reinforcement works will increase the current transmission capacity by about 40%.

50Hertz has opened a new substation near Altdöbern. A great deal of renewable energy is integrated into the extra-high-voltage electricity grid here. Over the next five years, 50Hertz will upgrade 19 of its substations and build three new ones.

(in € million)	2021	2020
Net debt	4,886.3	7,465.1
Leverage (D/E) (incl. NCI & hybrid)	1.6x	1.8x
Net debt / EBITDA	4.9	7.4
EBITDA / Gross interest	9.1	6.8
Average cost of debt	1.67%	1.89%
% fixed of gross debt	100.0%	100%

Net debt and credit metrics

Elia Group carried a total **net financial debt** of €4,886.3 million (-€2,578.7 million) at the end of 2021.

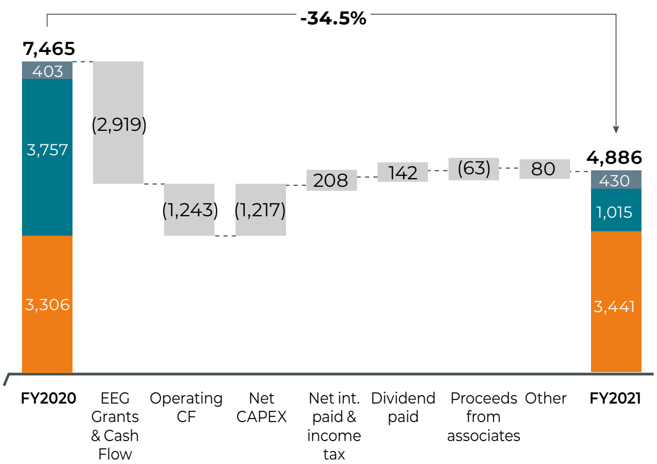
The decrease was entirely attributable to **Germany** (-€2,741.7 million), as 50Hertz benefitted from three federal compensation payments (€2,160.0 million) to pay back the revolving credit facilities (€700 million) that were temporarily contracted to finance the EEG deficit at the end of 2020. Additionally, it benefitted from a very high EEG cash in (+€758.9 million) which resulted from the very high energy market prices, while the investment programme was mainly financed from operating cash flow.

In **Belgium**, Elia's net debt rose slightly (+€135.4 million) with organic growth financed by cash flow from operating activities and the drawing of commercial paper (€60 million).

Elia Group had access to diversified sources of finance and tapped into the debt capital market to strengthen and secure its liquidity position for the further expansion of its grid. In April, Eurogrid GmbH took advantage of favourable market conditions to issue a €500 million senior bond and a coupon of 0.741%, thus securing part of the liquidity for its upcoming investment programme. Following this transaction, Elia Group's average costs of debt decreased to 1.67% (down 22 bps), mainly to the benefit of society.

Standard & Poor's credit rating of Elia Group remained BBB+ with a stable outlook. The Group further progressed on its sustainable finance journey: after the green bond debut of Eurogrid GmbH and the sustainability-linked RCF of Elia Transmission Belgium in 2020, the latter published its Green Finance Framework at the end of 2021, paving the way for future green financing in Belgium.

2021 NET DEBT EVOLUTION



Elia Transmission in Belgium

Elia Transmission Belgium key figures (in € million)	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,199.5	1,004.7	19.4%
Revenues	*1,009.8*	*858.1*	*17.7%*
Other income	*68.3*	*57.5*	*18.8%*
Net income (expense) from settlement mechanism	*121.4*	*89.1*	*36.3%*
Equity accounted investees	2.3	1.9	21.1%
EBITDA	432.2	425.8	1.5%
EBIT	227.1	237.5	(4.4%)
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted EBIT	*227.1*	*237.5*	*(4.4%)*
Net finance costs	(63.1)	(66.4)	(5.0%)
Income tax expenses	(32.9)	(46.3)	(28.9%)
Net profit	131.0	124.8	5.0%
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted net profit	*131.0*	*124.8*	*5.0%*
Key figures of the financial position (in € million)	**2021**	**2020**	**Difference (%)**
Total assets	7,153.5	7,008.4	2.1%
Total equity	2,445.5	2,265.2	8.0%
Net financial debt	3,441.0	3,305.6	4.1%
Free cash flow	(117.6)	(260.8)	(54.9%)

Elia Transmission's revenue was up 19.4% compared with 2020, increasing from €1,004.7 million to €1,199.5 million. This revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base and higher costs for ancillary services, driven by the high gas prices and an energy mix characterised by a high nuclear base load and more onshore wind and solar generation. This was partially offset by lower financial costs which were driven in 2020 by the refinancing of a shareholder loan, costs for unwinding the interest rate swap and lower taxes due to higher Innovation Income Deduction, which were all passed through into revenue.

EBITDA rose slightly to €432.2 million (+1.5%) due to a higher regulated net profit and higher depreciations linked to the growing asset base and was offset by lower financial costs and income tax that are all passed through into revenue. The decrease in **EBIT** (-4.4%) was driven by depreciations of assets not covered by tariffs being the intangible assets expensed during the previous regulatory period and activated under IFRS (€7.4 million), leasing contracts (€7.9 million) and capitalised borrowing costs (€2.4 million). The contribution of equity-accounted investments rose slightly to €2.3 million due to a higher contribution from HGRT.

Net finance cost decreased by €3.3 million (-5.0%) compared to the previous year, mainly driven by the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (€5.2 million) in 2020 and costs for setting up a sustainability-linked RCF (€1.5 million) in 2020. This was partially offset by higher interest costs following last year's Eurobond issue (€800 million) in April and a lower activation of borrowing costs (€3.4 million) since some major commissioning in 2020. Elia Transmission Belgium has a well-balanced debt maturity profile with no upcoming near-term maturities. The average cost of debt was 1.91% at the end of 2021 compared to 1.93% at the end of 2020, benefitting consumers.

Elia Transmission achieved solid results, with an **adjusted net profit** that increased by 5.0% to €131.0 million, mainly driven by:

- A higher **fair remuneration** (+€6.2 million) due to asset growth and higher equity.
- An increase in **incentives** (+€5.1 million), reflecting a strong operational performance and efficiency primarily with respect to incentives linked to interconnection capacity, the availability of the grid, the timely commissioning of projects, innovation and controllable costs. This was partly offset by lower performance on data quality incentive and balancing. Additionally, the average tax rate decreased due to a higher innovation income deduction, leading to a higher net contribution from incentives.
- Lower **capitalised borrowing costs** due to a lower level of assets under construction and lower average cost of debt (-€3.8 million).
- Less **major damage to electrical installations** compared to the previous year (+€3.7 million).
- **Employee and tax provisions** (-€8.8 million), which were mainly driven by a lower contribution from employee benefits to plan assets. Additionally, last year's provision benefited from a one-off change in plan assets of a defined benefit plan (€3.9 million) and the reversal of a tax provision (€1.6 million).
- A lower **depreciation of software** acquired prior to 2020 (+1.6 million), as some of the assets acquired during the previous regulatory period and covered by its regulatory methodology were written off.

Other (+€2.3 million): this was primarily due to the depreciation of issuance costs linked to the previous year's Eurobond issue while fully covered by tariffs (-€2.3 million) and offset by lower share-based payment expenses for a capital increase in favour of the members of the personnel (+€1.4 million) and deferred tax effects (+€3.1 million).

Total assets rose by €145.1 million to €7,153.5 million, mainly due to execution of the investment programme. The **net financial debt** increased to €3,441.0 million (+4.1%), as Elia's CAPEX programme was mainly financed by cash flows from operating activities and the drawing of commercial paper (€60 million). The sustainability-linked RCF (€650 million) is fully undrawn while a significant portion of the commercial paper programme (€240 million) remains unused. Elia Transmission Belgium is rated BBB+ with a stable outlook by Standard & Poor's.

Equity increased to €2,445.5 million (+€180.3 million), mainly due to the reservation of the 2021 profit (+€131.0 million), the revaluation of post-employment benefit obligations linked to an increase of the discount rate (+€18.1 million) and a lower allocation of equity towards Nemo Link (+€30.4 million).

50Hertz Transmission in Germany

50Hertz Transmission key figures (in € million)	**2021**	**2020**	**Difference (%)**
Revenue, other income and net income (expense) from settlement mechanism	**1,716.9**	1,454.9	18.0%
Revenue	***1,569.9***	*1,353.6*	*16.0%*
Other income	***95.1***	*90.1*	*5.5%*
Net income (expense) from settlement mechanism	***51.9***	*11.2*	*n.r.*
Equity accounted investees	**0.0**	0.0	
EBITDA	**534.0**	578.6	(7.7%)
EBIT	**272.9**	340.1	(19.8%)
Adjusted items	***0.0***	*0.0*	*n.r.*
Adjusted EBIT	***272.9***	*340.1*	*(19.8%)*
Net finance costs	**(34.7)**	(62.5)	(44.5%)
Income tax expenses	**(72.8)**	(84.9)	(14.3%)
Net profit	**165.4**	192.6	(14.1%)
Of which attributable to Elia Group	***132.3***	*154.1*	*(14.1%)*
Adjusted items	**0.0**	0.0	n.r.
Adjusted net profit	***165.4***	*192.6*	*(14.1%)*
Key figures of the financial position (in € million)	**2021**	**2020**	**Difference (%)**
Total assets	**9,941.3**	7,028.4	41.4%
Total equity	**1,928.7**	1,631.4	18.2%
Net financial debt	**1,014.9**	3,756.6	(73.0%)
Free cash flow	**2,889.4**	(1,526.4)	(289.3%)

50Hertz Transmission's total revenues and other income was up compared to the previous year (+18.0%) growing from €1,454.9 million to €1,716.9 million. The two main drivers of this increase are the revenue from incentive regulation (+€109.5 million) and the energy revenues (+€108.1 million), due to the soaring energy prices in the second half of 2021.

EBITDA decreased to €534.0 million (-7.7%). The growing asset base benefitted the investment remuneration (+€13.6 million), but the business expansion led to pressure on the operating expenses. Onshore maintenance costs increased (-€12.3 million), driven by a peak in the maintenance cycle. As the grid was expanded and reinforced, old onshore assets were taken out of operation and decommissioned, leading to higher losses from sale and disposal (-€7.7 million). Furthermore, personnel costs rose, as we kept expanding our talent pool to deliver on the energy transition and manage the increasing complexity of system operations (-€19.9 million). In order to efficiently manage this growing complexity, the digitalisation of the business is progressing, as reflected by higher IT expenses (-€4.2 million). After the COVID-19 measures in 2020, the company returned to full speed in 2021. Consequently, operational expenses for areas such as consulting, external services and travelling increased (-€13.9 million). Furthermore, 2020 included revenues from a penalty payment (-€6.8 million). Finally, EBITDA benefitted from one-off revenues from the regulatory settlement and related provisions amounting to €42.4 million (+€5.1 million); €10.5 million of this originated from the settlement for the year 2018 and €31.7 million originated from the refund of clawback amounts ("Abzugsbeträge"). The clawback payments are part of the regulatory "Investment Measures" mechanism, which will be phased out as of 2024 and replaced by the Capital Cost Adjustment model. As part of the transition, the ordinance includes a partial refund of historical clawback amounts, which was accrued in 2021.

There was a more pronounced decrease in **EBIT** (-€67.2 million) due to increasing depreciations (-€15.1 million) following the commissioning of projects, such as the Kriegers Flak Combined Grid Solution. Furthermore, the change in operating provisions was lower than for the previous year (-€7.5 million). No adjusted items occurred in 2021.

The **adjusted net profit** declined to €165.4 million (-14.1%) as a result of:

- Higher onshore OPEX and other costs (-€35.3 million), driven by the expansion and digitalisation of the business, a peak in the maintenance cycle and losses from asset disposal.
- Higher personnel costs (-€14.0 million), mainly from increases in staff numbers.
- Increased depreciations (-€10.6 million), driven by the commissioning of projects.
- These effects were partially compensated by:
- Higher regulatory settlements and related provisions (+€3.6 million).
- Higher investment remuneration (+€9.6 million) following the growth of the asset base.
- Higher financial results (+€19.5 million), as a high interest rate bond was refinanced with more favourable conditions (+€6.0 million). Additionally, forward interest rates increased, leading to lower interest costs on provisions (+€13.5 million).

Total assets rose by €2,912.9 million compared to 2020 mainly due to a favorable development of the EEG business and further progress on the investment programme. The free cash flow totalled €2,889.4 million and was heavily affected by the high cash inflow for the EEG account (+€2,918.9 million). In 2021, 50Hertz received three federal payments (€2,160.0 million) to cover the cash deficit build up in 2020 and pay back the revolving credit facilities (€700 million) contracted at the end of last year to cover this EEG deficit. The EEG cash flow was further uplifted by the strong increase in energy prices during the second half of 2021, leading to higher cash-in than expected.

The total equity increased by €297.3 to €1,928.7 million. Due to a change in accounting policy, hedge accounting is applied, as of 2021, to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. This change, taking place in a context of strong energy prices, resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021. Considering a deferred tax effect, a hedge reserve amounting to €249.9 million was recorded in other comprehensive income. However, as the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current or future profitability of the company.

Non-regulated activities & Nemo Link

Non-regulated activities and Nemo Link Key figures (in € million)	**2021**	**2020**	**Difference (%)**
Total revenues and other income	**36.8**	34.7	6.1%
Equity accounted investees	**47.1**	7.4	536.5%
EBITDA	**40.8**	1.1	3609.1%
EBIT	**40.3**	0.9	4377.8%
Adjusted items	**0.0**	(0.3)	(100.0%)
Adjusted EBIT	***40.3***	*1.2*	*3294.4%*
Net finance costs	***(8.9)***	*(12.6)*	*(29.4%)*
Income tax expenses	**0.5**	2.2	n.r.
Net profit	**31.9**	(9.5)	(435.8%)
Of which attributable to the Elia Group	**31.9**	(9.5)	(435.8%)
Adjusted items on net profit	***0.0***	*(0.2)*	*(100.0%)*
Adjusted net profit	**31.9**	(9.3)	(443.6%)
Key figures of the financial position (in € million)	**2021**	**2020**	**Difference (%)**
Total assets	**1,654.0**	1,766.7	(6.4%)
Total equity	**1,142.9**	1,187.7	(3.8%)
Net financial debt	**430.4**	402.9	6.8%

Non-regulated revenue increased by 6.1% to €36.8 million compared to 2020. This is the result of lower revenues generated by Elia Grid International ('EGI') (-€7.3 million), as the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a delay in projects and offset by higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz.

Equity-accounted investments contributed €47.1 million to the Group's result, which is almost entirely attributable to **Nemo Link**.

With an availability rate of 99.1%, Nemo Link continues to be one of the highest performing assets of its kind. Strong nuclear availability in continental Europe, increased gas and carbon prices and general scarcity in the UK positively affected market price-spread, at the benefit of the congestion market, main revenue stream of the asset. Nemo Link performed strongly, leading to a total net profit of €94.0 million and a contribution of €47.0 million to Elia Group's net profit.

Adjusted EBIT rose to €40.3 million (+€39.1 million). This increase was entirely due to the higher contribution from Nemo Link (+€39.7 million), a lower operating loss for re.alto due to lower development costs and the generation of initial fee income (+€0.5 million); it was partially offset by higher operating costs at the holding linked to the pursuit of inorganic growth ambitions (-€0.9 million). Despite the drop in revenues, EGI's EBIT remained flat, reflecting the cost control measures in COVID times.

Net finance cost fell to €8.9 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The previous year's financial costs were mainly impacted by regulatory settlements which amounted to €3.4 million.

Adjusted net profit increased strongly by €41.2 million to €31.9 million, mainly as a result of:

- Higher contribution from Nemo Link (+€39.7 million).
- Lower regulatory settlements for 2020 (+€2.2 million).
- Lower loss of re.alto (+€0.4 million), due to lower costs and initial fee income.
- Higher holding costs driven by business development activities (-€1.0 million).
- Other items (-€0.1million) driven by lower other non-regulated costs while EGI remained flat year-over-year.

Total assets dropped slightly to €1,654.0 million (-6.4%) and the net financial debt increased to €430.4 million (+6.8%), driven by the use of liquidity by Elia Group SA to pay for last year's dividend; it was partially offset by the yearly reimbursement of the Nemo Link amortising loan.

Adjusting items - reconciliation table

(in € million) – Period ended 31 December 2021	**Elia Transmission**	**50Hertz Transmission**	**Non-regulated activities and Nemo Link**	**Consolidation entries**	**Elia Group**
Adjusted items					
Corporate reorganisation	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Tax impact	0.0	0.0	0.0	0.0	0.0
Net profit – adjusted items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

(in € million) – Period ended 31 December 2020	**Elia Transmission**	**50Hertz Transmission**	**Non-regulated activities and Nemo Link**	**Consolidation entries**	**Elia Group**
Adjusted items					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	**0.0**	**0.0**	**(0.3)**	**0.0**	**(0.3)**
Tax impact	0.0	0.0	0.1	0.0	0.1
Net profit – adjusted items	**0.0**	**0.0**	**(0.2)**	**0.0**	**(0.2)**

3. Consolidated financial statements

DECLARATION BY RESPONSIBLE PERSONS

The undersigned declare that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable accounting policies for financial statements, give a true and fair view of the assets, the financial position and results of Elia and of its subsidiaries included in the consolidation;
- the annual report gives a true and fair view of the evolution and the results of the Company and of the situation of Elia and of its subsidiaries included in the consolidation, as well as a description of the most significant risks and uncertainties they are facing.

Brussels, 31 March 2021

Catherine Vandenborre

Chief Financial Officer

Chris Peeters

Chairman of the Management Committee

Chief Executive Officer

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in € million) − Year ended 31 December	Notes	2021	2020
Revenue	(5.1)	2,551.3	2,209.6
Raw materials, consumables and goods for resale	(5.2)	(83.1)	(86.2)
Other income	(5.1)	135.1	163.6
Net income (expense) from settlement mechanism	(5.1)	173.3	100.3
Services and other goods	(5.2)	(1,443.6)	(1,051.7)
Personnel expenses	(5.2)	(334.1)	(307.2)
Depreciation, amortisation and impairment	(5.2)	(467.5)	(432.5)
Changes in provisions	(5.2)	0.7	5.5
Other expenses	(5.2)	(41.4)	(32.1)
Results from operating activities		**490.7**	**569.3**
Share of profit of equity accounted investees (net of tax)	(6.4)	49.4	9.2
Earnings before interest and tax (EBIT)		**540.1**	**578.5**
Net finance costs	(5.3)	**(106.6)**	**(141.5)**
Finance income		3.9	6.6
Finance costs		(110.5)	(148.1)
Profit before income tax		**433.5**	**437.0**
Income tax expense	(5.4)	(105.2)	(129.1)
Profit for the period		**328.3**	**307.9**
Profit attributable to:			
Equity holders of the parent - equity holders of ordinary shares		276.0	250.1
Equity holders of the parent - hybrid securities		19.3	19.3
Non-controlling interest		33.1	38.5
Profit for the period		**328.3**	**307.9**
Earnings per share (in €)	(5.5)		
Basic earnings per share		4.02	3.64
Diluted earnings per share		4.02	3.64

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

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

Consolidated statement of profit or loss and comprehensive income

(in € million) — Year ended 31 December	Notes	2021	2020
Profit for the period		**328.3**	**307.9**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedges	(5.6)	356.2	5.0
Related tax		(105.8)	(1.3)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.13)	27.4	(8.1)
Net changes in fair value of investments	(5.6)	0.0	15.0
Related tax		(7.0)	2.2
Other comprehensive income for the period, net of tax		**270.8**	**12.8**
Total comprehensive income for the period		**599.1**	**320.7**
Total comprehensive income attributable to:			
Equity holders of the parent - ordinary shareholders		496.3	260.4
Equity holders of the parent - hybrid securities holders		19.3	19.3
Non-controlling interest		83.5	41.0
Total comprehensive income for the period		**599.1**	**320.7**

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

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

Consolidated statement of financial position

(in € million) − Year ended 31 December	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS		**13,867.5**	**13,044.0**
Property, plant and equipment	(6.1)	10,859.5	10,094.4
Goodwill	(6.3)	2,411.1	2,411.1
Intangible assets	(6.2)	148.6	105.4
Equity-accounted investees	(6.4)	309.6	323.1
Other financial assets	(6.5)	136.3	104.5
Trade and other receivables non-current		0.5	0.5
Deferred tax assets	(6.6)	1.9	5.0
CURRENT ASSETS		**4,276.8**	**2,121.6**
Inventories	(6.7)	21.6	39.0
Trade and other receivables	(6.8)	861.3	1,475.4
Current tax assets	(6.9)	10.1	3.4
Other financial assets	(6.5)	316.2	0.0
Cash and cash equivalents	(6.10)	3,049.5	590.1
Deferred charges and accrued revenues	(6.8)	18.1	13.7
Total assets		**18,144.3**	**15,165.6**
EQUITY AND LIABILITIES			
EQUITY		**4,938.4**	**4,500.0**
Equity attributable to owners of the Company	(6.11)	4,552.0	4,173.1
Equity attributable to ordinary shares:		3,850.6	3,471.7
Share capital		1,709.2	1,709.1
Share premium		262.9	262.4
Reserves		173.0	173.0
Hedging reserve		197.1	(3.3)
Treasury shares		(0.8)	0.0
Retained earnings		1,509.2	1,330.5
Equity attributable to hybrid securities holders	(6.11)	701.4	701.4
Non-controlling interest		386.4	326.9
NON-CURRENT LIABILITIES		**8,471.3**	**7,823.6**
Loans and borrowings	(6.12)	7,741.7	7,249.6
Employee benefits	(6.13)	104.9	130.1
Provisions	(6.14)	125.6	133.3
Deferred tax liabilities	(6.6)	209.7	89.5
Other liabilities	(6.15)	289.5	221.1
CURRENT LIABILITIES		**4,734.6**	**2,842.0**
Loans and borrowings	(6.12)	194.0	805.5
Provisions	(6.14)	7.7	7.4
Trade and other payables	(6.16)	3,696.4	1,009.1
Current tax liabilities	(6.9)	26.8	13.6
Accruals and deferred income	(6.19)	809.8	1,006.4
Total equity and liabilities		**18,144.3**	**15,165.6**

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

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

Consolidated statement of changes in equity

(in € million)	Share capital	Share premium	Hedging reserve	Reserves	Treasury shares	Retained earnings	**Equity attributable to ordinary shares**	Equity attributable to hybrid securities	**Equity attributable to the owners of the company**	Non-controlling interests	**Total equity**
Balance at 1 January 2020	**1,705.8**	**259.2**	**(7.0)**	**173.0**		**1,189.8**	**3,320.8**	**701.4**	**4,022.2**	**309.9**	**4,332.1**
Profit for the period						269.4	269.4		269.4	38.5	307.9
Other comprehensive income			3.8			6.6	10.3		10.3	2.5	12.8
Total comprehensive income for the period			**3.8**			**276.0**	**279.7**		**279.7**	**41.0**	**320.7**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	1.8	3.2					5.0		5.0		5.0
Share-based payment expenses	1.4						1.4		1.4		1.4
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(116.0)	(116.0)		(116.0)		(116.0)
Total contributions and distributions	**3.2**	**3.2**				**(135.3)**	**(128.8)**		**(128.8)**	**(24.0)**	**(152.8)**
Total transactions with owners	3.2	3.2				(135.3)	(128.8)		(128.8)	(24.0)	(152.8)
Balance at 31 December 2020	**1,709.1**	**262.4**	**(3.3)**	**173.0**		**1,330.5**	**3,471.7**	**701.4**	**4,173.1**	**326.9**	**4,500.0**
Balance at 1 January 2021	**1,709.1**	**262.4**	**(3.3)**	**173.0**		**1,330.5**	**3,471.7**	**701.4**	**4,173.1**	**326.9**	**4,500.0**
Profit for the period						295.2	295.2		295.2	33.1	328.3
Other comprehensive income			200.4			20.0	220.3		220.3	50.4	270.8
Total comprehensive income for the period			**200.4**			**315.2**	**515.6**		**515.6**	**83.5**	**599.1**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	0.2	0.4					0.6		0.6		0.6
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Acquisition of treasury shares					(0.8)		(0.8)		(0.8)		(0.8)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(117.5)	(117.5)		(117.5)		(117.5)
Other						0.3	0.3		0.3		0.3
Total contributions and distributions	**0.2**	**0.4**			**(0.8)**	**(136.5)**	**(136.7)**	0.0	**(136.7)**	**(24.0)**	**(160.7)**
Total transactions with owners	0.2	0.4			(0.8)	(136.5)	(136.7)	0.0	(136.7)	(24.0)	(160.7)
Balance at 31 December 2021	**1,709.3**	**262.8**	**197.1**	**173.0**	**(0.8)**	**1,509.2**	**3,850.6**	**701.4**	**4,552.0**	**386.4**	**4,938.4**

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

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

Consolidated statement of cash flows

(in € million) − Year ended 31 December	Notes	2021	2020
Cash flows from operating activities			
Profit for the period		**328.3**	**307.9**
Adjustments for:			
Net finance costs	(5.3)	106.6	141.6
Other non-cash items		2.1	2.0
Current income tax expense	(5.4)	94.7	127.3
Profit or loss of equity accounted investees, net of tax		(49.4)	(9.2)
Depreciation of property, plant and equipment and amortisation of intangible assets	(5.2)	467.5	432.4
Loss on sale of property, plant and equipment and intangible assets		17.5	8.6
Impairment losses of current assets		0.8	1.4
Change in provisions		1.5	(4.8)
Change in deferred taxes	(6.6)	10.5	0.8
Changes in fair value of financial assets through profit or loss		0.0	0.0
Cash flow from operating activities		**980.1**	**1,008.0**
Change in inventories		17.0	(14.9)
Change in trade and other receivables		639.9	(1,060.8)
Change in other current assets		(0.7)	(0.5)
Change in trade and other payables		2,645.0	(258.6)
Change in other current liabilities		(119.8)	(106.3)
Changes in working capital		**3,181.4**	**(1,441.3)**
Interest paid	(6.12)	(124.9)	(143.2)
Interest received		3.7	4.5
Income tax paid		(87.0)	(164.4)
Net cash from operating activities		**3,953.3**	**(736.4)**
Cash flows from investing activities			
Acquisition of intangible assets		(59.8)	(32.4)
Acquisition of property, plant and equipment		(1,160.5)	(1,049.9)
Acquisition of equity-accounted investees	(6.4)	0.0	(0.4)
Proceeds from sale of property, plant and equipment		3.5	2.8
Proceeds from sales of investments		1.6	1.6
Proceeds from capital decrease from equity accounted investees		30.5	15.3
Dividend received		31.8	13.8
Loans and long term receivables		(0.5)	0.0
Net cash used in investing activities		**(1,153.4)**	**(1,049.2)**
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.11)	0.6	5.0
Purchase of own shares	(6.11)	(0.7)	0.0
Dividend paid	(6.11)	(117.5)	(116.0)
Hybrid coupon paid	(6.11)	(19.3)	(19.3)
Dividends to non-controlling parties		(24.0)	(24.0)
Repayment of borrowings	(6.12)	(737.7)	(1,319.5)
Proceeds from withdrawal of borrowings	(6.12)	558.0	2,874.5
Net cash flow from (used in) financing activities		**(340.6)**	**1,400.7**
Net increase (decrease) in cash and cash equivalents		**2,459.3**	**(384.9)**
Cash & Cash equivalents at 1 January		590.1	975.0
Cash & Cash equivalents at 31 December		3,049.5	590.1
Net variations in cash & cash equivalents		**2,459.3**	**(384.9)**

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

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

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

1.Reporting entity

The registered office of Elia Group SA/NV (hereafter referred to as the 'Company'), which was established in Belgium, is located at 20 Boulevard de l'Empereur, 1000 Brussels. The consolidated financial statements for the financial year 2021 include those of Elia Group SA/NV and its subsidiaries (collectively referred to as 'the group' or 'Elia group') and the group's interest in joint ventures and associates.

Elia Group SA/NV is a limited liability company, with its shares listed on Euronext Brussels, under the symbol ELI.

The Elia group comprises two electricity transmission system operators (TSOs): Elia Transmission Belgium SA/NV in Belgium and 50Hertz Transmission GmbH, in which the Elia group holds an 80% stake. 50Hertz Transmission GmbH is one of Germany's four transmission system operators; it operates in the north and east of the country.

The group also has a 50% stake in Nemo Link Ltd, which constructed an electrical interconnector between the UK and Belgium: the Nemo Link interconnector. Nemo Link Ltd is a joint venture between Elia Transmission Belgium SA/NV and National Grid Ventures (from the UK). It began its commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

With around 2,750 employees and a transmission system that comprises some 18,990 km of high-voltage connections and serves 30 million end consumers, the Elia group is one of Europe's top five TSOs. It efficiently, reliably and securely transports 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 transmission activities in Belgium and Germany, the Elia group offers businesses a range of consultancy and engineering services. The group operates under the legal entity Elia Group SA/NV, which is a listed company whose reference shareholder is municipal holding company Publi-T SC.

2. Basis of preparation

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the European Union. The group has applied all new and revised standards and interpretations published by International Accounting Standards Board (IASB), including those which came into effect for the financial year starting on 1 January 2021, which are applicable to the group's activities.

New and amended standards and interpretations

The standards, amendments and interpretations listed below came into effect in 2021, with little or limited impact on the group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform phase 2;
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (applicable for annual periods beginning on or after 1 April 2021 but not yet endorsed in the EU).

The following **standards, amendments and interpretations** had not yet taken effect in by 2021. The changes to the standards, amendments and interpretations listed below are not expected to have a material impact on the annual accounts and are therefore not outlined in any great detail:

- Amendments to IAS 16 Property, Plant and Equipment - Prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Onerous Contracts – Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU);
- Amendments to IFRS 3 Business Combinations - updating a reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- IFRS 17: Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IFRS 4 Insurance contracts – Expiry date of the deferral approach (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS 12 Income Taxes: implementation of a comprehensive balance sheet method of accounting for income taxes(applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU).

2.2 Functional and presentation currency

These consolidated financial statements are presented in millions of euro, rounded to the nearest hundred thousand, unless stated otherwise.

2.3 Basis of measurement

In general, these consolidated financial statements were prepared on a historical cost basis. However, reporting related to the following categories deviate from this general rule:

- Equity accounted investees: the equity method was applied to determine the value of a shareholding over which the group has a significant influence;
- Other shareholdings: entities in which the group has a shareholding but over which it does not have a significant influence were valued at fair value through other comprehensive income (OCI);
- Current and non-current receivables were valued at the lowest of the carrying amount and the recoverable amount;
- Employee benefits were valued at the present value of the defined benefit obligations, minus the fair value of the plan assets (see also Note 6.13);
- Derivative financial instruments were measured at fair value through OCI or profit and loss (P&L), depending on whether the derivative can be designated as a hedging instrument (see also Note 8.1);
- Decommissioning provisions were valued at present value.

2.4 Going concern

The directors re-assessed the going concern assumption of the Company and, at the time of approving the financial statements, held a reasonable expectation that the group had adequate resources to continue in operational existence for the foreseeable future. The directors will therefore continue to adopt the going concern basis of accounting in the preparation of the financial statements.

In the context of the COVID-19 crisis, the group paid particular attention to adequately reflect the current and expected impact of the situation on the financial position, performance and cash flows of the company, applying the IFRS accounting principles in a consistent manner. In general, since Elia is acting in accordance with the regulatory framework in Belgium and Germany, the profitability and the financial position of the group have not been affected.

2.5 Use of estimates and judgements

The preparation of these 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 these estimates and assumptions form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could therefore differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either: in the period during which the estimate is revised if the revision only affects this period; or in the period during which the estimate is revised and throughout future periods if the revision affects both current and future periods.

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

- The total allowed remuneration for the group's role as TSO in the Belgian and German segments is mainly determined by calculation methods set by the Belgian federal regulator (the Commission for Electricity and Gas Regulation or CREG) and the German federal regulator (the Federal Network Agency or BNetzA) respectively. The recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of professional judgement needs to be applied. More disclosures are provided in Notes 6.19, 9.1.4 and 9.2.3.
- Entities in which the group holds less than 20% of the voting rights but has significant influence are accounted for under the equity method. Following the guidance in IAS 28, the group assesses whether it has significant influence over its associates and therefore needs to account for them under the equity method (rather than applying IFRS 9) and reassesses this in each reporting period (see also Note 6.4).
- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making a judgement on this, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.6).
- Credit risk related to customers: management closely reviews the outstanding trade receivables, including by considering ageing, payment history and credit risk coverage (see Note 8.1).
- Employee benefits including reimbursement rights – see Note 6.13:
  - The group has defined benefit plans and defined contribution plans which are disclosed in Note 6.13. The calculation of the

liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also affect the present value of future pension liabilities.
  - In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve.
  - Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. The resulting discount rate therefore reflects both the current interest rate environment and the plan's distinct liability characteristics.
- Provisions for environmental remediation costs: at each year-end, an estimate is made regarding future expenses with respect to soil remediation, based on the expert advice. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.14).
- 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 duration of the associated process/procedures (see Note 6.14).
- In determining the appropriate discount rate to discount the future dismantling obligation, management considers the interest rates of corporate bonds in euro with at least an AA rating or above as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the dismantling obligation. A sensitivity analysis is performed to measure the impact of a differing discount rate.
- Goodwill impairment testing: the group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indications that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).
- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a certain level of professional 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 OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.17).
- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory frameworks in Belgium and Germany, which are considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 3.3.1 and 6.1)
- The group makes use of practical expedients when applying IFRS 16 (Leasing):
  - The group applies a single discount rate per type of contracts, summarised per their duration. Those leases are assumed to have similar characteristics. The discount rate used is the group's best estimate of the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years, etc.) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Group SA/NV in the same sector with a similar duration. The interest rate is fixed over the lifetime of the lease contract.
  - The group assesses the non-cancellable period of each of the contracts falling within the scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain that they will exercise that option. Certainly, where it relates to office rent contracts, the group makes its best estimate of the non-cancellable period based on all information at its disposal (see Note 6.18).
- The impacts of the COVID-19 crisis and macroeconomic developments were taken into account by the group to assess potential effects on Elia's financial performance. In general, as Elia is acting in accordance with regulatory frameworks in Belgium and Germany, its profitability was not significantly affected in 2020 or 2021. In 2021, the COVID-19 pandemic did not impede progress made on onshore and offshore infrastructure projects in either Belgium or Germany. The COVID-19 crisis did have an impact on the 2020 load (particularly during the period running from March to August). The gradual release of the COVID-19 lockdown measures generated a recovery of the load in 2021; this meant that the group was able to progressively return to full speed in 2021; the only exception to this was Elia Grid International's activities, since the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a drop in its revenues. This situation was nevertheless offset by cost control measures in COVID times. Effects on macro-economic metrics, such as the interest rate, discount rate, etc. - were taken into account.

  In light of the COVID-19 pandemic, the group assessed whether its non-financial assets might be impaired: it carried out an analysis of potential impairment indicators, in accordance with the provisions of IAS 36 – Impairment of Assets. The impairment test was carried out based on the last business plan; this identified no impairment risks as per 31 December 2021.

  The COVID-19 crisis and, in 2021, the strong increase of electricity prices could result in a potentially increased credit risk and may therefore affect the amount of impairment losses to be recognised with respect to expected credit losses. The group has since monitored payment receipts and counterparty risk more closely, noting no significant deterioration.

  We refer to the following notes for more information: 6.3, 6.8, 6.18 and 8.1.

2.6 Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 24 March 2022.

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 this control commences until the date that it ceases. The accounting policies of subsidiaries are changed when necessary, in order 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 this results in a deficit balance of the non-controlling interests. Changes to the group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions.

ASSOCIATES

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

INTERESTS IN JOINT VENTURES

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

NON-CONTROLING INTERESTS

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

LOSS OF CONTROL

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

ELIMINATION OF INTRA-GROUP TRANSACTIONS

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

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

BUSINESS COMBINATION AND GOODWILL

Goodwill arises on the acquisition of subsidiaries 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 completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

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

3.2 Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity whose activities are based or conducted in a country or currency other than those of the reporting entity.
The financial statements of all group entities that have a functional currency which differ from the group's presentation currency are translated into the presentation currency as follows:

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

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

3.3. Statement of financial position

3.3.1. Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see Section 3.3.7. 'Impairment of non-financial assets'). The cost of self-produced assets comprises the cost of materials, direct labour and, where relevant, the initial estimate of the costs of dismantling and removing the assets and restoring the site on which 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.

Borrowing costs that are directly attributable to the construction of the qualifying asset are capitalized as part of the cost of that asset.

Subsequent costs

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

Depreciation

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

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

- Administrative buildings 1.67 – 2.00%
- Industrial buildings 2.00 – 4.00%
- Overhead lines 2.00 – 4.00%
- Underground cables 2.00 – 5.00%
- Substations (facilities and machines) 2.50 – 6.67%
- Remote control 3.00 – 12.50%
- Dispatching 4.00 – 10.00%
- Other PPE (fitting out rented buildings) contractual period
- Vehicles 6.67 – 20.00%
- Tools and office furniture 6.67 – 20.00%
- Hardware 25.00 – 33.00%
- Right of use assets contractual period

Decommissioning an asset

In accordance with IAS 16, when the entity has a present, legal or constructive obligation to dismantle the item or restore the site, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision for this obligation is recorded for the amount of the asset component (the dismantling asset) and depreciated over the asset's entire useful life (see also 3.3.13 Provisions).

Derecognition

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

3.3.2. Intangible assets

Computer software

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

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

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

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

Licences, patents and similar rights

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

Subsequent expenditure

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

Amortisation

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

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

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

Derecognition

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.3.3 Goodwill

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

3.3.4 Trade and other receivables

Contract assets

Revenue arising from third party services (see Note 3.4.1) and associated costs are recognised over time as we have the right to consideration for work performed but not billed. Progress is determined based on the costs incurred.

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

Levies

In its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in respect of these obligations are fully covered by the tariff 'levies' approved by the regulator. The amounts outstanding (deficit) are reported as a trade and other receivable.
In this process, as the TSO's are agents, the Group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.4.

Trade and other receivables

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

Impairment

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

See Note 8.1. ‘Credit risk’, for a detailed description of the model.

3.3.5 Inventories

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

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

3.3.6 Cash and cash equivalents

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

3.3.7 Impairment of non-financial assets

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

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

An impairment loss is recognised whenever the carrying amount of such 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 prospectively adjusted.

Calculation of the recoverable amount

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

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

Reversals of impairment

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

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

3.3.8 Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

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

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

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

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

Financial assets measured at fair value through profit and loss (FVTPL)

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

Impairment of financial assets

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

3.3.9 Derivative financial instruments and hedge accounting

Derivative financial instruments

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

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

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

Derivatives used as hedging instruments

Cash flow hedges

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

The group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The group designates only the spot element of forward contracts as a hedged risk. The forward element is considered the cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.

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

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

The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

Hedging of monetary assets and liabilities

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

3.3.10 Equity

Share capital – transaction costs

Transaction costs related to the issuing of capital are deducted from the capital received.

Share capital – share-based payment expenses

Share-based payment expenses are added to the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared (see note 6.11.1).

Hybrid securities

Hybrid securities are deeply subordinated securities. With the exception of ordinary shares, hybrid securities rank as the most junior instruments in the capital structure of the group in an insolvency hierarchy. Hybrid securities are perpetual instruments and do not default on non-payment of coupons (unless such payment was mandatory following a resolution or payment of a dividend to ordinary shareholders).

The holders of hybrid securities have limited influence on the outcome of a bankruptcy proceeding or restructuring outside bankruptcy. Consequently, the holders cannot oblige the group to pay distributions or redeem the securities in part or in full. Payment of distributions on and redemption of the securities is at our sole discretion. In light of their characteristics, hybrid securities are classified as an equity instrument under IFRS. The associated issue costs are recognised directly in retained earnings.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are deducted from equity. The amount of treasury shares held is disclosed in the treasury share reserve. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Share-based payments

The cost of share-based payment transactions is reflected in the income statement. The stock options are valued at grant date, based on the share price at grant date, business evolution, exercise price and interest rates. Stock option plan cost is taken into result on a straight-line basis from the grant date until the end of the vesting period.

3.3.11 Financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.3.12. Employee benefits

Defined-contribution plans

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

Before 1 January 2016, the legal minimum return was 3.75% on employee contributions, 3.25% on employer contributions and 0% for inactive plan participants.

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

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

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

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

The Defined-Benefit Obligation (DBO) was determined following the Projected Unit Credit (PUC) method. The plan formula (backloaded or not) determines whether the premiums are projected.

In Germany, the defined-contribution plan comprises a fixed pension to be paid to an employee upon retirement, which is usually based on one or more factors such as the employee’s age, years of service and salary.

In both countries, the calculation is performed by an accredited actuary.

Defined-benefit plans

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

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

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

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

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

Reimbursement rights (Belgium)

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

Other long-term employee benefits

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

Short-term employee benefits

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

3.3.13 Provisions

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

The group's main long-term provisions are provisions for dismantling obligations. The present value of the obligation at the time of commissioning represents the initial amount of the provision for dismantling with, as the counterpart, an asset for the same amount, which is included in the carrying amount of the related property, plant and equipment and is depreciated over the asset's entire useful life.

Factors having a significant influence on the amount of provisions include:

- cost estimates
- the timing of expenditure ; and
- the discount rate applied to cash flows.

These factors are based on information and estimates deemed by the group to be the most appropriate as of today.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.3.14 Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in accordance with these obligations are fully covered by the tariff 'levies' approved by the regulator. The amounts outstanding (surplus) are reported as a trade and other payable.
In this process, as the TSO's are agents, the group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.14.

3.3.15 Other non-current liabilities

Government grants

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

Contract liabilities – last mile connection

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

3.3.16 Leases

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

The group as a lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis and discounted using the group's best estimate for the weighted average incremental borrowing rate, in case the rate implicit in the lease cannot be readily determined. The group applies a single discount rate per group of similar contracts, summarised per their duration.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments are expensed as incurred. As practical expedient, no distinction is made between lease and non-lease components. Components that do not transfer any goods or services (initial direct costs, prepayments) are excluded from the lease price.

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

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

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

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

The group as a lessor

Leases that substantially transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as finance leases.

All other leases that do not transfer all such risks and rewards are recognised as operating leases. As a lessor, the group has only operating lease contracts. The lease payments received are recognised as other income on a straight-line basis over the lease term.

3.3.17 Regulatory deferral accounts

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

- a reasonable return on invested capital;
- all reasonable costs which are incurred by the group.

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

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

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

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

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

The amount in the regulatory deferral accounts is reported on an annual basis and assessed by the regulator.

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

3.4. Items in the statement of profit or loss

3.4.1 Income

Revenues

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

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations;
5. Recognise revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

The group's main revenues are realised by TSOs which operate in accordance with regulatory frameworks and which have de facto/legal monopolies in their respective control zones. The frameworks which apply in the group's main countries of activity are detailed in Note 9 'Regulatory framework and tariffs'.

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

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

For all services provided by the group, Elia is the sole and primary party responsible for executing the service and is thus the principal.

However, in its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to public service obligations imposed by the government/regulation mechanisms. These obligations mainly relate to financial support for the development of renewable energy. TSOs act as agents for these activities, and since the expense/income streams are fully covered by tariffs, they have no impact on the statement of profit and loss. See section "Levies" of Note 3.3.14 for more information on the accounting treatment.

The group's main performance obligations/contract types, their pricing and the revenue recognition method for 2021 can be summarised as follows:

Revenue by category for Elia Transmission Belgium

Revenue stream	Nature, customer and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Grid connection	**Technical studies** conducted at the request of grid users, connected directly to the grid with a view to having a new connection built or an existing connection altered. The revenue is recognised at the point in time when the study is delivered.	Contract and tariff approved by regulator. Fixed amount per type of study.
	Last-mile connection is a component of the grid connection contract. At the request of a future grid user, Elia constructs/adjusts a dedicated/ physical connection, known as a last-mile connection, to connect the customer's facility to Elia's grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash. Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts. As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
	The fees charged to grid users/distribution system operators (DSOs) cover the **maintenance and operating** costs relating to the **dedicated connection facilities.** The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	Contract and tariff approved by regulator. Tariff is set per asset type (e.g. bay, km of cable).
Management and development of grid infrastructure	This component of the access contract signed with access holders/DSOs covers the development and management of the grid with a view to meeting capacity needs and satisfying demand for electricity transmission. The revenue is recognised over time, as providing sufficient capacity and a resilient grid is a service performed continuously throughout the contractual term.	Contract and tariff approved by regulator. EUR per kW/KVA for yearly/monthly peak and power available at access point.
Management of the electricity system	This component of the access contract signed with access holders/DSOs covers the management and operation of the electricity system and the offtake of additional reactive energy relating to Elia's grid (different from the connection assets). The revenue is recognised over time, as these services are performed	Contract and tariff approved by regulator. EUR per kW/ kVArh at access point.
Market integration	This component is part of the access contract signed with access holders/DSOs, and covers (i) services to facilitate the energy market; (ii) services to develop and enhance the integration of an effective and efficient electricity market; (iii) the management of interconnections and coordination with neighbouring countries and the European authorities; and (iv) the publication of data, as required by transparency obligations. The revenue is recognised over time, as these services are performed continuously throughout the contractual term.	Contract and tariff approved by regulator. EUR per kW at access point.
Compensation for imbalances	As defined in the BRP contract, the BRP (Balance Responsible Party) has a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance caused by a BRP, Elia has to activate the ancillary services, which are then invoiced to the BRP. The revenue is recognised at the point in time when an imbalance occurs.	Contract and tariff/mechanism approved by regulator. Based on market prices, EUR per kW imbalance at access point.
International revenues	Grid use on individual borders is organised through half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and the regulators decide which auctions are conducted on individual borders. Auctions are organised through an auction office, which acts as an agent. The auction office collects the revenues paid by the European energy traders, which are ultimately shared between neighbouring TSOs based on the volumes imported/exported on the border. The revenue is recognised at the point in time when an import/export activity occurs.	Framework agreement with parties and auction office. Price is set based on price difference in cross-border market prices.

Revenue by category for 50 Hertz Transmission

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Revenues from incentive regulation	The ‘grid use fee’ is charged to grid users/DSOs connected to the grid for the volume of injection and/or offtake on the onshore grid. This contract is signed with grid users. The revenue is recognised over time, as this service is a performed continuously throughout the contractual term.	Standard contract and grid tariffs defined by regulator.
	Last-mile connection is a component of the ‘grid use fee’ contract. At the request of a future grid user, Elia constructs a dedicated/physical connection, known as a last-mile connection, to create an interface point to the grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash. Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts. As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
Revenues from offshore regulation	This component comprises tariffs charged to grid users/DSOs to cover grid connection costs for offshore wind farms. The revenue is recognised over time, as this service is performed continuously throughout the contractual term	Contract and tariffs predefined in regulatory mechanism.
Energy revenues	This revenue stream consists of different components **Congestion management and redispatch** fees are paid by market participants for use of the capacity made available by 50Hertz on specific lines (including use of cross-border assets). This allocation mechanism is governed by transparent, market-oriented procedures. The revenue is recognised at the point in time when it is generated	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	Compensation for imbalances Market participants (BRPs) have a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance, 50Hertz invoices the market participant to compensate for the costs incurred. The revenue is recognised at the point in time when an imbalance occurs.	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	Horizontal reimbursement of lignite back-up costs In its role as a TSO, 50Hertz charges fees to other TSOs for services related to the reserve power required by the legal framework. The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	

Other revenues

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Other revenues		
Others	This mainly covers other services than those described above. The revenue is recognised at the point in time when the service is complete.	

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

Other income

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

Net regulatory income (expense) from settlement mechanism

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

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

The release of this deferral account will impact future tariffs: where regulatory liabilities are incurred, future tariffs will be lower, and where regulatory assets are incurred, future tariffs will be higher. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss in the line 'Net income (expense) from settlement mechanism'. See also Note 3.3.17.

3.4.2. Expenses

Other expenses

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

Finance income and expenses

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

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

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

Income taxes

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

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

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

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

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

3.5 Statement of comprehensive income and statement of changes in equity

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

4. Segment reporting

4.1. Basis for segment reporting

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

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

- Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Re SA, HGRT SAS and Coreso SA/NV, whose activities are directly linked to the role of Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- 50Hertz Transmission (Germany), which comprises the activities based on the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of transmission system operator in Germany – see Section 9.2.3.
- Non-regulated activities and Nemo Link, comprising:
  - Elia Group SA/NV, mainly consisting of the holding activities in the Elia Transmission (Belgium) and 50Hertz Transmission (Germany) segment;
  - Eurogrid International SA/NV;
  - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up – see Section 9.3 for more details;
  - the non-regulated activities of the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the role of TSO – see Section 9.1;
  - EGI (Elia Grid International SA/NV, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore and Elia Grid International LLC Saudi Arabia), companies supplying specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments;
  - Re.Alto-Energy BV/SRL and Re.Alto-Energy GmbH, a start-up founded in August 2019 which is building a platform to facilitate users to exchange energy data and services.

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

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

4.2. Elia Transmission (Belgium)

The table below shows the 2021 consolidated results for Elia Transmission (Belgium)

Results Elia Transmission (in € million) – Period ended 31 December	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,199.5	1,004.7	19.4%
Revenues	*1,009.8*	*858.1*	*17.7%*
Other income	*68.3*	*57.5*	*18.8%*
Net income (expense) from settlement mechanism	*121.4*	*89.1*	*36.3%*
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(188.3)	8.9%
Results from operating activities	224.8	235.6	(4.6%)
Equity accounted investees	2.3	1.9	21.1%
EBIT	227.1	237.5	(4.4%)
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted EBIT	*227.1*	*237.5*	*(4.4%)*
EBITDA	432.2	425.8	1.5%
Finance income	1.7	2.3	(26.1%)
Finance costs	(64.8)	(68.7)	(5.7%)
Income tax expenses	(32.9)	(46.3)	(28.9%)
Net profit	**131.0**	**124.8**	**5.0%**
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted net profit	***131.0***	***124.8***	***5.0%***
Consolidated statement of financial position (in € million)	**31 December 2021**	**31 December 2020**	**Difference (%)**
Total assets	7,153.5	7,008.4	2.1%
Capital expenditures	417.2	365.6	14.1%
Net financial debt	3,441.0	3,305.6	4.1%

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

Financial

Elia Transmission's revenue was up 19.4% compared with 2020, increasing from €1,004.7 million to €1,199.5 million. This revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base and higher costs for ancillary services, driven by the high gas prices and an energy mix characterised by a high nuclear base load and more onshore wind and solar generation. This was partially offset by lower financial costs which were driven in 2020 by the refinancing of a shareholder loan and lower taxes due to higher Innovation Income Deduction, which were all passed through into revenue.

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

(in € million)	2021	2020	Difference (%)
Grid revenue:	**1,006.0**	**848.2**	**18.6%**
Grid connection	45.1	46.4	(2.8%)
Management and development of grid infrastructure	480.6	484.8	(0.9%)
Management of the electrical system	149.0	129.6	15.0%
Compensation for imbalances	220.6	131.2	68.2%
Market integration	23.2	22.1	5.0%
International revenue	87.5	34.2	156.1%
Last mile connection	2.9	2.8	5.4%
Other revenue	0.8	7.1	(88.2%)
Subtotal revenue	1,009.8	858.1	17.7%
Other income	68.3	57.5	18.7%
Net income (expense) from settlement mechanism	121.4	89.1	36.3%
Total revenue and other income	**1,199.5**	**1,004.7**	**19.4%**

Revenues from the **management and development of grid infrastructure**, **market integration** and **grid connection revenues** remained flat compared to 2020.

Services rendered in the context of energy management and individual balancing of balancing groups are paid under **revenues from compensation for imbalances**. These revenues, which increased from €131.2 million to €220.6 million (+68.2%), were largely due to the tariff for maintaining and restoring the residual balance of individual access responsible parties (+€80.0 million). First, there were the higher balance activation costs due to the increase in prices that were mainly caused by the maintenance of the COO plant in the second quarter of 2021. Moreover, the imbalance volume increased because of the increase in the share occupied by renewables in the generation mix (offshore wind in particular). Finally, the imbalance prices increased in 2021 due to high activation costs. The increase in the net grid offtake (+€2.6 million), which demonstrated recovery from the COVID-19 crisis, and the higher nuclear availability in 2021 which increased the net grid injection (+€6.9 million) are additional drivers of the compensation for imbalances revenue increases.

Revenues from the management of the electrical system increased from €129.6 million to €149.0 million (+15.0%), caused by the increase in the net grid offtake (+€7.2 million) and the introduction of a new tariff for additional reactive energy by zone for distribution system operator (+€10.9 million).

International revenue increased to €87.5 million (+156.1%), mainly due to high congestion income generated by the combination of high prices and frequent high price spreads in the Central Western European (CWE) region, mainly on the French borders in the last quarter of 2021.

The **last mile connection (previously called transfer of asset from customers)** was down slightly compared to the previous year, while **other revenue** dropped by €6.3 million, mainly due to a decrease in works delivered to third parties.

The **settlement mechanism** increased from €89.1 million in 2020 to €121.4 million in 2021 and encompassed both deviations in the current year from the budget approved by the regulator (+€39.9 million) and the settlement of net surpluses from the previous tariff period (+€81.4 million). The operating deficit (+€39.9 million), with respect to budgeted costs and revenue authorised by the regulator, will be recovered from consumers in a future tariff period. The deficit was primarily the result of higher costs for ancillary services (€67.4 million), higher influencable costs (€91.1 million) and a higher net profit (+€14.8 million) and was partially offset by an increase in tariff sales (+€99.3 million), which was mainly driven by imbalance compensations, higher international sales (+€32.4 million) and lower taxes (€5.2 million).

EBITDA rose slightly to €432.2 million (+1.5%) due to a higher regulated net profit and higher depreciations linked to the growing asset base and was offset by lower financial costs and income tax that are all passed through into revenue. The decrease in **EBIT** (-4.4%) was driven by depreciations of assets not covered by tariffs like the intangible assets acquired during the previous regulatory period and activated under IFRS (€7.4 million), leasing contracts (€7.9 million) and capitalised borrowing costs (€2.4 million). The contribution of equity-accounted investments rose slightly to €2.3 million due to a higher contribution from HGRT.

Net finance cost decreased by €3.3 million (-5.0%) compared to the previous year, mainly driven by the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (€5.2 million) in 2020 and costs for setting up a sustainability-linked RCF (€1.5 million) in 2020. This was partially offset by higher interest costs following last year's Eurobond issue (€800 million) in April and a lower activation of borrowing costs (€3.4 million) since some major commissioning in 2020. Elia Transmission Belgium has a well-balanced debt maturity profile with no upcoming near-term maturities. The average cost of debt was 1.91% at the end of 2021 compared to 1.93% at the end of 2020, benefitting consumers.

Adjusted net profit increased by 5.0% to €131.0 million, mainly due to the following:

- A higher fair remuneration (+€6.2 million) due to asset growth and higher quality.
- An increase in **incentives** (+€5.1 million), reflecting a strong operational performance and efficiency primarily with respect to incentives linked to interconnection capacity, the availability of the grid, the timely commissioning of projects, innovation and controllable costs. This was partly offset by lower performance on data quality incentive and balancing. Additionally, the average tax rate decreased due to a higher innovation income deduction, leading to a higher net contribution from incentives.
- Lower **capitalised borrowing costs** due to a lower level of assets under construction and lower average cost of debt (-€3.8 million).
- Less **major damage to electrical installations** compared to the previous year (+€3.7 million).
- **Employee and tax provisions** (-€8.8 million), which were mainly driven by a lower contribution from employee benefits to plan assets. Additionally, last year's provision benefited from a one-off change in plan assets of a defined benefit plan (€3.9 million) and the reversal of a tax provision (€1.6 million).
- A lower **depreciation of software** acquired prior to 2020 (+1.6 million), as some of the assets acquired during the previous regulatory period and covered by its regulatory methodology were written off.
- Other (+€2.3 million): this was primarily due to the depreciation of issuance costs linked to the previous year's Eurobond issue while fully covered by tariffs (-€2.3 million) and offset by lower share-based payment expenses for a capital increase in favour of the members of the personnel (+€1.4 million) and deferred tax effects (+€3.1 million).

Total assets rose by €145.1 million to €7,153.5 million, mainly due to execution of the investment programme. The net financial debt increased to €3,441.0 million (+4.1%), as Elia's CAPEX programme was mainly financed by cash flows from operating activities and the drawing of commercial paper (€60 million). The sustainability-linked RCF (€650 million) is fully undrawn while a significant portion of the commercial paper programme (€240 million) remains unused. Elia Transmission Belgium is rated BBB+ with a stable outlook by Standard & Poor's.

4.3. 50Hertz Transmission (Germany)

The table below shows the 2021 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany.

Results 50Hertz Transmission (Germany) (in € million) – Period ended 31 December	2021	2020	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,716.9	1,454.9	17.9%
Revenues	*1,569.9*	*1,353.6*	*16.0%*
Other income	*95.1*	*90.1*	*5.5%*
Net income (expense) from settlement mechanism	*51.9*	*11.2*	*n.r.*
Depreciation, amortisation, impairment and changes in provisions	(261.2)	(238.6)	9.5%
Results from operating activities	272.9	340.1	(19.8%)
EBIT	272.9	340.1	(19.8%)
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted EBIT	*272.9*	*340.1*	*(19.8%)*
EBITDA	534.0	578.6	(7.7%)
Finance income	2.1	4.1	(48.8%)
Finance costs	(36.9)	(66.7)	(44.7%)
Income tax expenses	(72.8)	(84.9)	(14.3%)
Net profit	**165.4**	**192.6**	**(14.1%)**
Of which attributable to the Elia Group	***132.3***	***154.1***	***(14.1%)***
Adjusted items	*0.0*	*0.0*	*n.r.*
Adjusted net profit	***165.4***	***192.6***	***(14.1%)***
Consolidated statement of financial position (in € million)	**31 December 2021**	**31 December 2020**	**Difference (%)**
Total assets	9,941.3	7,028.4	41.4%
Capital expenditures	880.4	715.9	23.0%
Net financial debt	1,014.9	3,756.6	(73.0%)

50Hertz Transmission's total revenue and other income was up on the previous year (+7.0%).

Total revenues are detailed in the table below.

(in € million)	2021	2020	Difference (%)
Grid revenue:	**1,561.3**	**1,349.1**	**15.7%**
Revenue from incentive regulation	911.8	802.3	13.6%
Revenue from offshore regulation	294.7	300.0	(1.8%)
Energy revenue	354.9	246.8	43.8%
Other revenue (incl. last mile connection)	8.6	4.5	91.3%
Subtotal revenue	1,569.9	1,353.6	16.0%
Other income	95.1	90.1	5.5%
Net income (expense) from settlement mechanism	51.9	11.2	362.7%
Total revenue and other income	**1,716.9**	**1,454.9**	**18.0%**

Revenues from incentive regulation consist of grid tariffs before the settlement mechanism and are driven primarily by the regulatory remuneration for onshore activities (revenue cap).

Revenues from incentive regulation rose by +€109.5 million, as the allowance for onshore investments increased (+€34.3 million). The compensation of pass-through energy costs went up as well (+€60.4 million), mainly due to a higher allowance for redispatching costs. The infeed of renewable energy into the distribution grid was lower than expected, leading to higher volumes in the transmission grid. Consequently, the volume effect was higher than in previous years (+€98.6 million), which included lower volumes due to the impact of COVID-19. These effects were partly offset by a higher payback for old regulatory balances via the regulatory account (-€20.5 million). Furthermore, pass-through paybacks related to the old regulatory offshore mechanism increased (-€62.2 million).

Revenues from offshore surcharge include all revenues derived from the offshore grid surcharge. This includes regulatory remuneration for the connection of offshore wind farms, reimbursement of offshore liability payments and offshore costs charged to 50Hertz by third parties, e.g. other TSOs.

The offshore surcharge revenues slightly decreased compared to the previous year (-€5.3 million). While the remuneration of 50Hertz's own offshore grid connection costs increased (+€7.3 million), driven by the ongoing CAPEX programme (mainly Ostwind 2) and higher maintenance costs (cost-plus regulation), the pass-through costs charged to 50Hertz by third parties fell compared to the same period last year (-€12.6 million).

Energy revenues include all revenues related to system operation and are mostly corresponding costs charged on to third parties, such as redispatch measures, costs for reserve power plants or control power costs. Revenues generated from auctioning interconnector capacity are also included in this section.

Energy revenues increased strongly compared to the previous year (+€108.1 million), due to the soaring energy prices in the second half of 2021. The charges to other TSOs for redispatch measures increased (+€27.1 million), as did revenues from the compensation of involuntary exchange at the grid's borders (+€14.7 million). Furthermore, higher control power costs were charged to the balancing groups (+€19.8 million) and revenues from the auctioning of interconnector capacities benefitted from the price developments (+€26.1 million).

Other revenues (including last-mile connection) rose (+€4.1 million), mainly due to higher revenues received from the "Inter-Transmission System Operator Compensation" (ITC). The ITC mechanism is based on an EU regulation and compensates TSOs for the costs of hosting cross-border electricity flows on their networks. TSOs contribute/receive funds based on electricity flows onto/from their national transmission systems.

Other income rose (+€5.0 million) as own work capitalised increased due to the staffing to execute and manage the investment programme (+€2.7 million). Furthermore, revenues from subsidies and grants increased (+€2.0 million), due to the amortisation of EU subsidies for the Kriegers Flak Combined Grid Solution interconnector as of July 2021.

The **net regulatory income (expense) from settlement mechanism** neutralises regulatory time lags. It consists of two components: firstly, the neutralisation of differences between cost allowances in the tariffs and the actual costs incurred for the current year (-€9.7 million); secondly, the balancing of said differences from prior years (+€61.6 million).

EBITDA decreased to €534.0 million (-7.7%). The growing asset base benefitted the investment remuneration (+€13.6 million), but the business expansion led to pressure on the operating expenses. Onshore maintenance costs increased (-€12.3 million), driven by a peak in the maintenance cycle. As the grid was expanded and reinforced, old onshore assets were taken out of operation and decommissioned, leading to higher losses from sale and disposal (-€7.7 million). Furthermore, personnel costs rose, as we kept expanding our talent pool to deliver on the energy transition and manage the increasing complexity of system operations (-€19.9 million). In order to efficiently manage this growing complexity, the digitalisation of the business is progressing, as reflected by higher IT expenses (-€4.2 million). After the COVID-19 measures in 2020, the company returned to full speed in 2021. Consequently, operational expenses for areas such as consulting, external services and travelling increased (-€13.9 million). Furthermore, 2020 included revenues from a penalty payment (-€6.8 million). Finally, EBITDA benefitted from one-off revenues from the regulatory settlement and related provisions amounting to €42.4 million (+€5.1 million); €10.5 million of this originated from the settlement for the year 2018 and €31.7 million originated from the refund of clawback amounts ("Abzugsbeträge"). The clawback payments are part of the regulatory "Investment Measures" mechanism, which will be phased out as of 2024 and replaced by the Capital Cost Adjustment model. As part of the transition, the ordinance includes a partial refund of historical clawback amounts, which was accrued in 2021.

There was a more proncounced decrease in **EBIT** (-€67.2 million) due to increasing depreciations (-€15.1 million) following the commissioning of projects, such as the Kriegers Flak Combined Grid Solution. Furthermore, the change in operating provisions was lower than for the previous year (-€7.5 million). No adjusted items occurred in 2021.

Adjusted net profit declined to €165.4 million (-14.1%) as a result of:

- Higher onshore OPEX and other costs (-€35.3 million), driven by the expansion and digitalisation of the business, a peak in the maintenance cycle and losses from asset disposal.
- Higher personnel costs (-€14.0 million), mainly from increases in staff numbers.
- Increased depreciations (-€10,6 million), driven by the commissioning of projects.

These effects were partially compensated by:

- Higher regulatory settlements and related provisions (+€3.6 million).
- Higher investment remuneration (+9.6 million) following the growth of the asset base.
- Higher financial results (+€19.5 million), as a high interest rate bond was refinanced with more favourable conditions (+€6.0 million). Additionally, forward interest rates increased, leading to lower interest costs on provisions (+€13.5 million).

Total assets rose by €2,912.9 million compared to 2020 mainly due to a favorable development of the EEG business and further progress on the investment programme. The **free cash flow** totalled €2,889.4 million and was heavily affected by the high cash inflow for the EEG account (+€2,918.9 million). In 2021, 50Hertz received three federal payments (€2,160.0 million) to cover the cash deficit build up in 2020 and pay back the revolving credit facilities (€700 million) contracted at the end of last year to cover this EEG deficit. The EEG cash flow was further uplifted by the strong increase in energy prices during the second half of 2021, leading to higher cash-in than expected.

The investment programme was mostly financed from the operating cash flow and a €500 million senior bond with a 12-year tenor and a fixed interest rate of 0.741% was issued in April. Taking into account the EEG position, the **Net financial debt** dropped by €2,741.7 million. The EEG cash position as of December 2021 amounted to €2,110.0 million.

4.4. Non-regulated activities and Nemo Link

The table below shows the 2021 consolidated results for the 'Non-regulated activities and Nemo Link' segment.

Results Non-regulated activities and Nemo Link (in € million) – Period ended 31 December	2021	2020	Difference (%)
Total revenues	28.7	5.1	463.4%
Other income	8.1	29.6	(72.5%)
Depreciation, amortisation, impairment and changes in provisions	(0.5)	(0.2)	150.0%
Results from operating activities	(6.8)	(6.5)	4.6%
Share of profit of equity accounted investees (net of income tax)	47.1	7.4	n.r.
EBIT	40.3	0.9	4377.8%
Adjusted items	*0.0*	*(0.3)*	(100.0%)
Adjusted EBIT	*40.3*	*1.2*	3258.3%
EBITDA	40.8	1.1	3609.1%
Finance income	0.1	0.1	0.0%
Finance costs	(9.0)	(12.7)	(29.1%)
Income tax expenses	0.5	2.2	n.r.
Net profit	**31.9**	**(9.5)**	**n.r.**
Of which attributable to the Elia Group	***31.9***	***(9.5)***	***n.r.***
Adjusted items	*0.0*	*(0.2)*	*n.r.*
Adjusted net profit	***31.9***	***(9.3)***	***n.r.***
Consolidated statement of financial position (in € million)	**31 December 2021**	**31 December 2020**	**Difference (%)**
Total assets	1,654.0	1,766.7	(6.4%)
Capital expenditures	1.6	0.9	n.r.
Net financial debt	430.4	402.9	6.8%

Non-regulated revenue increased by 6.1% to €36.8 million compared to 2020. This is the result of lower revenues generated by Elia Grid International ('EGI') (-€7.3 million), as the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a delay in projects and offset by higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz. The effect of these intersegment transactions is disclosed in 'Note 4.5. Segment reconciliation'.

Equity-accounted investments contributed €47.1 million to the Group's result, which is almost entirely attributable to **Nemo Link**. With an availability rate of 99.1%, Nemo Link continues to be one of the highest performing assets of its kind. Strong nuclear availability in continental Europe, increased gas and carbon prices and general scarcity in the UK positively affected market price-spread, at the benefit of the congestion market, main revenue stream of the asset. Nemo Link performed strongly, leading to a total net profit of €94.0 million and a contribution of €47.0 million to Elia Group's net profit.

Adjusted EBIT rose to €40.3 million (+€39.1 million). This increase was entirely due to the higher contribution from Nemo Link (+€39.7 million), a lower operating loss for re.alto due to lower development costs and the generation of initial fee income (+€0.5 million); it was partially offset by higher operating costs at the holding linked to the pursuit of inorganic growth ambitions (-€0.9 million). Despite the drop in revenues, EGI's EBIT remained flat, reflecting the cost control measures in COVID times.

Net finance cost fell to €8.9 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The previous year's financial costs were mainly impacted by regulatory settlements which amounted to €3.4 million.

Adjusted net profit increased strongly by €41.2 million to €31.9 million, mainly as a result of:

- Higher contribution from Nemo Link (+€39.7 million).
- Lower regulatory settlements for 2020 (+€2.2 million).
- Lower loss of re.alto (+€0.4 million), due to lower costs and initial fee income.
- Higher holding costs driven by business development activities (-€1.0 million).
- Other items (-€0.1million) driven by lower other non-regulated costs while EGI remained flat year-over-year.

Total assets dropped slightly to €1,654.0 million (-6.4%) and the net financial debt increased to €430.4 million (+6.8%), driven by the use of liquidity by Elia Group SA to pay for last year's dividend; it was partially offset by the yearly reimbursement of the Nemo Link amortising loan.

4.5. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) – Year ended 31 December	2021 Elia Transmission (a)	2021 50Hertz Transmission (b)	2021 Non-regulated activities and Nemo Link (c)	2021 Consolidation entries & intersegment transactions (d)	2021 Elia Group (a) + (b) + (c) + (d)
Revenue	1,009.8	1,569.9	28.7	(57.1)	2,551.2
Other income	68.3	95.1	8.1	(36.4)	135.1
Net income (expense) from settlement mechanism	121.4	51.9	0.0	0.0	173.3
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(261.2)	(0.5)	0.0	(466.8)
Results from operating activities	**224.8**	**272.9**	**(6.8)**	**(0.2)**	**490.7**
Share of profit of equity accounted investees, net of tax	2.3	0.0	47.1	0.0	49.3
Earnings before interest and tax (EBIT)	227.1	272.9	40.3	(0.2)	540.1
Earnings before depreciation, amortisation, interest and tax (EBITDA)	432.2	534.0	40.8	(0.2)	1,006.9
Finance income	1.7	2.1	0.1	0.0	3.9
Finance costs	(64.8)	(36.9)	(9.0)	0.2	(110.5)
Income tax expenses	(32.9)	(72.8)	0.5	0.0	(105.1)
Profit attributable to the owners of the company	**131.0**	**132.3**	**31.9**	**0.0**	**295.2**
Consolidated statement of financial position (in € million)	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**
Total assets	7,153.5	9,941.3	1,654.0	(604.4)	18,144.4
Capital expenditures	417.2	880.4	1.6	0.0	1,299.2
Net financial debt	3,441.0	1,014.9	430.4	0.0	4,886.3

Consolidated results (in € million) – Year ended 31 December	2020 Elia Transmission (a)	2020 50Hertz Transmission (b)	2020 Non-regulated activities and Nemo Link (c)	2020 Consolidation entries & intersegment transactions (d)	2020 Elia Group (a) + (b) + (c) + (d)
Revenue	858.1	1,353.6	5.1	(7.2)	2,209.6
Other income	57.5	90.1	29.6	(13.5)	163.6
Net income (expense) from settlement mechanism	89.1	11.2	0.0	0.0	100.3
Depreciation, amortisation, impairment and changes in provisions	(188.3)	(238.6)	(0.2)	0.0	(427.1)
Results from operating activities	235.6	340.1	(6.5)	(0.0)	569.2
Share of profit of equity accounted investees, net of tax	1.9	0.0	7.4	0.0	9.3
Earnings before interest and tax (EBIT)	237.5	340.1	0.9	(0.0)	578.4
Earnings before depreciation, amortisation, interest and tax (EBITDA)	425.8	578.6	1.1	(0.0)	1,005.5
Finance income	2.3	4.1	0.1	0.0	6.5
Finance costs	(68.7)	(66.7)	(12.7)	0.0	(148.1)
Income tax expenses	(46.3)	(84.9)	2.2	0.0	(129.0)
Profit attributable to the owners of the company	**124.8**	**154.1**	**(9.5)**	**(0.0)**	**269.4**
Consolidated statement of financial position (in € million)	**31.12.2020**	**31.12.2020**	**31.12.2020**	**31.12.2020**	**31.12.2020**
Total assets	7,008.4	7,028.4	1,766.7	(637.9)	15,165.6
Capital expenditures	365.6	715.9	0.9	0.0	1,082.4
Net financial debt	3,305.6	3,756.6	402.9	0.0	7,465.1

There are no significant intersegment transactions.

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

4.6. Adjusted items – reconciliation table

(in € million) – Period ended 31 December 2021	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	0.0	0.0	0.0
Adjusted EBIT	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Tax impact	0.0	0.0	0.0	0.0	0.0
Net profit – adjusted items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

(in € million) – Period ended 31 December 2020	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	**0.0**	**0.0**	**(0.3)**	**0.0**	**(0.3)**
Tax impact	0.0	0.0	0.1	0.0	0.1
Net profit – adjusted items	**0.0**	**0.0**	**(0.2)**	**0.0**	**(0.2)**

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

There were no changes in the basis of preparation and therefore no restatements of figures from previous years were required.

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

(in € million)	2021	2020
Revenue, excluding net income from settlement mechanism	**2,724.6**	**2,309.9**
Grid revenue:	2,711.1	2,286.2
Last mile connection	4.3	4.3
Other revenue	9.3	19.4
Net income (expense) from settlement mechanism	**173.3**	**100.3**
Other income	**135.1**	**163.6**
Services and technical expertise	(2.2)	(3.1)
Own production	82.1	72.8
Optimal use of assets	15.8	17.2
Other	37.8	76.2
Gain on sale PPE	1.5	0.6

We refer to the segment reports for a detailed analysis of the group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €1,199.5 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues and other income of €1,716.9 million (Note 4.3) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €36.8 million (Note 4.4). The reported revenues and other income amount to €2,859.7 million.

No further geographical information is provided as revenues are generated in the countries where the grid infrastructure is located, which substantially corresponds to the segments mentioned above.

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

The group recognised €5.7 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€137.3 million). Additional information is provided in Note 6.15. The group did not recognise any substantial revenues in the reporting period with respect to performance obligations in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2021	2020
Raw materials, consumables and goods for resale	83.1	86.2
Purchase of ancillary services	1,067.7	654.5
Services and other goods (excl. purchase of ancillary services)	375.9	397.2
Total	**1,526.7**	**1,137.9**

The group's costs for 'Raw materials, consumables and goods for resale' decreased to €83.1 million for financial year 2021. In 2021, the costs are attributable to the Belgian segment for €5.2 million (€6.5 million in 2020), the German segment for €77.9 million (€66.1 million) and EGI for €5.9 million (€13.5 million in 2020).

Purchase of ancillary services' includes the costs for services which enable the group to balance generation with demand, maintain constant voltage levels and manage congestion on its grids. The cost incurred in 2021 by Elia Transmission (Belgium) increased to €294.0 million (from €139.0 million in 2020) mainly because of increased prices to cover electricity losses and increased activations to balance the grid in a context of strong energy prices. 50Hertz Transmission (Germany) incurred increased costs of €773.1 million in 2021 compared to €515.4 million in 2020 also because of higher electricity prices.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and others. The cost decreased by €21.3 million to €375.9 million. The decrease was driven by the German segment, whose costs for this category amounted to €124.5 million in 2021 compared to €143.5 million in 2020.

PERSONNEL EXPENSES

(in € million)	2021	2020
Salaries and wages	242.2	219.6
Social security contributions	50.8	48.0
Pension costs	22.6	27.5
Other personnel expenses	5.9	5.2
Share-based payments expenses	0.2	1.4
Employee benefits (excl. pensions)	12.4	5.5
Total	**334.1**	**307.2**

The second tranche of the 2020 capital increase for Elia employees was completed in March 2021. The capital increase resulted in the creation of 7,360 additional shares without nominal value. The group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €35.8 thousands reduction overall.

Personnel expenses for Elia Transmission (Belgium) amounted to €166.5 in 2021, up from €162.3 million in 2020. 50Hertz Transmission (Germany) accounted for €151.4 million of the group’s personnel expenses for 2021 (previous year: €131.5 million) and the non-regulated activities and Nemo Link accounted for €16.2 million (previous year: €13.4 million). All three segments saw an increase as a consequence of a continued growth in headcount.

See Note 6.13 ‘Employee benefits’ for more information about pension costs and employee benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in € million)	2021	2020
Amortisation of intangible assets	24.5	23.0
Depreciation of property, plant and equipment	443.1	409.4
Total depreciation and amortisation	**467.5**	**432.5**
Impairment of inventories	0.6	0.1
Total impairment	**0.6**	**0.1**
Provisions for litigations	(0.5)	(5.1)
Environmental provisions	(0.2)	(0.4)
Changes in provisions	**(0.8)**	**(5.5)**
Depreciation, amortisation, impairment and changes in provisions	**467.4**	**427.1**

The total ‘depreciation, amortisation, impairment and changes in provisions’ increased from €427.1 million in 2020 to €467.4 million in 2021, mainly because of an increase in depreciation of property, plant and equipment due to increasing fixed assets.

A detailed description and movement schedule is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.14).

OTHER EXPENSES

(in € million)	2021	2020
Taxes other than income tax	14.0	14.5
Loss on disposal/sale of property, plant and equipment	19.1	10.9
Impairment on receivables	0.5	1.2
Other	7.7	5.5
Total	**41.4**	**32.1**

In 2021, the share of Elia Transmission (Belgium) in the group’s other expenses was €21.6 million (€22.1 million in 2020), 50Hertz Transmission (Germany)’s total share amounted to €19.7 million (€9.8 million in 2020) and the share of the non-regulated activities and Nemo Link segment accounted for €0.1 million (€0.2 million in 2020).

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment totalled €9.0 million for Elia Transmission (Belgium), compared with €9.1 million the previous year. 50Hertz Transmission (Germany) recorded €10.1 million of losses on disposal for property, plant and equipment in 2021, from €1.8 million in 2020. In 2021, significant replacement projects and inventory measures were carried out.

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

5.3. Net finance costs

(in € million)	2021	2020
Finance income	**3.9**	**6.6**
Interest income on cash and cash equivalents and granted loans	1.1	2.3
Other financial income	2.8	4.2
Finance costs	**(110.5)**	**(148.1)**
Interest expense on eurobonds and other bank borrowings	(110.4)	(113.3)
Interest expense on derivatives	(0.6)	(5.2)
Interest cost on leasing	(1.8)	(1.8)
Other financial costs	2.3	(27.8)
Net finance costs	**(106.6)**	**(141.5)**

Finance income decreased from €6.6 million in 2020 to €3.9 million in 2021. 50Hertz Transmission (Germany)'s contribution to finance income amounted to €2.1 million, Elia Transmission (Belgium)'s contribution to €1.7 million and the non-regulated activities and Nemo Link segment's contribution to €0.1 million for 2021.

The interest expenses on Eurobonds and other bank borrowings decreased by €2.9 million compared to the previous year. See Note 6.12 for more details regarding the loans outstanding and the interest paid in 2021.

The interest expense incurred in 2020 was related to the settlement of two loans in June 2020 (the loan from Synatom for €453.6 million and the loan from Publi-Part (€42.1 million). In settling these, a one-off interest expense on derivatives of €4.4 million was incurred.

The interest cost on leasing remained stable in comparison with the previous year.

Other financial costs decreased from €27.8 million in 2020 to -€2.3 million in 2021. This was mainly related to the net interest on regulatory issues booked in Germany which amounts to -€6.5 million (credit) compared to €11.9 million (debit) in 2020. This variation is driven by a change in the interest rate applicable to revenue for congestion management. The remaining impact is mainly explained by the non-recurrent items recorded in 2020 relating to regulatory settlements in Belgium (€3.4 million) and costs for setting up a sustainability-linked RCF (€1.5 million).

We refer to Note 6.12 for more details about net debt and loans.

5.4. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2021	2020
Current year	98.8	124.7
Adjustments for prior years	(4.1)	2.5
Total current income tax expenses	**94.7**	**127.2**
Origination from and reversal of temporary differences	10.5	1.9
Total deferred taxes expenses	**10.5**	**1.9**
Total income taxes and deferred taxes recognised in profit and loss	**105.2**	**129.1**

Total income tax expenses were lower in 2020 than in 2021. The decrease in tax expenses was mainly driven by higher Innovation Income Deduction.

RECONCILIATION OF THE EFFECTIVE TAX RATE

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

(in € million)	2021	2020
Profit before income tax	433.5	437.0
Domestic corporate income tax	25%	25%
Income tax, using the domestic corporate tax rate	**(108.4)**	**(109.3)**
Effect of the foreign tax rate	(11.6)	(13.0)
Share of profit of equity accounted investees, net of tax	12.3	2.3
Non-deductible expenses	(10.6)	(4.4)
Adjustments for prior years	4.4	(2.2)
Tax credits and other tax reductions	5.6	0.4
Effect of unrecognized deferred tax assets on tax loss carry-forwards	(1.9)	(1.1)
Tax on hybrid securities	4.8	4.8
Corporate interest restriction	0.0	(6.1)
Other	0.1	(0.6)
Total income taxes and deferred taxes recognised in profit and loss	**(105.2)**	**(129.1)**

** The income tax rate in Germany amounts to 29.72% in 2021 and 29.65% in 2020*

In 2021, the income tax expense was lower than the theoretical income tax expense (calculated using the nominal tax rate) mainly due to the impact of the Innovation Income Deduction for a total of €9.6 million reported under “Adjustment for prior years” and “Tax credits and other tax reductions”.

Deferred income taxes are discussed further in Note 6.6.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the Company’s shareholders (after adjustment for the distribution on hybrid securities) (€276.0 million) by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit attributable to equity holders of ordinary shares	**276.0**	**250.1**
Effect of dilutive potential ordinary shares	0	
Earnings for the purposes of diluted earnings per share	**276.0**	**250.1**
Ordinary shares issued on 1 January	68,720,695	68,652,938
Treasury shares as at 1 January	0	
Ordinary shares issued in December 2020		67,757
Ordinary shares issued in March 2021	7,360	
Treasury shares - net movement for the year	-7,248	
Outstanding ordinary shares as at 31 December	**68,720,807**	**68,720,695**
Weighted average of outstanding ordinary shares (basic)	**68,722,476**	**68,654,980**
Effect of dilutive potential ordinary shares	0	0
Weighted average number of outstanding ordinary shares (diluted)	**68,722,476**	**68,654,980**

Basic earnings per share (in €)	**4.02**	**3.64**
Diluted earnings per share (in €)	**4.02**	**3.64**

DILUTED EPS

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

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

5.6. Other comprehensive income

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

The total other comprehensive income for 2021 amounts to €270.8 million positive impact, representing a significant increase compared with the previous year (€12.8 million positive impact). The most important drivers are described below.

Cash flow hedges

The fair value change of the cash flow hedges had a positive impact of €250.4 million on other comprehensive income. Due to a change in accounting policy, hedge accounting is applied, as of 2021, to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. This change, which occurred against a background of high energy prices, resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021. Considering a deferred tax effect, a hedge reserve amounting to €249.9 million was recorded in other comprehensive income.

Financial assets measured at fair value through other comprehensive income

The measurement at fair value of the participation of EEX, in which 50Hertz Transmission holds a 5.4% stake, remains stable, resulting in no impact as of 31 December 2021 (€14.9 million as of 31 December 2020).

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a positive impact of €27.4 million. This impact is mainly explained by changes in the discount rate and the positive return of the plan assets. See Note 6.13 for more details.

The related tax on these elements amounts to €7.0 million.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in € million)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	Assets under construction	Total
ACQUISITION VALUE							
Balance at 1 January 2020	**428.4**	**10,419.3**	**310.2**	**27.1**	**107.2**	**1,501.3**	**12,793.4**
Additions	3.7	254.0	30.1	0.2	10.2	772.1	1,070.3
Disposals	(3.0)	(41.4)	(3.2)	0.0	(0.4)	(0.4)	(48.4)
Transfers	1.7	547.6	6.7	4.2	0.0	(559.9)	0.2
Balance at 31 December 2020	**430.8**	**11,179.4**	**343.8**	**31.5**	**117.0**	**1,713.0**	**13,815.6**
Balance at 1 January 2021	**430.8**	**11,179.4**	**343.8**	**31.5**	**117.0**	**1,713.0**	**13,815.6**
Additions	10.6	179.8	36.0	0.9	49.6	956.0	1,232.8
Disposals	(3.3)	(87.1)	(42.6)	(0.2)	(0.4)	0.0	(133.6)
Transfers	27.6	503.0	35.1	2.9	0.0	(570.1)	(1.5)
Balance at 31 December 2021	**465.8**	**11,775.0**	**372.3**	**35.1**	**166.1**	**2,098.8**	**14,913.2**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2020	**(32.0)**	**(3,098.4)**	**(173.7)**	**(24.5)**	**(19.1)**	**0.0**	**(3,347.7)**
Depreciation	(5.8)	(351.7)	(35.2)	(1.6)	(15.2)		(409.4)
Disposals	1.7	31.0	3.1	0.0	0.1		36.0
Transfers	0.0	3.0	0.0	(3.0)	0.0		0.0
Balance at 31 December 2020	**(36.1)**	**(3,416.0)**	**(205.7)**	**(29.2)**	**(34.2)**	**0.0**	**(3,721.2)**
Balance at 1 January 2021	**(36.1)**	**(3,416.0)**	**(205.7)**	**(29.2)**	**(34.2)**	**0.0**	**(3,721.2)**
Depreciation	(6.6)	(381.5)	(39.7)	(1.1)	(14.8)		(443.6)
Disposals	2.2	68.6	39.7	0.1	0.4		111.1
Transfers	0.0	2.3	0.0	(2.3)	0.0		0.0
Balance at 31 December 2021	**(40.5)**	**(3,726.6)**	**(205.7)**	**(32.4)**	**(48.6)**	**0.0**	**(4,053.7)**
CARRYING AMOUNT							
Balance at 1 January 2020	396.3	7,320.8	136.5	2.6	88.4	1,501.3	9,446.0
Balance at 31 December 2020	394.7	7,763.3	138.1	2.3	82.8	1,713.1	10,094.4
Balance at 1 January 2021	394.7	7,763.4	138.1	2.3	82.8	1,713.1	10,094.4
Balance at 31 December 2021	425.3	8,048.4	166.6	2.8	117.5	2,098.9	10,859.5

Large-scale (onshore and offshore) infrastructure projects in both Belgium and Germany are underway, enabling the establishment of an integrated European energy system that includes large amounts of distributed renewable production and cross-border electricity flows. The COVID-19 measures did not impede progress on these projects.

In Belgium, Elia Transmission made investments totalling €381.9 million in property, plant and equipment. Of particular importance were the investments in its onshore and offshore grid infrastructure to facilitate the integration of large volumes of renewable generation into the grid, in order to sustainably electrify our society. This included the upgrade of the Massenhoven-Van Eyck corridor (€35.6 million) and reinforcement works undertaken along the 380 kV backbone between Mercator and France via Horta-Avelgem (€13.6 million). In order to increase the interconnection capacity between Belgium and the Netherlands, reinforcement works also took place at the Zandvliet 380 kV substation (€ 13.1 million) and at the 150 kV grid in the port of Antwerp (Brabo project, €26.7 million).

In Germany, 50Hertz Transmission invested €836.5 million in property, plant and equipment. The most significant onshore investments comprised the DC SuedOstLink line (€66.9 million); the upgrading of high-voltage pylons to boost operational safety (€51.5 million); the Northring line close to Berlin (€45.7 million); the overhead line in the southern Uckermark region (€40.3 million); and the 380 kV cable in Berlin (€33.1 million). Offshore investments mainly focused on the Ostwind 2 project (€278.9 million), with good progress on being made on the next offshore wind farm connection (Ostwind 3; €18.4 million). Furthermore, replacement CAPEX was invested in the Kontek interconnector cable to Denmark (€17.3 million).

During 2021, €18.0 million of borrowing costs were capitalised on assets under construction. An amount of €4.3 million based on an average interest rate of 1.92% originates from the Elia Transmission Belgium segment (€7.8 million at 2.03% in 2020). An amount of €13.5 million based on an average interest rate of 0.98% was accounted for in the 50Hertz Transmission segment (€11.4 million at 1.13% in 2020).

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

Outstanding capital expenditure commitments are described in Note 8.2. The analysis of lease liabilities is presented in note 6.18.

6.2. Intangible assets

(in € million)	Development costs of software	Licenses/ concessions	Other intangible assets	Total
ACQUISITION VALUE				
Balance at 1 January 2020	**180.1**	**26.4**	**0.0**	**206.5**
Additions	29.2	3.1	0.0	32.3
Disposals	(0.0)	(0.0)	0.0	(0.0)
Transfers	(0.2)	0.0	0.0	(0.2)
Balance at 31 December 2020	**209.0**	**29.6**	**0.0**	**238.5**
Balance at 1 January 2021	**209.0**	**29.6**	**0.0**	**238.5**
Additions	61.5	4.9	0.0	66.4
Disposals	(2.7)	0.0	0.0	(2.7)
Transfers	0.6	0.0	0.9	1.5
Balance at 31 December 2021	**268.4**	**34.5**	**0.9**	**303.8**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2020	**(104.4)**	**(5.7)**	**0.0**	**(110.1)**
Depreciation	(20.9)	(2.1)	0.0	(23.0)
Balance at 31 December 2020	**(125.4)**	**(7.8)**	**0.0**	**(133.1)**
Balance at 1 January 2021	**(125.4)**	**(7.8)**	**0.0**	**(133.1)**
Depreciation	(21.4)	(2.9)	(0.2)	(24.5)
Disposals	2.5	(0.2)	0.0	2.4
Balance at 31 December 2021	**(144.2)**	**(10.8)**	**(0.2)**	**(155.2)**
CARRYING AMOUNT				
Balance at 1 January 2020	75.6	20.7	0.0	96.4
Balance at 31 December 2020	83.6	21.8	0.0	105.4
Balance at 1 January 2021	83.6	21.8	0.0	105.4
Balance at 31 December 2021	124.2	23.6	0.8	148.6

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

The group invested a total amount of €66.4 million, of which €35.3 million in Elia Transmission Belgium, €30.4 million in 50Hertz Transmission and €0.7 million in the non-regulated activities and Nemo Link segment.

During 2021, €0.3 million in borrowing costs were capitalised on software in development (compared with €0.2 million in 2020) in the Elia Transmission Belgium segment, based on an average interest rate of 1.92% (2.03% in 2020). No borrowing costs on software in development were capitalised in the 50Hertz Transmission segment.

The group does not hold individual intangible asset that is material to its financial statements, except capacity entitlements in the Kontek cable (Denmark) for €16.5 million (with a remaining useful life of 11 years (until 2033)).

6.3. Goodwill

There were no changes in goodwill during the years 2020-2021. The carrying amount is the following:

CARRYING AMOUNT	
Balance at 1 January 2020	2,411.1
Balance at 31 December 2020	2,411.1
Balance at 1 January 2021	2,411.1
Balance at 31 December 2021	2,411.1

The goodwill relates to the following business combinations and is allocated to the cash generating unit (CGU) Elia Transmission for the acquisition of Elia Asset and Elia Engineering and to the CGU 50Hertz Transmission for the acquisition of the 20% stake in Eurogrid International:

(in € million)	2021
Acquisition Elia Asset – 2002	1,700.1
Acquisition Elia Engineering – 2004	7.7
Acquisition Eurogrid International – 2018	703.4
Total	**2,411.1**

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

According to IFRS rules, goodwill should be tested for impairment on at least an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the CGUs Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

The recoverable amount of CGUs is determined by reference to a value in use that is calculated based on different methods (Discounted Cash Flow and Discounted Dividend Model) using **cash flow projections** drawn up on the basis of the 2021 reforecast and the 2022-2026 business plan, as approved by the Management Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame.
The forecasts and projections included in the reference scenario were determined on the basis of the estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share and margin evolution. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods.

The **discount rates** used correspond to the weighted average cost of capital, which is adjusted in order to reflect the business, market, country and currency risk relating to each goodwill CGU reviewed. The discount rates used are consistent with available external information sources..

The **growth rates** associated with the terminal values do not exceed the inflation rate or the long-term average growth rate for the market to which the CGU is dedicated.

More details are provided below by CGU.

Acquisition of Elia Asset and Elia Engineering

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

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

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

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

Future cash flows and future dividends are based on a business plan for the period 2021-2030. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around 1) a fair remuneration of the regulated asset base and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulated asset base consistent with market expectations, the estimated regulated asset base for the last forecast year can be considered an indication of the terminal value. This approach does not take account of potential cash flows generated by meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, the most important are outlined below.

1. Discounting of future cash flows (DCF-models):
   - Discount rate:
     - Cost of Equity of 6.9%;
       - Risk-free-rate: 0.0%
       - Beta 0.83
       - Equity market risk premium 5.5%
       - Country risk premium 0.6%
       - Small firm premium 1.8%
     - Pre-tax Cost of Debt of 1.4%;
     - Corporate tax rate of 25%;
     - Target gearing (D/(D+E)): 60%;
     - Post-tax WACC: 3.4%.
   - Terminal value based on two variants:
     - Terminal value based on a 1.17x RAB multiple in 2030

     NB: as such, the RAB itself does not take into account the contribution that the incentive remuneration makes to the value creation process.
     - Terminal value based on a perpetual growth rate of 1.5% reflecting the long-term inflation expectation reported by the International Monetary Fund (IMF).

2. Discounting of future dividends (DDM-models):
   - Discount rate:
     - Cost of Equity of 6.9%
   - Terminal value based on two variants:
     - Terminal value based on 1.17x RAB multiple in 2030.

     NB: as such, the RAB itself does not take account of the contribution of the incentive remuneration to the value creation process.
     - Terminal value based on a perpetual growth rate of 1.5%. This approach assumes that the residual value consists of profit after tax less investments and considers net borrowings (in relation to the investments). However, profit and thus dividend payments in FY30 most likely does not yet reflect the (positive) impact of the investments planned in FY25-FY30.

Conclusion:

- Neither the independent analysis, which was based on a (€3,004 million) midpoint of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2021. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

- As the median and the average of the different methods presented above were relatively far apart (€2.335 million and €3.674 million respectively), mainly due to differences in assumptions for the terminal value, the expert's mid-point is based on 75% of the median and 25% of the average, bearing in mind, among other factors, that the median alone might not appropriately reflect the impact of incentive remuneration on the terminal value (see above for more details).

- Given the regulated nature of the businesses grouped within the CGU, a reasonable change in any of the valuation inputs would not result in impairment losses.

Acquisition of Eurogrid International

- In April 2018, the acquisition of an extra 20% stake in Eurogrid International by the group for €988.7 million resulted in a goodwill of €703.4 million, being the difference between the acquisition value of this stake and the proportional carrying amount of its assets. The goodwill resulting from the additional 20% stake in Eurogrid International was allocated to the CGU 50Hertz Transmission, since it comprises all income and expenses generated thereof.

- The impairment test was conducted by an independent expert. This impairment test is based on two main valuation methods, 1) a discounted cash flows (DCF) method and 2) a dividend discount model (DDM). Both of these are further detached in valuation variants depending on the terminal value calculation. Future cash flows and future dividends are based on a business plan for the period 2021-2031 (two regulatory periods). As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the next two regulatory periods.

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

1. Discounting of future cash flows (DCF-models):
   - Discount rate:
     - Cost of Equity: 6.3%;
       - Risk-free-rate: 0.0%
       - Beta 0.83
       - Equity market risk premium 5.5%
       - Country risk premium 0.0%
       - Small firm premium 1.8%
     - Pre-tax Cost of Debt: 1.4%;
     - Corporate tax rate: 30%;
     - Target gearing (D/(D+E)): 60%;
     - WACC: 3.1%.
   - Terminal value based on three variants:
     - Terminal value based on a 1.17x RAB multiple in 2031;
     - Terminal value based on a value driver approach, assuming any new CAPEX after 2031 will generate a return equal to the WACC of 3.1%;
     - Terminal value based on a perpetual growth rate of 1.5%.

2. Discounting of future dividends (DDM-models):
   - Discount rate:
     - Cost of Equity: 6.3%
   - Terminal value based on two variants:
     - Terminal value based on 1.17x RAB multiple in 2031;
     - Terminal value based on a perpetual growth rate of 1.5%.

Conclusion:

- Neither the independent analysis, which was based on a (€2,682 million) midpoint of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2021. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

- The median of the different methods presented above were relatively close (€2,682 million and €2,946 million respectively), as the assumptions for the terminal value were similar. Neither the independent analysis based on a median of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2021.

- Given the regulated nature of the businesses grouped within the CGU, a reasonable change in any of the valuation inputs would not result in impairment losses.

6.4. Equity-accounted investees

The movements in the equity-accounted investees are summarised as follows:

(in € million)	2021	2020
Equity accounted investees (opening balance)	**323.1**	**342.8**
Profit for the year	49.4	9.2
Dividends received by the Group	(30.9)	(13.7)
Capital repayment of equity accounted investee	(30.5)	(15.3)
Investment in equity accounted investee		0.4
Sale of equity accounted investee	(1.5)	(0.5)
Equity accounted investees (closing balance)	**309.6**	**323.1**
Of which joint ventures	*292.1*	*304.6*
Of which associates	*17.5*	*18.5*

Details are given in the subchapters below.

6.4.1. Joint ventures

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

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

In 2021, Nemo Link Ltd reduced its share capital by €61.0 million. In addition to these capital reduction rounds, dividends totalling €58.0 million were paid out to its shareholders.
The following table summarises the financial information of the joint venture, based on its IFRS financial statements and reconciliation with the carrying amount for the group's interest in the consolidated financial statements.

(in € million)	2021	2020
Percentage ownership interest	**50.0%**	**50.0%**
Non-current assets	617.4	643.3
Current assets	19.5	27.5
Non-current liabilities	41.0	42.3
Current liabilities	11.6	19.2
Equity	584.2	609.2
Group's carrying amount for the interest	**292.1**	**304.6**
Revenues and other income	151.1	69.2
Total depreciation and amortisation	(27.0)	(27.0)
Other operating expenses	(7.7)	(14.5)
Net finance costs	(1.0)	(0.2)
Profit before income tax	115.3	27.5
Income tax expense	(21.2)	(12.7)
Profit for the year	94.0	14.7
Total comprehensive income for the year	94.0	14.7
Group's share of profit for the year	**47.0**	**7.4**
Dividends received by the Group	29.0	12.0

6.4.2. Associates

As of 31 December 2021, the group has 2 associates, both being equity-accounted investees.

- The group has a 22.2% stake in Coreso SA/NV. Coreso SA/NV is a company that provides coordination services aimed at facilitating the secure operation of the high-voltage grid in several European countries.

- The group holds a 17.0% stake in HGRT SAS. HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. As one of the founding partners of HGRT, the group has a 'golden share', giving it a minimum number of representatives on HGRT's Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method. In 2021, the group received a dividend of €1.9 million from HGRT (€1.7 million in 2020).

None of these companies are listed on any public exchange.

The following scope changes are to be reported:

- The investment in Enervalis NV (16,5%), a start-up that develops innovative software for smart control of energy sources, was sold in April 2021 resulting in a gain of €0.15 million
- In August 2020, the group sold its 20.5% stake in Ampacimon SA, a Belgian company working on developing innovative monitoring systems for TSOs and DSOs.

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

(in € million)	Enervalis 2020	Ampacimon 2020	Coreso 2020	HGRT 2020
Percentage ownership interest	**16.5%**		**22.2%**	**17.0%**
Non-current assets			9.0	94.3
Current assets	9.1		4.4	1.0
Non-current liabilities			0.0	0.0
Current liabilities			9.7	0.0
Equity	9.1		3.7	95.3
Group's carrying amount for the interest	**1.5**		**0.8**	**16.2**
Revenue			20.1	0.0
Other operating expenses			(19.2)	11.1
Profit before income tax		(0.5)	0.9	11.1
Income tax expense			(0.3)	(0.1)
Profit for the year		(0.5)	0.6	11.0
Total comprehensive income for the year		(0.5)	0.6	11.0
Group's share of profit for the year		**(0.1)**	**0.1**	**1.9**
Dividends received by the Group				1.7

(in € million)	Coreso 2021	HGRT 2021
Percentage ownership interest	**22.2%**	**17.0%**
Non-current assets	8.2	96.5
Current assets	4.5	0.8
Current liabilities	8.2	0.0
Equity	4.5	97.3
Group's carrying amount for the interest	**1.0**	**16.5**
Revenue	25.7	0.0
Other operating expenses	(24.6)	13.2
Profit before income tax	1.1	13.2
Income tax expense	(0.4)	(0.1)
Profit for the year	0.7	13.1
Total comprehensive income for the year	0.7	13.1
Group's share of profit for the year	**0.2**	**2.2**
Dividends received by the Group		1.9

6.5. Other financial assets

(in € million)	2021	2020
Immediately claimable deposits	*7.0*	*7.0*
Reimbursement rights	*46.2*	*53.8*
Other shareholdings	*43.8*	*43.8*
Non-current derivatives	*39.4*	*0.0*
Other financial assets (non-current)	**136.3**	**104.5**
Current derivatives	*316.2*	*0.0*
Other financial assets (current)	**316.2**	**0.0**
Provisions for risks liabilities and charges	**452.5**	**104.5**

The total other financial assets increased by €348.0 million compared with the previous year. In 2021, 50Hertz began applying hedge accounting on future contracts for grid losses. The fair value of these derivatives is dependent on the energy prices which knew a strong increase at year end. This change in accounting policy resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021, including €39.4 million classified in long-term and €316 million classified in short-term. See Note 8.1 for more info on these derivatives.

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

The reimbursement rights are linked to the obligations regarding (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan) and for (ii) health plan and reduced energy pricing plans for retired staff members. See Note 6.13: 'Employee benefits'. The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for 'Scheme B' retired employees and the costs linked to healthcare and reduced energy pricing plans for retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The increase in the carrying value of this asset is disclosed in Note 6.13: 'Employee benefits'. Considering the nature (regulatory asset) of these financial assets, they are not considered to be at risk of impairment.

The group holds 5.3% (at 100%) of the shares in European Energy Exchange (EEX), Leipzig, Germany, of a total value of €42.7 million as of the reporting date. These shares are disclosed under Other shareholdings in addition to an 8.0% (at 100%) shareholding in JAO Joint Allocation Office SA, a 6.7% (at 100%) shareholding in TSCNET Services GmbH (Munich, Germany) and a 10.4% (at 100%) shareholding in the foundation Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters foundation (Berlin, Germany). Other investments are measured at fair value. At each reporting date, a re-measurement is performed to re-evaluate these investments. Any deviation from the previous period is recorded under other comprehensive income.

6.6. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in € million)	2021		2020	
	Assets	Liability	Assets	Liability
Property, plant and equipment	25.2	(245.8)	4.3	(215.0)
Intangible assets		(15.4)	0.0	(6.3)
Non-current trade and other receivables	1.3	(0.0)	1.1	(0.3)
Interest-bearing loans and other non-current financial liabilities	41.8	(5.6)	33.5	(6.0)
Employee benefits	26.7	(11.8)	32.5	(13.5)
Provisions	30.2		46.8	
Deferred revenue	25.9	(1.5)	24.5	(2.0)
Regulatory liabilities	22.3		22.7	
Deferred tax on investment grants		(1.0)		(1.0)
Losses carried forward	14.0		0.8	
Other items	0.7	(8.9)	1.0	(7.4)
Tax asset/liability before offsetting	**188.1**	**(395.8)**	**167.0**	**(251.5)**
Offsetting of tax	(186.2)	186.2	(162.0)	162.0
Net tax asset/(liability)	**1.9**	**(209.7)**	**5.0**	**(89.5)**

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

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

(in € million)	Net tax asset/(liability)	Recognised in income statement	Recognised in comprehensive income	Other	Total
2020					
Property, plant and equipment	(208.4)	(2.2)			(210.6)
Intangible assets	(8.6)	2.3			(6.3)
Non-current trade and other receivables	1.2	(0.4)			0.8
Interest-bearing loans and other non-current financial liabilities	22.1	(2.8)	(1.4)	9.6	27.6
Employee benefits	16.3	0.5	2.2		19.0
Provisions	47.4	(0.6)			46.8
Deferred revenue	29.3	3.0		(9.9)	22.5
Regulatory liabilities	25.3	(2.7)			22.6
Deferred tax on investment grants	(1.1)	0.0			(1.1)
Losses carried forward	0.4	0.4			0.8
Other items	(7.2)	0.4		0.3	(6.5)
Total	**(83.3)**	**(2.0)**	**0.9**		**(84.5)**

2021				
Property, plant and equipment	(210.6)	(10.4)		(221.0)
Intangible assets	(6.3)	(9.1)		(15.4)
Financial assets			(105.7)	(105.7)
Non-current trade and other receivables	0.8	0.3		1.1
Interest-bearing loans and other non-current financial liabilities	27.6	18.9	(0.2)	46.3
Employee benefits	19.0	2.9	(7.0)	14.9
Provisions	46.8	(2.2)		44.6
Deferred revenue	22.5	(7.8)		14.6
Regulatory liabilities	22.6	(0.4)		22.2
Deferred tax on investment grants	(1.1)		0.1	(1.0)
Losses carried forward	0.8	0.2		1.0
Other items	(6.5)	(2.8)		(9.3)
Total	**(84.5)**	**(10.5)**	**(112.8)**	**(207.8)**

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

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2021, there is an unrecognised deferred tax asset of €12.3 million and €2.7 million relating to non-deductible interests carried forward (Corporate Interest Restriction rule) and Dividend Received Deduction carried forward at Elia Group SA/NV level, respectively.

EGI SA/NV has also an unrecognised deferred tax asset of €0.1 million and €0.5 million relating to losses carried forward and Dividend Received Deduction carried forward, respectively.

There is also an unrecognised deferred tax asset of €0.1 million Dividend Received Deduction carried forward at Eurogrid International SA/NV level.

These unused tax losses carried forward, Dividend Received Deduction carried forward and non-deductible interests carried forward (Corporate Interest Restriction rule) have no expiry date. An assessment is conducted each year to determine the probability that these fiscal deductions could be used in the future to lower the tax base.

6.7. Inventories

(in € million)	2021	2020
Raw materials and consumables	35.6	34.6
Work in progress	1.9	19.8
Write-downs	(15.9)	(15.4)
Total	**21.6**	**39.0**

The warehouse primarily stores replacement and spare parts for maintenance and repair work along the group's high-voltage substations, overhead lines and underground cables. It also consists of work-in-progress balances. These work-in-progress balances decreased by €17.8 million with the final commissioning of the Altdöbern substation at Elia Grid International GmbH. Other inventories increased slightly by €0.9 million.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2020.

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

(in € million)	2021	2020
Contract assets	2.9	9.5
Trade receivables	716.5	435.2
Advance payments	1.0	3.5
Levies	36.6	948.8
VAT and other taxes	79.1	44.3
Other	25.1	34.1
Trade and other receivables	**861.3**	**1,475.4**
Deferred charges	18.1	13.7
Deferred charges and accrued revenues	**18.1**	**13.7**
Total	**879.4**	**1,489.1**

The total current trade and other receivables, deferred charges and accrued revenues decreased by €609.7 million compared with the previous year. This is mainly explained by the significant variation observed in the levies (-€912.2 million), partly offset by an increase of trade receivables (€283.1 million).

Contract assets are mainly related to EGI's business and transmission system operations. The position decreased from €9.5 million in the previous year to €2.9 million at year-end.

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days. The increase is driven by both Belgian and German segments against a background of high activity and a significant increase in energy prices.

The decrease in the levies is mainly attributable to Germany, where the EEG deficit was settled in January 2021 with three federal compensation payments to pay back the revolving credit facilities that were temporarily contracted to finance the EEG deficit at the end of 2020. Only the offshore contribution was in a receivable position (€20.9 million) at year end in 2021 in Germany (booked within 'Other'). In Belgium the levies decreased from €144.3 million to €36.6 million due to lower volumes of purchased green certificates.

'Other receivables' mainly relate to other regulatory assets of the German segments.

The group's exposure to credit and currency risks, and impairment losses related to trade receivables are shown in Note 8.1.

At 31 December, the ageing analysis of trade receivables is as follows:

(in € million)	2021	2020
Not past due	687.4	409.1
Past due 0-30 days	15.1	22.3
Past due 31-60 days	2.4	0.3
Past due 61 days - one year	11.1	2.8
Past due one year - two years	2.1	2.0
Total (excl. impairment)	**718.1**	**436.6**
Doubtful amounts	201.4	201.6
Amounts write-offs	(200.8)	(201.0)
Allowance for expected credit losses	(2.1)	(1.9)
Total	**716.5**	**435.2**

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

Considering the nature (as regulatory assets) and/or the risk profile of the counterparties (Belgian/German state) of the most significant other receivables, they are not subject to impairment risk and no specific provision is recorded in relation to these amounts.

6.9. Current tax assets and liabilities

(in € million)	2021	2020
Tax receivables	10.1	3.4
Tax liabilities	(26.8)	(13.6)
Net tax asset/(liability)	**(16.7)**	**(10.2)**

Tax receivables increased compared with the previous year. The €10.1 million income tax receivables recorded on 31 December 2021 mainly relates to advances on corporate tax to be recovered in the financial year 2022. Income tax liabilities increased from €13.6 million to €26.8 million in 2021.

6.10. Cash and cash equivalents

(in € million)	2021	2020
Short-term deposits	2,486.2	222.0
Balance at bank	563.2	368.1
Total	**3,049.5**	**590.1**

Cash and cash equivalents have increased by €2,459.3 million. This increase was mainly due a higher contribution of 50Hz Transmission (Germany) explained by a significant change in EEG, KWK and StromNEV (levies) position, from a €737.2 million receivable to a €2,132,1 million payable position.

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

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

The cash and cash equivalents disclosed above and in the statement of cash flows include €34.7 million held by Elia RE of which €1.0 million is restricted in use.

6.11. Shareholders' equity

6.11.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2021	2020
Outstanding on 1 January	68,720,695	68,652,938
Issued against cash payment	7,360	67,757
Number of issued shares at the end of the year	**68,728,055**	**68,720,695**
Number of treasury shares at the end of the year	7,248	0
Number of outstanding shares at the end of the year	**68,720,807**	**68,720,695**

The extraordinary shareholder' meeting held on 19 May 2020 decided to execute a capital increase in two steps/periods (one in 2020 for a maximum of €5.0 million and the other in 2021 for a maximum of €1.0 million), for a total maximum amount of €6.0 million for its Belgian employees. The first tranche of this capital increase for employees took place in December 2020. The transaction resulted in the creation of 67,757 new shares for a total amount of €5.0 million, consisting of €1.7 million capital increase and a €3.3 million increase in share premium.

The second tranche of the 2020 capital increase for Elia employees was completed in March 2021. The capital increase resulted in the creation of 7,360 additional shares without nominal value for a total amount of 0.2 million capital increase and a €0.4 million increase in share premium.

RESERVES

In line with Belgian legislation, 5% of the Company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital. As at 31 December 2021 the Group's legal reserve amounts to €173.0 million and represents 10% of the capital.

The Board of Directors can propose the pay-out of a dividend to shareholders up to a maximum of the available reserves plus the profit carried forward from the Company's previous financial years, including the profit for the financial year ending on 31 December 2021. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments with regard to hedged transactions that have not yet occurred.

The increase in 2021 is explained by a change in accounting policy. As of 2021, hedge accounting is applied to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. This change, taking place against a background of high energy prices, resulted in the recognition of the fair value of these contracts for a gross amount of €355.6 million at the end of 2021. Considering a deferred tax effect, a hedge reserve amounting to €249.9 million was recorded in other comprehensive income. However, as the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current or future profitability of the company.

TREASURY SHARES

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the group. On 31 December 2021, the group held 7.248 of the Company's shares.

Number of treasury shares	2021	2020
On 1 January	0.0	
Repurchased during the year	270,331	
Sold during the year	-263,083	
Number of treasury shares at the end of the year	**7,248**	**0.0**

SHARE-BASED PAYMENTS

At 31 May 2021, Eurogrid International SA/NV has granted 1,640 stock options to employees of RealTo BV/SRL and RealTo GmbH at a strike price of €100 per stock option at exercise date 31 March 2024. In total, 1,620 stock options have been accepted, worth €1,0 million. The share-based payments cost amounted to €0.2 million in 2021. As the stock option plan concerns shares in RealTo BV/SRL and the parent company Elia Group SA/NV, the share-based payments are not presented separately in the statement of equity.

DIVIDEND

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

Dividend (in €)	2021	2020
Per ordinary share entitled to dividend	1.75	1.71

It was proposed and approved, at the Shareholders' Meeting convened to approve the Elia Group SA/NV financial statements for the year ended 31 December 2020 to pay a dividend of €1.71 per share, representing a total payout of €117.5 million.

The Board of Directors meeting on 24 March 2022 proposed a gross dividend of €1.75 per share in respect of 2021. This dividend is subject to approval by shareholders at the Annual General Meeting on 17 May 2022 and is not included as a liability in the Group's consolidated financial statements.

The total dividend, calculated based on the number of shares outstanding on 24 March 2022 corresponds to a total of €120.3 million.

6.11.2. Hybrid securities

In September 2018, the group issued hybrid securities to finance the additional 20% stake in 50Hertz Transmission (Germany). The issue resulted in a €700 million increase in the group's equity.

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the group's discretion annually on 5 December of each year, with the first payment on 5 December 2019. As at 31 December 2021, the unpaid cumulative dividend amounted to €1.4 million. (2020: €1.4 million). A coupon of €19.3 million was paid to the holders of hybrid securities in December 2021.

The hybrid securities have an initial call date in December 2023 with a reset every five years thereafter.

The hybrid securities are structured as perpetual instruments, have junior ranking to all senior debt and are recorded as equity in the group's accounts pursuant to IFRS.

6.12. Interest-bearing loans, borrowings and lease liabilities

(in € million)	2021	2020
Non-current borrowings	7,658.2	7,177.2
Lease liabilities − non-current	83.7	72.4
Subtotal non-current borrowings	**7,741.7**	**7,249.6**
Current borrowings	82.3	722.7
Lease liabilities − current	35.1	11.8
Accrued interest	76.4	71.0
Subtotal current loans and borrowings	**194.0**	**805.5**
Total	**7,935.7**	**8,055.1**

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

(in € million)	Current interst-bearing loans and borrowings	Non-current interst-bearing loans and borrowings	Total
Balance at 1 January 2020	1,119.2	5,378.9	6,498.1
Cash flow: repayment of borrowings	(1,073.0)	(246.5)	(1,319.5)
Cash flow: proceeds from withdrawal borrowings	725.0	2,149.5	2,874.5
Accrued interest	8.2	0.0	8.2
Other	26.1	(32.3)	(6.2)
Balance at 31 December 2020	**805.5**	**7,249.6**	**8,055.1**
Balance at 1 January 2021	805.5	7,249.6	8,055.1
Cash flow: repayment of borrowings	(722.3)	(15.4)	(737.7)
Cash flow: proceeds from withdrawal borrowings	60.0	498.0	558.0
Accrued interest	5.4		5.4
Other	45.4	9.5	54.9
Balance at 31 December 2021	**193.9**	**7,741.7**	**7,935.7**

During the year, the group (Eurogrid GmbH) paid back the revolving credit facilities (€700 million) that were temporarily contracted to finance the EEG deficit at the end of 2020.

Elia Group has issued an Eurobond of €500.0 million with maturity date 2033 and an interest rate of 0.88% respectively. The group also issued commercial papers for total amount of €60.0 million with maturity date 2022 and an interest rate of -0.15% under its commercial paper program of €300.0 million.

Movements in 'Other' in the financial year 2021 mainly relates to reclassifications of long-term debt to short-term debt based on when instruments become due in 2022.

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

(in € million)	Maturity	Redemption schedule	Amount	Interest rate
Eurobond issues 2013/15 years	2028	At maturity	547.7	3.25%
Eurobond issues 2013/20 years	2033	At maturity	199.2	3.50%
Eurobond issues 2014/15 years	2029	At maturity	347.2	3.00%
Eurobond issues 2015/8.5 years	2024	At maturity	499.1	1.38%
Eurobond issues 2017/10 years	2027	At maturity	248.2	1.38%
Senior bond 2018/10 years	2028	At maturity	297.9	1.50%
Eurobond issues 2019/7 years	2026	At maturity	498.6	1.38%
Eurobond issues 2020/10 years	2030	At maturity	789.7	0.88%
Amortising term loan	2033	Linear	181.7	1.80%
Amortising bond - 7,7 years	2028	Linear	58.7	1.56%
Amortising bond - 23,7 years	2044	Linear	132.3	1.56%
European Investment Bank	2025	At maturity	100.0	1.08%
Commercial Paper	2022	At maturity	60.0	-0.15%
Bond as part of Debt Issuance Programme 2015	2025	At maturity	498.6	1.88%
Bond as part of Debt Issuance Programme 2015	2023	At maturity	749.4	1.63%
Bond as part of Debt Issuance Programme 2015	2030	At maturity	139.3	2.63%
Bond as part of Debt Issuance Programme 2016	2028	At maturity	747.7	1.50%
Bond as part of Debt Issuance Programme 2020	2032	At maturity	747.4	1.11%
Bond as part of Debt Issuance Programme 2020	2040	At maturity	199.4	0.88%
Bond as part of Debt Issuance Programme 2021	2033	At maturity	498.1	0.88%
Registered bond 2014	2044	At maturity	50.0	3.00%
Loan with KfW	2026	At maturity	150.0	0.90%
Total			**7,740.5**	
Lease debts			118.8	
Accrued interests			76.4	
Total Loans and Borrowings (Current and Non-current)			**7,935.7**	

6.13. Employee benefits

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

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

(in € million)	2021			2020		
	Belgium	Germany	Total	Belgium	Germany	Total
Defined benefit plans	28.6	34.0	62.6	17.9	32.9	50.8
Post-employment benefits other than pensions	36.2	7.9	44.0	73.9	7.3	81.2
Total provisions for employee benefits	**64.8**	**41.8**	**106.6**	**91.8**	**40.2**	**132.0**

Of the €106.6 million in employee benefit provisions recognised at the end of financial year 2021, €104.9 million is presented in the long term and €1.7 million in the short term (see Note 6.14).

BELGIUM

DEFINED-CONTRIBUTION PLANS

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

- The Enerbel plan is a plan for salaried employees hired after 1 June 2002, to which the employee and the employer contribute based on predefined formula.
- The Powerbel plan is a plan for managers hired after 1 May 1999. The contributions of the employee and employer are based on a fixed percentage of the employee’s salary.

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

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

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

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

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

DEFINED-BENEFIT PLANS

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

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

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

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

OTHER PERSONNEL OBLIGATIONS

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

GERMANY

DEFINED CONTRIBUTION PLANS

In the case of externally financed defined contribution plans, 50Hertz Transmission (Germany)'s obligation is limited to paying the agreed contributions. For those defined contribution plans recognised in the form of direct guarantees, there are pledged congruent employer's liability insurance policies in place.

- Pension obligations for executives (agreement with staff representatives from 2003 onwards): individual contractual pension obligations based on an agreement with representatives;
- Pension obligations for executives (agreement with staff representatives from 19 August 2008 onwards): individual contractual pension obligations relating to a company pension plan with the Vattenfall Europe Group;
- Collective bargaining agreement on the company pension scheme: obligations based on the collective bargaining agreement on 50Hertz Transmission's company pension scheme, concluded on 28 November 2007
- Direct insurance: direct insurance policies for all former employees who worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers;
- Individual commitments: individual commitments which are financed exclusively by external pension funds (welfare fund and pension fund).

DEFINED-BENEFIT PLANS

Defined-benefit plans entitle employees to make direct pension claims against 50Hertz Transmission. Provisions for these are recognised in the statement of financial position. If plan assets are created for the sole purpose of fulfilling pension obligations, the amount is offset against the present value of the obligation. The following defined-benefit plans exist in Germany:

- Group works agreement on the company pension scheme

In accordance with the group works agreement on the company pension scheme, employees are granted a company pension plan on the basis of a defined-contribution plan (effective 1 January 2007). This agreement applies to all employees within the meaning of Sec. 5 (1) of the German Work Constitution Act (BetrVG) and came into effect at the Company on 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits upon reaching the statutory retirement age, upon taking early retirement from statutory pension insurance, and in the event of occupational disability for death. Current pension benefits are increased by 1% p.a., so the scheme is classified as a defined-benefit plan.

- TVV Energie

This pension plan relates to direct guarantees resulting from a collective bargaining agreement concluded on 16 October 1992. It was closed to new hires on 1 January 1993. This contribution plan applies to employees who worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits were allocated to Vattenfall Europe Transmission GmbH (now 50Hertz Transmission GmbH). The scheme covers pension obligations, based on years of service and remuneration level and grants retirement and disability pensions, but no pension for surviving dependants. It is not possible to index current post-employment benefits falling due for the first time after 1 January 1993.

OTHER PERSONNEL OBLIGATIONS

50Hertz Transmission also has following obligations, which are listed under 'Other personnel obligations':

- Obligations for long-service benefits;
- Obligations from German phased retirement schemes;
- Obligations for working lifetime accounts.

Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

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

(in € million)	Pensions		Other	
	2021	2020	2021	2020
Present value of funded defined-benefit obligation	(298.9)	(292.3)	(100.1)	(110.8)
Fair value of plan assets	236.3	241.4	56.1	29.6
Net employee benefit liability	**(62.6)**	**(50.8)**	**(44.0)**	**(81.2)**

The net employee benefit liability decreased in total by €25.4 million, of which €27.0 million on Belgian level partly offset by €1.6 million increase on German level.

In Belgium, the impact is mainly explained by the decrease in discount rate compared with 2020 and the higher return on plan assets.

In Germany, despite the decrease in the discount rate, the net variation is an increase mainly due to the continuing increase in full time equivalents for which employee benefits are to be paid.

Movement in the present value of the defined benefit obligation	Pensions		Other	
(in € million)	2021	2020	2021	2020
At the beginning of the period	**(292.3)**	**(278.1)**	**(110.8)**	**(98.5)**
Current service cost	(15.2)	(12.8)	(10.4)	(8.0)
Interest cost/income	(1.7)	(2.1)	(0.6)	(1.0)
Contributions from plan participants	(0.9)	(1.2)	0.0	0.0
Including remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
1) Changes in demographic assumptions	0.0	(1.1)	0.0	(1.1)
2) Changes in financial assumptions	17.7	(10.7)	3.7	(3.8)
3) Changes from experience adjustments	(5.3)	5.1	(0.3)	(0.9)
Past service cost	0.1	0.0	0.0	(6.3)
Payments from the plan	16.8	14.7	2.8	2.7
Transfers	(18.2)	(6.1)	15.5	6.1
At the end of the period	**(298.9)**	**(292.3)**	**(100.1)**	**(110.8)**

Movement in the fair value of the plan assets	Pensions		Other	
(in € million)	2021	2020	2021	2020
At the beginning of the period	**241.4**	**231.0**	**29.6**	**25.9**
Interest income	1.0	1.7	0.1	0.0
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	12.0	(0.1)	3.7	2.5
Contributions from employer	10.2	19.2	9.7	6.4
Contributions from plan participants	0.9	1.2	0.0	0.0
Transfers	(13.1)	2.6	15.8	(2.6)
Benefit payments	(16.2)	(14.1)	(2.7)	(2.7)
At the end of the period	**236.3**	**241.4**	**56.1**	**29.6**

Amounts recognised in comprehensive income	**Pensions**		**Other**	
(in € million)	**2021**	**2020**	**2021**	**2020**
Service cost				
Current service cost	(15.2)	(12.8)	(4.1)	(4.1)
Past service cost	0.1	0.0	0.0	(6.3)
Settlements	0.6	0.6	0.1	0.0
Net interest on the net defined-benefit liability/(asset)	**(0.7)**	**(0.4)**	**(0.5)**	**(1.0)**
Interest cost on defined-benefit obligation	(1.7)	(2.1)	(0.6)	(1.0)
Interest income on plan assets	1.0	1.7	0.1	0.0
Other	**(0.0)**	**(0.0)**	**0.3**	**2.1**
Defined-benefit costs recognised in profit or loss	**(15.1)**	**(12.6)**	**(4.2)**	**(9.2)**
Actuarial gains(/losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	(1.1)	0.0	(0.8)
2) Changes in financial assumptions	17.7	(10.7)	3.1	(3.4)
3) Changes from experience adjustments	(5.3)	5.1	(0.1)	(1.2)
Return on plan assets (excluding interest income on plan assets)	12.0	(0.1)	3.7	(0.1)
Remeasurements of net defined benefit (liability)/asset recognised in other comprehensive income (OCI)	**24.5**	**(6.8)**	**6.6**	**(5.5)**
Total	**9.4**	**(19.4)**	**2.4**	**(14.7)**

Considering the actuarial gains or losses recognized in other comprehensive income for the reimbursement rights (€3.8 million for 2021 - see hereafter), the net impact of the remeasurement of post employments benefit obligations amounts to €27.4 million.

(in € million)	**2021**	**2020**
Breakdown of defined-benefit obligation by type of plan participants	**(399.0)**	**(403.1)**
Active plan participants	(314.9)	(311.3)
Terminated plan participants with def.-benefit entitlements	(24.8)	(21.6)
Retired plan participants and beneficiaries	(59.3)	(70.2)
Breakdown of defined-benefit obligation by type of benefits	**(399.0)**	**(403.1)**
Retirement and death benefits	(288.2)	(299.5)
Other post-employment benefits	(57.3)	(87.3)
Seniority payments	(53.6)	(16.2)

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

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

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

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

Exceptional events (such as modification of the plan, change of assumptions and overly short coverage terms) can eventually lead to outstanding payments from the sponsor.

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

Investment risk

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

(in € million)	2021	2020
Investments quoted in an active market	**71.02%**	**72.53%**
Shares - Eurozone	13.99%	13.99%
Shares - outside Eurozone	17.98%	18.36%
Government bonds - Eurozone	1.31%	1.26%
Other bonds - Eurozone	24.85%	25.78%
Other bonds - outside Eurozone	12.89%	13.14%
Unquoted investments	**28.98%**	**27.47%**
Qualifying insurance contracts	10.91%	9.41%
Property	2.50%	2.41%
Cash and cash equivalents	2.82%	2.73%
Other	12.76%	12.92%
Total (in %)	**100.00%**	**100.00%**

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

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's assets, of which approximately 95% is now invested in pension funds with an expected return of 3.12%.

Longevity risk

The present value of the defined benefit plan liability is calculated based on the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE are used in Belgium and the 2018 Heubeck tables are uesed in Germany.

Salary risk

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

ACTUARIAL ASSUMPTIONS

(in % and years)	Belgium		Germany	
	2021	**2020**	**2021**	**2020**
Discount rate				
- Pensions - defined benefit plans and cash balance - best off plans	0.83%	0.36%	1.26%	0.97%
- Pensions - defined contribution plans	1.12%	0.66%	-	-
- Other	1.14%	0.70%	1.26%	0.97%
Expected average salary increase (excluding inflation)	1.00%	1.00%	2.15%	2.00%
Expected inflation	1.75%	1.75%	2.00%	2.00%
Expected increase in health benefits (including inflation)	2.75%	2.75%	2.25%	2.25%
Expected increase in tariff advantages	1.75%	1.75%	-	-
Average assumed retirement age				
- Employee	63	63	65	65
- Manager	65	65	65	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*				
Life expectancy for a 65 year old male	19.9	19.9	20.5	20.4
Life expectancy for a 65 year old female	23.6	23.6	24.0	23.9

**Mortality tables used: IABE in Belgium, 2018 Heubeck in Germany*

(in years)	Belgium		Germany	
	2021	**2020**	**2021**	**2020**
Weighted average duration of the defined benefit obligation	8.5	8.8	28.7	28.5
Weighted average duration of the defined contribution plans	9.7	9.7	n.r.	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.2	13.4	14.0	13.8

In Germany, the liability of the defined contribution plans is completely covered by the plan assets. Therefore, no weighted average duration is necessary and thus not calculated.

The actual return on plan assets in percentage terms for 2021 was in the range of 2.7% to 12.0% (compared with a range of 0.9% to 2.8% in 2020).

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

Future expected cash outflows	< 12 months	1-5 years	6 - 10 years
Pensions	(4.0)	(17.7)	(21.3)
Other	(2.0)	(9.0)	(10.6)
Total (in € million)	**(6.0)**	**(26.7)**	**(31.9)**

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

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

SENSITIVITY ANALYSIS

Effect on defined benefit obligation (in € million)	Belgium Increase (+) / Decrease (-)	Germany Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	20.1	7.0
Average salary increase - excl. inflation (0.5% movement)	(9.7)	(2.8)
Inflation (0.25% movement)	(5.9)	(0.4)
Increase of healthcare care benefits (1.0% movement)	(0.6)	n.r.
Life expectancy of pensions (1 year)	(3.4)	(1.6)

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.5, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The change in reimbursement rights is presented below:

Movement in the present value of the reimbursement rights	Pensions		Other	
(in € million)	2021	2020	2021	2020
At the beginning of the period	**(22.6)**	**(23.1)**	**(31.2)**	**(30.0)**
Current service costs				
Interest cost/income	(0.1)	(0.1)	(0.2)	(0.3)
Actuarial gains(/losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	0.7	(0.5)	2.2	(1.8)
3) Changes from experience adjustments	0.4	(1.6)	0.5	(0.2)
Payments from the plan	2.5	2.8	1.6	1.1
At the end of the period	**(19.0)**	**(22.6)**	**(27.2)**	**(31.2)**

The sum of ‘Pensions’ (€19.0 million) and ‘Other’ (€27.2 million) reimbursement rights amounted to €46.2 million in 2021 (2020: € 53.8 million), which reconciles with the reimbursement rights listed in Note 6.5.

6.14. Provisions

(in € million)	Environment	Elia Re	Easement provision	Dismantling Obligations	Employee benefits	Other	Total
Balance at 1 January 2020	12.0	3.3	6.0	108.2	1.5	7.0	137.9
Increase	1.4	6.8	0.0	7.6	0.5	2.4	18.7
Reversals	(1.0)	(2.7)	(5.9)	(1.4)	0.0	(3.0)	(14.0)
Utilisation	(0.9)	(2.0)	(0.1)	0.0	(0.0)	(0.8)	(3.8)
Discounting of provisions	0.0	0.0	0.0	1.8	0.0	0.0	1.8
Balance at 31 December 2020	**11.5**	**5.4**	**(0.0)**	**116.3**	**1.9**	**5.6**	**140.7**
Long-term portion	9.3	5.4	0.0	116.3	0.0	2.4	133.3
Short-term portion	2.2	0.0	0.0	0.0	1.9	3.3	7.4
Balance at 1 January 2021	11.5	5.4	(0.0)	116.3	1.9	5.6	140.7
Increase	0.3	1.0	0.0	2.1	(0.1)	1.9	5.2
Reversals	(0.4)	(2.0)	0.0	(9.6)	0.0	(0.8)	(12.9)
Utilisation	(0.1)	(0.4)	0.0	0.0	(0.1)	(0.7)	(1.2)
Discounting of provisions	(0.0)	0.0	0.0	1.4	0.0	0.0	1.4
Balance at 31 December 2021	**11.2**	**4.1**	**(0.0)**	**110.1**	**1.7**	**6.1**	**133.2**
Long-term portion	9.1	4.1	0.0	110.1	0.0	2.2	125.6
Short-term portion	2.1	0.0	0.0	0.0	1.7	3.9	7.7

The group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €11.2 million provision mainly relates to the Belgian segment, with only a €2.2 million provision relating to the German segment. There were no significant movements in the environmental provisions in 2021.

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

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

Elia Re: An amount of €4.1 million is included at year-end for Elia Re, a captive reinsurance company. €0.7 million of this is linked to claims for overhead lines, and €3.4 million to electrical installations. The expected timing of the related cash outflow depends on the progress and duration of the respective procedures.

Easement provisions: The easement provision relates to payments likely to be made to landowners as a compensation for overland lines crossing their property. These easement rights were recognised within the German segment for overland lines built by the former owners of 50Hertz Transmission, with exposure resulting from section 9 of the German Land Register Amendment Act (GBBerG.). The 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 claim filed. A re-assessment of the remaining expected payments in 2020 led to a complete reversal of the provision through profit and loss in 2020.

Dismantling provisions: As part of the Group's CAPEX programme, the Group is exposed to decommissioning obligations; most of which are related to offshore projects. These provisions take into account the effect of discounting and the expected cost of dismantling and removing the equipment from sites or from the sea. The carrying amount of the provision as at 31 December 2021 was €110.1 million. The decrease is mainly due to the higher discount rate for discounting of the provisions. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Elia Group uses corporate bond rates (minimum AA rating) and sets them out to match the lifetime of the provisions in order to discount the dismantling provisions. In case the discount rate is below 0%, the rate is floored at 0%. The discount rates used in 2021 were in the range of 1.08% to 1.26% depending on the lifetime of the asset to dismantle. Should the discount rate fall to 0% the dismantling provisions would increase by €24.3 million.

Employee benefits: See Note 6.14, for more details of these short-term employee benefits.

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

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

6.15. Other non-current liabilities

(in € million)	2021	2020
Investment grants	147.2	82.8
Non-current deferred income	140.5	137.3
Other	1.8	1.0
Total	**289.5**	**221.1**

Of the total investment grants, €143.9 million relates to 50Hertz Transmission (Germany). The investment grants are spread over several assets. The two largest items are SuedOstLink and Kriegers Flak Combined Grid Solution. Both were subsidized by the European Union. The grants are released in profit and loss based on the useful lives of the assets to which they relate. Terms and conditions of the grants were monitored and met as per 31 December 2021.

Contract liabilities remained stable. They relate to upfront payment for last mile connection. At the end of 2021, a liability of €103.8 million was recognised within Elia Transmission (Belgium) and a liability of €36.7 million within 50Hertz Transmission (Germany). The income is released over the lifetime of the asset where the last mile connection relates to. As already disclosed in note 5.1, the group has recognised €5.7 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€137.3 million), including €4.3 million from non-current contract liabilities.

6.16. Trade and other payables

(in € million)	2021	2020
Trade debts	905.3	648.8
VAT and other taxes	21.1	14.9
Remuneration and social security	40.9	34.1
Dividends payable	1.2	1.2
Levies	2,177.6	121.9
Other	536.0	131.0
Accrued liabilities	14.2	57.2
Total	**3,696.4**	**1,009.0**

The trade debts increased by €256.5 million against a background of increased activity levels and significant increase in energy prices in the second half of 2021.

The amount for levies can be split into levies related to 50Hertz Transmission (€2,153.0 million) and levies related to Elia Transmission (€24.6 million).

The levies for Elia Transmission decreased compared with the previous year (€52.8 million). The levies include federal levies, which totalled €6.2 million at 31 December 2021 (€24.3 million in 2020). Levies for the Walloon government decreased to €17.0 million, (€26.3 million in 2020). The remaining balance mainly consists of strategic reserves (€1.0 million).

The levies for 50Hertz Transmission decreased compared to previous year (€538.1 million) due to the significant increase of the EEG balance. The 2020 levies mainly include EEG (€2,093.4 million), KWK (€23.4 million), §19StromNEV (€32.4 million).

The other payables mainly related to margin calls on derivatives hedging grid losses of the German segment (€356 million as of 31 December 2021 compared to €16.8 million last year) and other regulatory liabilities.

6.17. Financial instruments – fair values

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

(in € million)	Carrying amount					Fair value			
	Designated at fair value	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Balance at 31 December 2020									
Other financial assets	**7.0**	**43.7**	**53.8**		**104.5**	**7.0**		**43.7**	**50.7**
Equity instruments at fair value through other comprehensive income		*43.7*			***43.7***			*43.7*	***43.7***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Regulatory assets			*53.8*		***53.8***				
Trade and other receivables (Current and Non-current)			**1,475.9**		**1,475.9**				
Cash and cash equivalents			**590.1**		**590.1**				
Loans and borrowings (Current and Non-Current)				**(8,055.1)**	**(8,055.1)**	**(8,633.5)**			**(8,633.5)**
Unsecured bond issues				*(6,753.6)*	***(6,753.6)***	(7,487.1)			**(7,487.1)**
Unsecured financial bank loans and other loans				*(1,146.4)*	***(1,146.4)***	(1,146.4)			**(1,146.4)**
Lease liabilities				*(84.2)*	***(84.2)***				
Accrued interests				*(71.0)*	***(71.0)***				
Trade and other payables				**(1,009.0)**	**(1,009.0)**				
Total	**7.0**	**43.7**	**2,119.8**	**(9,064.1)**	**(6,893.7)**	**n.r.**	**n.r.**	**n.r.**	**n.r.**
Balance at 31 December 2021									
Other financial assets	**7.0**	**399.4**	**46.2**		**452.5**	**362.6**		**43.8**	**406.4**
Equity instruments at fair value through other comprehensive income		*43.8*			***43.8***			*43.8*	***43.8***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Derivatives		*355.6*			***355.6***	*355.6*			***355.6***
Regulatory assets			*46.2*		***46.2***				
Trade and other receivables (Current and Non-current)			**861.8**		**861.8**				
Cash and cash equivalents			**3,049.5**		**3,049.5**				
Loans and borrowings (Current and Non-Current)				**(7,935.7)**	**(7,935.7)**	**(7,968.8)**		**(247.8)**	**(8,216.6)**
Unsecured bond issues				*(7,248.5)*	***(7,248.5)***	(7,476.8)		(247.8)	**(7,724.6)**
Unsecured financial bank loans and other loans				*(492.0)*	***(492.0)***	(492.0)			**(492.0)**
Lease liabilities				*(118.8)*	***(118.8)***				
Accrued interests				*(76.4)*	***(76.4)***				
Trade and other payables				**(3,696.4)**	**(3,696.4)**				
Total	**7.0**	**399.4**	**3,957.5**	**(11,632.0)**	**(7,268.2)**	**n.r.**	**n.r.**	**n.r.**	**n.r.**

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

FAIR VALUE HIERARCHY

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

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

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

The fair value of other financial assets increased by €355.7 million compared to previous year. The increase mainly results from the fair value of the future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses (€355.6 million). Due to a change in accounting policy, hedge accounting is applied, as of 2021, to those contracts. The fair value of the Sicav and the group’s stake in EEX remain stable.

The fair value of the bank loans and bond issues decreased by €417.9 million, due to the lower nominal value and a lower pricing on the market.

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

The derivative from the price hedge for grid loss procurement, which is measured at fair value in OCI without affecting profit or loss, falls under level 1 of the measurement hierarchy. Its value is determined on the basis of the reporting date valuation of the existing futures contracts, which are fully contracted via the EEX electricity exchange and quoted there. Credit and default risks are avoided with this form of price hedging via exchange transactions. The group recognizes derivatives for an amount of EUR 355.6m. The futures contracts were concluded during the fiscal year at prices between € 40 and € 145 per MWh. As of the balance sheet date, the futures were quoted on the EEX at € 220 per MWh, resulting in a correspondingly high positive derivative value. As of the balance sheet date, the group had already price-hedged a volume of 3.2 TWh for its expected physical demand for grid loss energy in subsequent years.

The fair value of the bonds is €7.724.6 million (prior year: €7.487,1 million). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy). The fair value of the registered bond is €64.0 million as of 31 December 2021 and was determined by reference to third party information, such as pricing services (classified as level 3 in the fair value hierarchy). The fair value of the private placement amounts to EUR 183.8m (classified as level 3 in the fair value hierarchy).

The fair value of other bank loans approximates to their carrying amounts largely due to the short-term maturities of these instruments.

6.18. Leasing

THE GROUP AS A LESSEE

The group mainly leases buildings, cars and optical fibres. It also has some rights to use (portions) of land and overhead lines. The valuation period used is based on the contractual term. Where a fixed term has not been set and an ongoing extension is subject to the contract, the relevant department has assumed a termination date. In the event that the lease contract contains a lease extension option, the group assesses whether it is reasonably certain of exercising the option and makes its best estimate of the termination date.

The COVID-19 pandemic did not affected the contractual clauses of Elia Group’s lease contracts and there were no indications leading to changes in the assessment (which was used in previous reporting period) related to the extension of the contracts.

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

Right-of-use assets

Right-of-use assets are presented separately within 'Property, plant and equipment' and can be broken down in the table below, with the discounted lease liability for comparison. The split between current and non-current lease liabilities also provided:

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2020	**40.7**	**26.3**	**12.3**	**6.7**	**2.1**	**88.1**
Additions and remeasurements	0.5	1.8	7.4	1.0	1.1	11.7
Depreciation	(1.2)	(3.0)	(5.3)	(3.9)	(1.9)	(15.2)
Derecognition of right-of-use assets	0.0	(1.5)	(0.4)	0.0	0.0	(1.9)
As of 31 December 2020	**40.0**	**23.6**	**14.1**	**3.7**	**1.4**	**82.8**

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2021	**40.0**	**23.6**	**14.1**	**3.7**	**1.4**	**82.8**
Additions and remeasurements	3.4	16.7	6.1	23.4	0.0	49.6
Depreciation	(1.2)	(5.3)	(5.5)	(2.6)	(0.2)	(14.8)
As of 31 December 2021	**42.1**	**35.0**	**14.7**	**24.5**	**1.2**	**117.5**

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

- The use of land and overhead lines constitutes a right for the group to use a well identified piece of land to build on someone's property. Only the contracts where the group has the full right to control the use of the identified asset are in scope.
- The group leases buildings and offices in which corporate functions are performed.
- The group has car leasing contracts which are used by employees for business and private activities.
- The group leases optical fibres to transmit data. Only cables that are clearly identified are in scope.
- Other lease contracts: printer lease contracts and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to maintain a balance on the grid

The group only has lease contracts with fixed lease payments and assesses whether it is reasonable to extend a lease contract. If so, the lease contract is valued as if the extension were exercised.

Lease liabilities

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

Maturity analysis - contractual undiscounted cash flows (in € million)	2021	2020
< 1 year	32.9	12.6
1-5 years	30.2	30.0
> 5 years	58.0	62.4
Total undiscounted lease liabilities at 31 December	**121.1**	**105.1**
Lease liabilities in the statement of financial position at 31 December	**118.8**	**84.1**
Current	35.1	11.6
Non-current	83.7	72.5

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

The group has assessed the extension options concluded in the lease contracts and considers it reasonably likely that these extension options will be executed. The Group has therefore considered the lease contract as if the extension option is exercised in the lease liability.

The group has no lease contracts with variable payments nor residual value guarantees. The group did not commit to any lease that has not yet commenced. The group has no contracts which include contingent rental payments nor include any escalation clauses or restrictions that are significant regarding the use of the asset in question.

In 2021, an optical fibre lease contract coming to maturity was prolonged and a purchase option for a value of €22.0 million was added. The purchase option came to maturity end of February 2022. It is very likely that the group will exercise the option, as a result the purchase price has been added to the right of use asset and lease liability.

Amounts recognised in profit and loss

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

(in € million)	2021	2020
Depreciation expense of right-of-use assets	14.7	15.2
Interest on lease liabilities	1.8	1.8
Expenses relating to short-term leases	0.7	0.0
Expenses relating to low-value assets	0.5	0.2
Total recognised in profit and loss	**17.8**	**17.2**

A total of €17.8 million in lease expenses was recognised in the statement of profit or loss in 2021. There were no variable lease payments included in the measurement of lease liabilities.

The total cash outflow for leases amounted to €15.4 million in 2021 (€15.2 million in 2020). This amount is included in the “Repayment of borrowings” of the cash flow statement.

THE GROUP AS A LESSOR

The group leases out optical fibres, land and buildings presented as part of ‘Property, plant and equipment’. Leasing is only an ancillary business. Rental income is presented under ‘Other income’.

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

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

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

(in € million)	2021	2020
Within 1 year	12.9	14.6
1 to 2 years	12.2	0.9
2 to 3 years	12.1	0.7
3 to 4 years	12.0	0.6
4 to 5 years	11.9	0.6
More than 5 years	308.6	6.8
Total	**369.8**	**24.2**

The COVID-19 pandemic did not affect the contractual clauses of Elia Group’s contracts as a lessor and there were no indicators to change the cash flows as mentioned here above.

The group recognised €15.0 million in rental income in 2021 (2020: €16.0 million).

6.19. Accruals and deferred income

(in € million)	2021	2020
Accruals and deferred income	11.4	29.1
Deferral account from settlement mechanism Belgian regulatory framework	353.5	474.0
Deferral account from settlement mechanism German regulatory framework	444.9	503.2
Total	**809.8**	**1,006.3**

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

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2021	51.3	(1,028.5)	(977.3)
Increase	64.0	(148.0)	(84.0)
Reversals	(22.3)	201.5	179.1
Utilisation	0.0	81.5	81.5
Other (e.g. discounting)	0.0	2.3	2.3
Balance at 31 December 2021	**92.9**	**(891.3)**	**(798.4)**

In the **Elia Transmission segment**, the deferral account from settlement mechanism (€353.5 million) decreased compared with year end 2020 (€474.0 million). The decrease in deferral account from settlement mechanism encompasses the settlement of net surpluses from the prior tariff period (-€81.5 million), the review of the regulator on previous year' settlement mechanism (+€4.1 million) and deviations in the current year from the budget approved by the regulator (-€43.1 million). Any operating excess, in relation to the budget of the costs and revenues authorised by the regulator, needs to be returned to the consumers and therefore does not form part of the revenues.

In 2021, there was an operational deficit (€ 50.5 million), which is offset against the outstanding regulatory obligation. The operating deficit compared to the budget is primarily a result of the higher regulated net profit (€22.1 million) and higher net operating costs against a background of a significant increase in energy prices during the second half of 2021 (net impact of €84.9 million). This was partly offset by increased cross-border revenues (€32.4 million) and higher tariff sales (€18.4 million).

In the **50Hertz Transmission segment**, the deferral accounts from settlement mechanism (€444.9 million) is the nominal amount of €447.1 million (€498.2 million as of 31 December 2021) less an interest effect of €2.2 million. The net position decreased compared to year end 2020 (€503.2 million). This is mainly due to significant reversals of prior years regulatory positions (€61.3 million) partly offset by additional net liabilities (€9.7 million).

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

The future release of deferral account from settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2021):

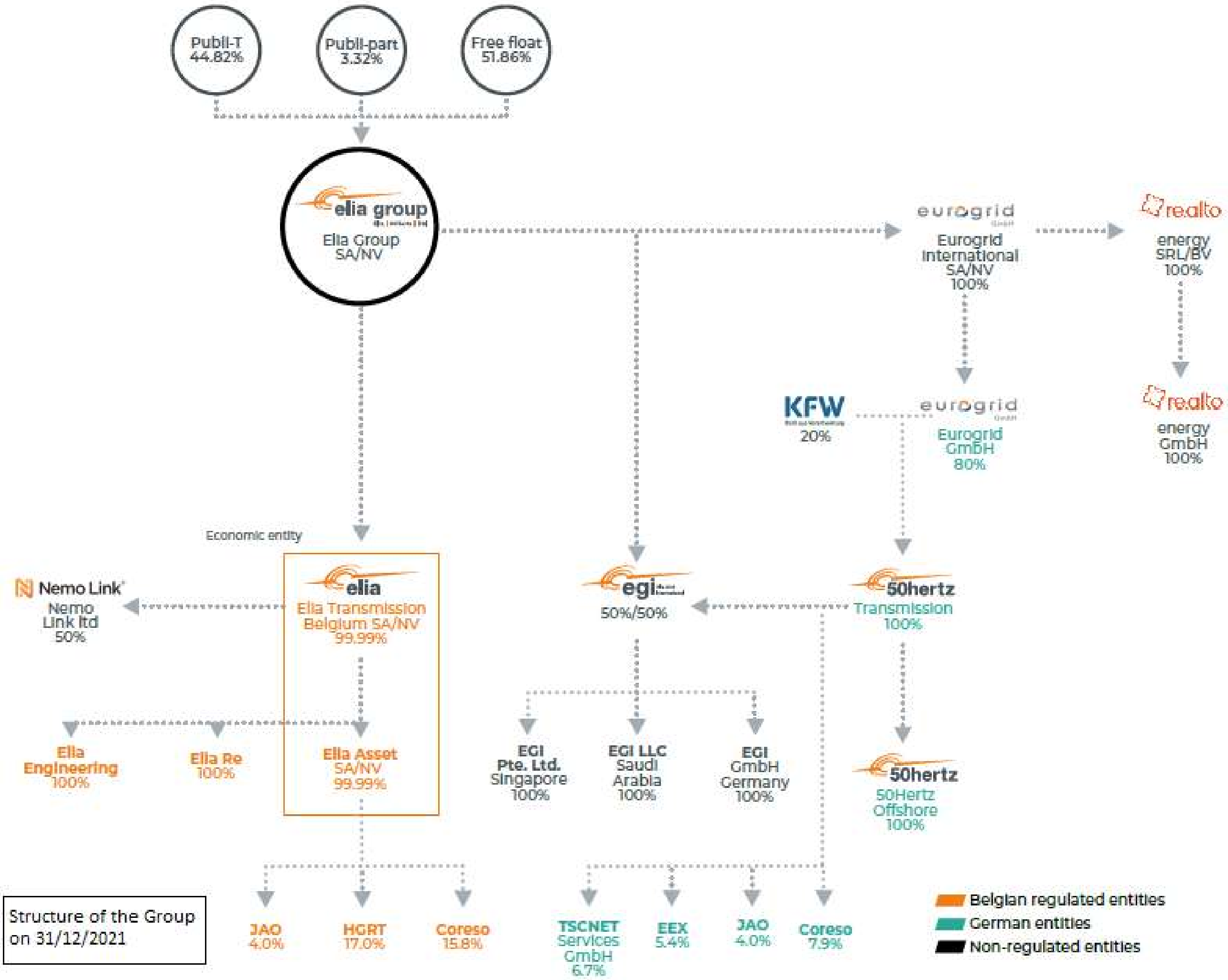
(in € million)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period	282.4	252.1
To be refunded to the tariffs in the next regulatory period (or after)	63.9	192.8
Other regulatory transfer	7.3	
Total regulatory deferral account	**353.5**	**444.9**

**Belgium: from 2020 to 2023 ;Germany: from 2019 to 2023*

The other regulatory transfer relates to a revenue from incentive regulation which is subject to uncertainty in the particular context of strong increase of energy prices and for which the calculation method should be further assessed with the Belgian regulator.

7. Group structure

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

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

Re.Alto-Energy BV/SRL set up a second office in Düsseldorf in 2020 (Re.Alto-Energy GmbH) in order to be closer to the German market. It is a direct subsidiary of Re.Alto-Energy BV/SRL and has developped a platform which enables users to exchange energy data and services.

The stake in Ampacimon, which offers grid-monitoring solutions, was sold in August 2020. The stake in Enervalis NV, a start-up that develops innovative software for the smart control of energy sources, was sold in April 2021.

Elia Grid International LLC (Qatar) ceased operations in October 2020. Elia Grid International SA/NV set up an office in Riyadh (Elia Grid International LLC Saudi Arabia) in 2021, to coordinate the activities of Elia Grid International in the Middle-East.

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

Name	Country of establishment	Headquarters	Stake %	
			2021	2020
Subsidiaries				
Elia Transmission Belgium SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Asset SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	90.00
Elia Grid International GmBH	Germany	Heidestraße 2, 10557 Berlin	90.00	90.00
Elia Grid International LLC	Saudi Arabia	Al Akaria Plaza Olaya Street, Al Olaya Riyadh 11622	90.00	-
Elia Grid International Pte. Ltd.	Singapore	20 Collyer Quay #09-01, Singapore 049319	90.00	90.00
Eurogrid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Re.Alto-Energy BV/SRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Re.Alto-Energy GmbH	Germany	Ratingstraße 9, 40213 Dusseldorf	100.00	100.00
Investments accounted for using the equity-method – Joint Ventures				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Investments accounted for using the equity-method – Associates				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso SA/NV	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	22.16	22.16
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	-	16.52
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	7.20	7.20
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 0409 Leipzig	4.32	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	5.36	5.36
Kurt-Sanderling-Akademie des Konzerthausorchester Berlin	Germany	Gendarmenmarkt, 10117 Berlin	8.32	8.32

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

MARKET RISK

The market risk takes into account negative effects on the financial position and cash flows of the group arising as a result of price changes on the market which cannot be avoided otherwise. The activities of the group extend to the electricity market – in particular as part of selling the electricity generated from renewable energies as well as procurement of energy to cover grid energy losses – as well as to the market for short-term deposits. In Germany, the group counteracts the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX electricity exchange

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As at 31 December 2021, no interest-rate swaps were outstanding. The interest rate swaps on the other loan and the loan with Publi-Part to cover a nominal debt amount of €300 million were settled in June 2020, together with the repayment of the loans.

See Note 6.12 for a summary of the outstanding loans with their respective interest rates.

CREDIT RISK

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

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

(in € million)	Note	2021	2020
Immediately claimable deposits		*7.0*	*7.0*
Reimbursement rights		*46.2*	*53.8*
Other shareholdings		*43.8*	*43.8*
Derivatives (Current and Non-current)		*355.6*	*0.0*
Other financial assets (Current and Non-current)	**(6.5)**	**452.5**	**104.5**
Non-current trade and other receivables		**0.5**	**0.5**
Trade and other receivables	**(6.8)**	**861.3**	**1,475.4**
Current tax assets	**(6.9)**	**10.1**	**3.4**
Cash and cash equivalents	**(6.10)**	**3,049.5**	**590.1**
Deferred charges	**(6.8)**	**18.1**	**13.7**
Total		**4,392.0**	**2,187.6**

The movement in the allowance for expected credit losses with respect to trade receivables during the year was as outlined in the table below:

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2020	199.6	(199.1)	0.5
Changes during the year	1.9	(1.9)	0.0
Balance at 31 December 2020	**201.5**	**(201.0)**	**0.5**
Balance at 1 January 2021	201.5	(201.0)	0.4
Changes during the year	(0.1)	0.2	0.1
Balance at 31 December 2021	**201.4**	**(200.8)**	**0.5**

Almost all bad debtors are related to outstanding receivables linked to the regulatory levies in Germany. If a debtor bankrupt, 50Hertz Transmission is compensated by the regulator for the loss incurred.

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

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

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

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

The provision rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2021 and the corresponding historical credit losses experienced within this period. As the sales and payment profile of the Group's customers has remained very stable over the years, the group considers historical credit losses to be a good proxy for future (expected) credit losses. Moreover, Elia Group did not see any changes in payment behaviour, nor an increase in bad debtors as a consequence of the COVID-19 crisis in 2020 nor in 2021 and does not expect any major impact related to the pandemic to arise in the coming years.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. The total outstanding amount of trade receivables covered by a bank guarantee totals €97.1 million. The loss given default is multiplied by the outstanding trade receivables.

On that basis, the loss allowance at 31 December 2020 and 2021 for trade receivables was determined as outlined in the table below:

Balance at 31 December 2020	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.3%	2.7%	14.0%	73.7%	91.4%	
Carrying amount - trade receivables	409.1	22.3	0.3	2.8	1.2	0.8	**436.6**
Loss given default	86.5%	86.5%	86.5%	86.5%	86.5%	86.5%	
Loss allowance	**0.1**	**0.1**	**0.0**	**0.3**	**0.8**	**0.6**	**1.9**

Balance at 31 December 2021	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.3%	5.9%	12.3%	90.1%	32.6%	
Carrying amount - trade receivables	690.3	15.7	0.7	9.3	0.8	1.3	**718.1**
Loss given default	86.6%	86.6%	86.6%	86.6%	86.6%	86.6%	
Loss allowance	**0.1**	**0.0**	**0.0**	**1.0**	**0.6**	**0.4**	**2.2**

This simplified approach is deemed relevant, especially since the group operates in a regulated and quite predictable business, with a limited number of clients and few changes in the client portfolio. This is supported by a good track records as the group did not incur significant write-offs over the past 3 years. Furthermore, any losses would be recoverable through the tariffs.

The model is applied to the trade receivables, all other financial assets being not assessed at risk of impairment considering their nature (regulatory assets, amounts recoverable through future tariffs in compliance with the regulatory frameworks), risk profile (reliable counterparty being for the levies the Belgian/German state) or measurement method (at fair value). More details are provided in the different notes.

LIQUIDITY RISK

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

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

Bond issuances realised in 2020 and loan contracts signed with EIB and other banks in 2020 prove that the group has access to different sources of funding.

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**9,016.4**	**8,980.0**	**(9,885.3)**	**(1,826.6)**	**(25.4)**	**(143.2)**	**(2,242.4)**	**(5,647.7)**
Unsecured bond issues	6,790.0	6,753.6	(7,689.8)	(99.0)	(23.6)	(123.5)	(2,084.3)	(5,359.3)
Unsecured financial bank loans and interest accruals	1,217.4	1,217.4	(1,186.5)	(718.5)	(1.8)	(19.8)	(158.1)	(288.4)
Trade and other payables	1,009.0	1,009.0	(1,009.0)	(1,009.0)	0.0	0.0	0.0	0.0
Total at 31 December 2020	**9,016.4**	**8,980.0**	**(9,885.3)**	**(1,826.6)**	**(25.4)**	**(143.2)**	**(2,242.4)**	**(5,647.7)**

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**11,546.5**	**11,513.3**	**(12,352.6)**	**(3,878.3)**	**(25.6)**	**(897.5)**	**(2,128.6)**	**(5,422.6)**
Unsecured bond issues	7,281.7	7,248.5	(8,124.1)	(103.6)	(23.6)	(877.1)	(1,820.6)	(5,299.2)
Unsecured financial bank loans and interest accruals	568.4	568.4	(532.1)	(78.4)	(2.0)	(20.4)	(308.0)	(123.4)
Trade and other payables	3,696.4	3,696.4	(3,696.4)	(3,696.4)	0.0	0.0	0.0	0.0
Total at 31 December 2021	**11,546.5**	**11,513.3**	**(12,352.6)**	**(3,878.3)**	**(25.6)**	**(897.5)**	**(2,128.6)**	**(5,422.6)**

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

(in € million)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Sustainable Revolving Credit Facility	10/12/2023	650.0	Euribor + 0.325%	0.0	650.0
Confirmed credit line	2/26/2025	750.0	Euribor + 0,275%	0.0	750.0
Confirmed credit line	12/14/2026	150.0	Euribor + 0,275%	150.0	0.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Confirmed credit line	unlimited	35.0	Eurribor + 0.2%	0.0	35.0
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%	0.0	150.0
Total		**1,737.5**		**150.0**	**1,587.5**

In 2020, the group incurred increased current outstanding receivables related to levies (see Note 6.9) which were financed using the back-up facilities mentioned here above. Despite the COVID-19 pandemic, the group managed to set up a sustainable credit facility for € 650 million for 3 years, with the potential to renew this for one additional year twice and further strengthened its liquidity position by contracting three RCFs, one €400 million facility and two other facilities of €150 million each to finance its EEG deficit. The EEG cash position as of December was in deficit at -€806.2 million.

The EEG deficit was settled in January 2021 with the payment of a federal grant allowing the pay-back of all external facilities. Two additional grant payments are planned in May and October 2021. Generally, any deficits from the EEG mechanism are temporary and are settled with the surcharge revenues of the following year as are the corresponding costs.

The high volume of futures contracts contracted by 50Hertz Transmission (Germany) also has an impact on the Group's liquidity management. The daily cash settlement of futures contracts with the exchange can have short-term effects on liquidity, which largely follow the general price trend on the electricity market.

HEDGING ACTIVITIES AND DERIVATIVES

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

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

Derivatives not designated as hedging instruments

The group had no derivatives which were not designated as hedging instruments.

Derivatives designated as hedging instruments

In 2018, the group hedged the interest rate risk linked to the acquisition of a 20% stake in 50Hertz Transmission (Germany) for which a bridge loan was initially put in place. To cover the potential exposure to interest rate risk, the group entered into a pre-hedge interest rate swap agreement in June 2018 to lock in market interest rates at the moment of the issuance of the € 300 million senior bond. The group applied hedge accounting as the derivative transaction met the requirements under IFRS 9. Upon the settlement of the transaction in September 2018, the portion of the gain or loss on the derivative was recognised within hedging reserves and had an impact of €5.7million.

These hedging reserves are recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity. In 2021, an amount of €0.6 million was recycled into profit and loss.

Three interest rate swaps for a total nominal value of €300 million were concluded for the loan with Publi-Part (€42.1 million) and for loans with third parties (‘Other loans’, €453.6 million) to hedge the Euribor interest rate risk on these loans. All three interest rate swaps are designated as cash flow hedges under IFRS 9. These interest rate swaps were unwinded at the end of June 2020 with the repayment of both loans. With the settlement, an interest expense on derivatives of €4.4 million was incurred.

The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the Group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

CAPITAL RISK MANAGEMENT

The purpose of the group's capital-structure management is to ensure that the debt and equity ratios related to the regulated activities are as closely aligned as possible with the recommended level set by the relevant regulatory frameworks.

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

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

SUSTAINABILITY

Sustainability lies at the heart of Elia strategy with the ActNow program, which sets out the long-term sustainability objectives of the group. These are guided by the UN Sustainable Development Goals (SDGs) and have been translated into KPIs which are reported to the market and grouped under the following five dimensions: Climate Action; Environment and Circular Economy; Health and Safety; Diversity, Equity and Inclusion; and Governance, Ethics and Compliance.

Furthermore, as a driver of the energy transition, Elia Group is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Group therefore published in 2021 a white paper which outlines the company’s eligibility and alignment with the EU Taxonomy. The paper includes the methodology used for the assessment, highlights the group’s implementation of sustainable tools and practices, and reinforces its commitment to operating its businesses in a sustainable way.

We refer to our Integrated Report, the Elia Group EU Taxonomy Case Study issued on 24 November 2021 and our Sustainability Report for further information.

8.2. Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2021, the group had a commitment of €2,068.4 million (€1,987.5 million in 2020) relating to purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2021, the group had a commitment of €263.5 million (€217.4 million in 2020) relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest conducted several auctions.

At the end of each period (30 June 2020, 30 June 2021 and 30 June 2022 respectively), any unsold certificates will be bought back by Elia. Due to these auctions, Elia did not have to buy back any certificates at the end of June 2020, nor end of June 2021. At reporting date, the outstanding balance is +/- 1.4 million of green certificates coming to maturity June 2022 (+/- € 91.8 million). Solar chest announced a new auction in February 2022. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost of and any expense incurred by repurchasing non-marketable certificates may be recovered fully through the tariffs for levies, and as a consequence the potential repurchase by Elia will have no impact on the Company's financial performance.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €176.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by the AwAC from 2022 onwards, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies.
In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the AwAC) which resulted in a net cash inflow of €43.3 million. As with the transaction in September 2017, Elia might be required to buy back some of the certificates sold from 2023 onwards. Any repurchase will be covered through the tariffs for levies. There were no transactions with the AwAC in 2019, 2020 or 2021.

In Germany, offshore expenses between 50Hertz and TenneT TSO arising from the horizontal settlement has given rise to financial obligations for 50Hertz in future periods. The total amount of these future cumulative amounts comes to €3.9 million (prior year: €10.5 million) and will be reflected in 50Hertz's network user charge calculations over the coming years following the corresponding billing by TenneT TSO.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Group is Publi-T and this remained unchanged from 2020. Other than the yearly dividend payment, no transactions occurred with the core shareholder in 2021.

The shareholder structure of the group can be found in the present report p.16.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia's Board of Directors and Elia's Management Committee, both of which have a significant influence across the entire Elia Group.

At 50Hertz Transmission (Germany), key management personnel include Eurogrid International SA/NV's Board of Directors, who are responsible for monitoring the activities of 50Hertz Transmission (Germany). Key management personnel also include the Board of Management of 50Hertz Transmission and the Supervisory Board, which was established in the German segment.

The members of Elia's Board of Directors are not employees of the group. The remuneration for their mandate is detailed in the Corporate Governance Statement forming part of this Annual Report (see the remuneration report). The members of Eurogrid International SA/NV's Board of Directors are not remunerated.

The other members of key management personnel are hired as employees. The components of their remuneration are detailed below (i.e. excluding the directors who are not employees).

The names of the key management personnel are included in the Corporate Governance report.

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

(in € million)	2021	2020
Short-term employee benefits	**2.5**	**2.6**
Basic remuneration	1.7	1.6
Variable remuneration	0.8	1.1
Long-term employee benefits	**0.5**	**0.0**
Post-employment benefits	**0.4**	**0.4**
Other variable remuneration	**0.2**	**0.1**
Total gross remuneration	**3.5**	**3.1**
Number of persons (in units)	5	5
Average gross remuneration per person	0.7	0.6
Number of shares (in units) held as at 31 December 2021	**7,849**	**7,393**

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

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

Transactions with joint ventures and associates (as defined in Note 7.1.) were not eliminated, so details of these transactions are shown below:

(in € million)	2021	2020
Transactions with joint ventures and associates	**(4.5)**	**(2.1)**
Sales of goods	0.1	2.4
Purchases of goods	(4.6)	(4.4)
Outstanding balances with joint ventures and associates	**(0.9)**	**0.2**
Trade debtors	(0.7)	0.6
Trade debts	(0.2)	(0.4)

In 2021, entities of the Elia Group had transactions with Nemo Link Ltd. and Coreso SA/NV. The sale of goods relates to corporate services (SLAs) rendered by Elia to Nemo Link Ltd and Coreso SA/NV. Nemo Link Ltd. also rents a building (Herdersbrug) from Elia Asset SA/NV (see also note 6.18). Purchases of goods mostly relates to services rendered by Coreso SA/NV to the group.

TRANSACTIONS WITH SHAREHOLDERS

There were no transactions with shareholders in 2021, except for the dividend payment.

TRANSACTIONS WITH RELATED PARTIES

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-chair of the Management Committee, etc.).

There were some significant transactions in 2021 in which the key management personnel of the group has a significant influence. All these transactions took place in the normal course of Elia's business activities. The total value of realised sales was €0.6 million and related to regulated sales contracts with prices that had been predefined by the regulator. The total value of expenses amounted to €0.7 million. As at 31 December 2021, there were no outstanding trade-receivable position nor outstanding trade-debt positions with related parties.

8.4. Subsequent events

There are no significant events to report after 31 December 2021.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

On 30 December 2020, the European Union and the UK signed a Trade and Cooperation Agreement that outlines the terms of future cooperation between both parties after 1 January 2021 (the official date on which the UK left the EU). According to this agreement, the UK left the Internal Energy Market (IEM).

One year after Brexit, no impacts on the business of Nemo Link Ltd. had been felt; Nemo Link remained in operation as before. The profitability of the investment was also largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company's cash flows over a 25-year time period. There are no import duties on the transport of electricity.

Other than the risk identified above, Brexit has a very limited effect on the consolidated financial statements.

8.6. Services provided by the auditors

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

50Hertz Transmission (Germany) appointed BDO AG Wirtschaftsprüfungsgesellschaft for the audit of the consolidated financial statements of Eurogrid GmbH and the statutory financial statements of Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Elia Grid International GmbH.

The following table sets out the fees of the joint auditors and their associates in connection with services delivered with respect to the financial year 2021:

in €	Belgium	Germany	Total
Statutory audit and review of consolidated and parent company financial statements	280,745	224,000	504,745
Non-audit services, of which:	115,717	158,675	274,392
Services related to legal and regulatory requirements	*15,625*		*15,625*
Other audit services	*72,290*	*158,675*	*230,965*
Tax services	*27,802*		*27,802*
Total	**396,462**	**382,675**	**779,137**

9. Regulatory framework and tariffs

9.1. Regulatory framework in Belgium

9.1.1. Federal legislation

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

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

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

A number of royal decrees provide more details relating to the regulatory framework that applies to the transmission system operator, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the CREG supplement these provisions to form the regulatory framework within which Elia operates at federal level.

9.1.2. Regional legislation

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

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

9.1.3. Regulatory agencies

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

FEDERAL REGULATOR

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

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

REGIONAL REGULATORS

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

9.1.4. Tariff setting

A new tariff methodology came into force in early 2020. This methodology is again applicable for a period of four years (2020-2023).

TARIFF REGULATIONS

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

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of networks which have transmission functions (covering the transmission system and the local and regional transmission networks in Belgium), Elia generates most of its income from the regulated tariffs charged for use of these networks (tariff income), which are approved in advance by the CREG. As of 1 January 2008, the prevailing tariff regulation mechanisms have provided for approved tariffs that were set for four-year periods, barring specific circumstances.

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

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

FAIR REMUNERATION

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

As of 1 January 2020, the formula has changed compared to the previous tariff methodology with regard to the level of leverage and the OLO interest rate for risk free investment: (i) the regulatory leverage has been increased from 33%. to 40%., and (ii) the OLO has been set at 2.4%. for the period 2020-2023, instead of taking the average of the year, each year. In the event of a major change in the Belgian macro-economic situation and/or in its market circumstances, the CREG and Elia can agree on a modification of the fixed OLO rate.

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

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

Where:

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

Non-controllable costs and revenues

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

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

Controllable costs and revenues

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

Influenceable costs

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

Other incentives

The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. If Elia does not perform in line with the targets for these incentives, as set by the regulator, the amount of the incentive allocated to Elia will decrease. The impact is reflected in the deferred revenues which will generate future tariff decreases, see the description of the settlement mechanism below (all amounts are pre-tax).

- *Market integration:* This incentive consists of three elements in the previous regulatory framework: (i) increase of import capacity, (ii) increase in market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare is no longer offered, whereas the one on import capacity has been replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive has been created concerning the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Elia's profit (from €0 to €16 million for cross-border capacity, from €0 to €7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which CREG has accepted as being part of the RAB, is allocated as follows: 40% is allocated to future tariff reductions and 60% is allocated to Elia's profit).

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

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

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

- *Enhancement of balance system:* This incentive is similar to the discretionary incentive in the previous regulatory framework, through which Elia is rewarded for implementing certain projects related to system balancing as defined by CREG. This incentive can generate remuneration between €0 and €2.5 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

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

Regulatory deferral account: deviations from budgeted values

Over the course of a year, the actual volumes of electricity transmitted may differ from the forecast volumes. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs. These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated and will be taken into account when the tariffs are set for the subsequent tariff period. Regardless of deviations between the forecast parameters for tariff-setting (fair remuneration, non-controllable elements, controllable elements, influenceable costs, incentive components, cost and revenue allocation between regulated and non-regulated activities) and the actual incurred costs or revenues related to these parameters, the CREG takes the final decision each year as to whether the incurred costs/revenue can reasonably be borne by the tariffs. This decision may result in the rejection of incurred elements. In the event that any incurred elements are rejected, the relevant amount will not be taken into account when the tariffs are set for the next period. Although Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact on Elia's financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2020-2023 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that Elia's financial participation in other companies not considered part of the RAB by the CREG (e.g. stakes in regulated or non-regulated activities outside Belgium) has a neutral impact on Belgian grid users.

Public service obligations

In its role as a TSO, Elia is subject to various public service obligations imposed by the government and/or by regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as the promotion of renewable energy, green certificates, strategic reserves, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by the TSO with respect to these obligations are fully covered by the tariff 'levies' as approved by the regulator. The amounts outstanding are reported as levies (see Note 6.9 for other receivables and Note 6.17 for other payables).

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 complemented by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current system of incentive regulation, accounting methods and grid access arrangements, including:

- the Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung,* StromNEV)), which establishes, among other things, the principles and methods for the grid-tariff calculations and other obligations applying to system operators;

- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung,* StromNZV), which, among other things, sets out further details of how to grant access to the transmission systems (and other types of networks) by way of establishing the balancing groups, the scheduling of electricity deliveries, control energy and other 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 balancing amount system 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 for TSOs and other system operators (as outlined in more detail below). It also describes in general terms how to benchmark efficiency, which costs are included in the efficiency benchmarking, how to determine 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 *Bundesnetzagentur* (BNetzA, or Federal Network Agency) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the various federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, among other things, 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 the ARegV. Under the 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 essentially 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. System operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, with the third regulatory period starting on 1st January 2019 and ending on 31 December 2023. Tariffs are public and cannot be the subject of negotiations with customers. Only certain customers (under certain set circumstances laid down in the relevant legislation) are allowed to agree to individual tariffs under Article 19 of the StromNEV (for example, in the case of sole use of a grid 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 fall into two categories as follows:

- Permanently non-influenceable costs (PNIC): These costs are fully integrated into the 'revenue cap' and are fully recovered through the grid tariffs, albeit some of them with a two-year time lag.
    - One cost position amongst the PNIC refers to investment measures, meaning costs resulting from new investments in onshore grid infrastructure. They include 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 or 0.2 % for assets under construction within projects approved as of 2019). The cost of debt related to investment measures is reflected in the interest rate based on acquired debt for the TSO activity. 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 settlement mechanism deferral account.
    - In addition, PNIC include costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and costs from congestion management. 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) of the ARegV. The regulation process for costs relating to ancillary services, congestion management and grid losses gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Moreover, costs resulting from European projects of common interest (PCI) to which Germany is contributing can be included as PNIC, albeit with a two-year time lag.
- Temporarily non-influenceable costs (TNIC) and influenceable costs (IC): These costs include return on equity, depreciation, cost of debt, imputed trade tax and other operational expenses and are subject to an incentive mechanism set by the Federal Network Agency, which features an efficiency factor (only applicable to IC), a productivity improvement factor 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 this factor for TSOs are yet to be defined by the Federal Network Agency. The various defined factors give the TSOs the medium-term objective of eliminating what are deemed to be inefficient costs. As regards the cost of debt, the permitted cost of debt related to influenceable costs needs to be shown to be marketable.

As for the return on equity, the relevant laws and regulations set out the provisions relating to the permitted return on equity, which is included in the TNIC/IC for assets belonging to the regulated asset base and the PNIC for assets approved in investment measures. In 2021, the BNetzA determined the return on equity applicable to the fourth and coming regulatory period (2024-2028); the values were significantly down from the third regulatory period, namely to 3.51% (instead of 5.12% in the third period) for investments made before 2006 and 5.07% (instead of 6.91% in the third period) for investments made since 2006. 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 in connection with its renewable energy obligations, including EEG and CHP/KWKG obligations and offshore liabilities and offshore grid connection. To this end, various surcharges (levies) have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

In 2021, a revision of the ARegV entered into force implementing various relevant changes. The revised ARegV changes several aspects which are relevant to PNIC, such as an implementation of a collective 4-TSO corridor model as an incentive instrument on congestion management costs and the recognition of costs incurred for joint network operator coordination projects (Connect+) was extendend by Section 34 (15) ARegV. These costs will be recognized as PNIC until 2023. Moreover, the revised ARegV contains a new financing model for investment measures, which was formerly only in place for distribution system operators. The capital cost adjustment model will be used for TSOs in the fourth regulatory period. In order to avoid distortion effects in the cost base, a transitional arrangement will come into effect. It includes an extensive grandfathering of existing investment measures during the fourth regulatory period, the elimination and an extensive repayment of the clawback for expired investment measures, as well as a transitional base for replacement investments in the period of incentive regulation (2007 to the end of 2021).

As of 31st December 2021, 50Hertz had received 92 approvals for an investment volume of approximately € 9.6 billion for the 103 active applications for approval of investment measures submitted since 2008.

TARIFFS

Grid access tariffs for 2021 were calculated based on the respective revenue cap and published in December 2020. They have increased by an average of 7% from 2020. One key driver for lower tariffs was the third stage of the gradual harmonization of network tariffs of the german TSOs (see below). However, the increase in tariffs is mainly due to higher investments in the necessary network expansion.

In recent years, the grid access tariffs of the four German TSOs have developed differently. This has mainly been driven by the different volumes of renewable energy sources (RES) installed across the control areas, leading to significantly higher tariffs in those control areas with higher levels of renewable energy. The Act for Modernisation of Grid Tariffs (*Netzentgeltmodernisierungsgesetz,* NEMoG) came into force in July 2017. It envisages the gradual harmonisation of the four German TSOs' grid access tariffs from 2019 onwards, culminating in uniform transmission tariffs in 2023. Moreover, the NEMoG eliminates 'avoided grid fees' (vNNE) for volatile RES generation and creates a new system for offshore grid connections, shifting the related costs from the revenue-cap tariffs to an offshore revenue based on a fully fledged pass-through mechanism from 2019 onward.

9.3. Regulatory framework for the Nemo Link interconnector

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

- A specific regulatory framework is applicable to the Nemo Link interconnector since the date of operation. The framework is part of the new tariff methodology issued on 18 December 2014, updated on 5 March 2020 (Cap & Floor final levels), by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators in the UK and Belgium (OFGEM and the CREG respectively) determined the levels of the cap and floor ex-ante and these remain largely fixed (in real term) for the duration of the regime. Consequently, investors will have certainty about the regulatory framework throughout the lifetime of the interconnector.
- The cap and floor regime is applicable since 30 January 2019. Every five years the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels to determine whether the cap or floor is triggered. If a revenue earned above the cap, it will be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs will then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor then the interconnector owners will be compensated by the TSOs. The TSOs will in turn recover the costs through grid charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, in Belgium.
- Each five-year period is considered separately. Cap and floor adjustments in one period will not affect adjustments for future periods, and total revenue earned in one period is not taken into account in future periods.
- The high-level tariff design is as follows:

Regime length	25 years
Cap and floor levels	Levels are set at the start of the regime and remain fixed in real terms for 25 years from the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark had been applied to costs to set the floor, and an equity return benchmark was applied to set the cap.
Assessment period (assessing whether interconnector revenues are above/below the cap/floor)	Every five years, with within-period adjustments if needed and justified by the operator. Within-period adjustments will let operators recover revenue during the assessment period if revenue is below the floor (or above the cap) but will still be subject to true-up at the end of the five-year assessment period.
Mechanism	If revenue is between the cap and floor at the end of the 5-year period, no adjustment is required. Revenue above the cap is returned to end customers and any shortfall in revenue below the floor requires payment from grid users (via grid charges).

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

BDO Bedrijfsrevisoren BV
The Corporate Village
Da Vincilaan 9 – Box E.6
Elsinore Building
B-1930 Zaventem

EY Bedrijfsrevisoren BV
De Kleetlaan 2
B-1831 Diegem

Joint auditors' report to the general meeting of Elia Group NV/SA for the year ended 31 December 2021

As required by law, we report to you as joint statutory auditors of Elia Group NV/SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2021 and the notes (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as joint statutory auditors by the shareholders meeting of 19 May 2020, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the workers' council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2022. The audit of the Consolidated Financial Statements of the Group was performed during respectively 20 consecutive years for EY Bedrijfsrevisoren BV and 2 consecutive years for BDO Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Group NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2021 and the notes, which show a consolidated balance sheet total of € 18.144,3 million and of which the consolidated income statement shows a profit for the period of € 328,3 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2021, as well as its consolidated results and its consolidated cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

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

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

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

Key audit matters

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

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

Calculation of net result

Description

As described in the notes 3.3.17. 'Regulatory deferral accounts', 6.19 'Accruals and deferred income', 9.1.4 'Tariff Setting' and 9.2.3 'Tarif Setting in Germany' of the Consolidated Financial Statements, the net result of the Belgian and the German segments is determined by applying calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the "CREG") and the German federal

Audit report dated 14 April 2022 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2021 (continued)

regulator, the Federal Network Agency (the "BNetzA") (together the "Tariff Mechanisms").

Those tariff mechanisms are based on calculation methods that are complex and require the use of parameters (the Beta of Elia's share, return on equity, ...), accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure ("CAPEX"), subsidies received) and external operating data (such as hourly import capacity, consumer and producer surpluses).

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

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

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanisms;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanisms;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG and the BNetzA;
- Assessing the adequacy of notes 3.3.17, 6.19, 9.1.4 and 9.2.3 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

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

These assets are classified as Property, Plant and Equipment ("PP&E"), with a total capital expenditure of € 1,232.8 million in 2021 and a net book value of € 10,859.5 million as at 31 December 2021 or 59,8% of total balance sheet.

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

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

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

the regulator at the level of asset classes and projects;

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

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

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

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

Our responsibilities for the audit of the Consolidated Financial Statements

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

When executing our audit, we respect the legal, regulatory and normative framework applicable for the audit of the consolidated financial statements in Belgium. However, a statutory audit does not guarantee the future viability of the Group, neither the efficiency and effectiveness of the management of the Group by the administrative body. Our responsibilities regarding the continuity assumption applied by the administrative body are described below.

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

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

underlying transactions and events in a true and fair view; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

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

Responsibilities of the joint auditors

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

Aspects relating to Board of Director's report and other information included in the annual report

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

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

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

Independence matters

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

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

European single electronic format ("ESEF")

In accordance with the standard on the audit of the conformity of the financial statements with the European single electronic format (hereinafter "ESEF"), we have carried out the audit of the compliance of the ESEF format with the regulatory technical standards set by the European Delegated Regulation No 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter 'the digital consolidated financial statements') included in the annual financial report available on the portal of the FSMA (https://www.fsma.be/eng/data-portal).

It is our responsibility to obtain sufficient and appropriate supporting evidence to conclude that the format and markup language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work performed by us, we conclude that the format and tagging of information in the digital consolidated financial statements included in the annual financial report available on the portal of the FSMA (https://www.fsma.be/eng/data-portal) of Elia Group NV/SA per 31 December 2021 are, in all material respects, in accordance with the ESEF requirements under the Delegated Regulation.

Other communication

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

Brussels, 14 April 2022

The joint statutory auditors

EY Bedrijfsrevisoren BV
represented by

Paul Eelen*
Partner
*Acting on behalf of a BV

BDO Bedrijfsrevisoren BV
represented by

Felix Fank*
Partner
*Acting on behalf of a BV

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Group SA/NV, drawn up in accordance with Belgian accounting standards, are provided 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 Group SA/NV, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion.

Statement of financial position after distribution of profits

ASSETS (in € million)	2021	2020
FIXED ASSETS	**3,318.1**	**3,317.5**
Financial fixed assets	3,318.1	3,317.5
Affiliated companies	3,318.1	3,317.5
Participating interests	3,318.1	3,317.5
Other financial assets	0.0	0.0
CURRENT ASSETS	**47.1**	**92.3**
Inventories and contracts in progress	3.1	3.1
Contracts in progress	3.1	3.1
Amounts receivable within one year	2.2	3.1
Trade debtors	1.7	1.9
Other amounts receivable	0.5	1.2
Own shares	0.8	0.0
Cash at bank and in hand	37.2	81.7
Deferred charges and accrued income	3.8	4.4
TOTAL ASSETS	**3,365.2**	**3,409.8**

EQUITY AND LIABILITIES (in € million)	2021	2020
CAPITAL AND RESERVES	**2,235.5**	**2,282.8**
Capital	1,714.2	1,714.0
Issued capital	1,714.2	1,714.0
Share premium account	262.9	262.4
Reserves	176.2	175.4
Legal reserve	173.0	173.0
Repurchase own shares	0.8	0.0
Untaxed reserve	1.6	1.6
Available reserves	0.7	0.8
Profit carried forward	82.2	130.9
LIABILITIES	**1,129.7**	**1,127.0**
Amounts payable after one year	998.7	998.5
Financial debts	998.7	998.5
Subordinated debentures	700.0	700.0
Unsubordinated debentures	298.7	298.5
Amounts payable within one year	128.0	125.7
Trade debts	2.0	3.0
Suppliers	2.0	3.0
Advances received on contracts in progress	3.6	3.4
Amounts payable regarding taxes, remuneration and social security costs	0.7	0.5
Taxes	0.0	0.0
Remuneration and social security	0.7	0.5
Other amounts payable	121.7	118.7
Accrued charges and deferred income	3.0	2.8
TOTAL EQUITY AND LIABILITIES	**3,365.2**	**3,409.8**

Statement of profit or loss

(in € million)	2021	2020
OPERATING INCOME	1.0	7.1
Increase/(decrease) in inventories of finished goods, works and contracts in progress	0.0	0.6
Other operating income	1.0	6.5
OPERATING CHARGES	(6.4)	(11.7)
Services and other goods	(5.0)	(10.6)
Remuneration, social security costs and pensions	(1.4)	(1.0)
Other operating charges	0.0	0.0
OPERATING PROFIT	(5.4)	(4.5)
Financial income	**102.9**	**113.9**
Income from financial fixed assets	102.8	113.9
Income from current assets	0.0	0.0
Non-recurring financial income	0.1	0.0
Financial charges	**(25.1)**	**(25.0)**
Debt charges	(24.5)	(24.5)
Other financial charges	(0.6)	(0.5)
PROFIT FOR THE PERIOD BEFORE TAXES	72.4	84.4
Income taxes	0.0	0.0
PROFIT FOR THE PERIOD	72.4	84.4
Transfer to untaxed reserves	0.0	0.8
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	72.4	85.2

Financial terms or Alternative Performance Measures

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

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

- Adjusted items
- Adjusted EBIT
- Adjusted net profit
- Capex (Capital Expenditures)
- EBIT
- EBITDA
- Equity attributable to the owners of the company
- Free cash flow
- Net finance costs
- Net financial debt
- Regulatory Asset Base (RAB)
- Return on Equity (adj) (%)

Adjusted items

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

- Income and expenses resulting from a single material transaction not linked to current business activities (e.g. change in control in a subsidiary)
- changes to the measurement of contingent considerations in the context of business combinations;
- Restructuring costs linked to the corporate reorganisation of the Group (i.e. reorganisation project to isolate and ring-fence the regulated activities of Elia in Belgium from the non-regulated activities and regulated activities outside Belgium

Adjusted EBIT

Adjusted EBIT is defined as EBIT excluding the adjusted items.
EBIT (Earnings Before Interest and Taxes) = adjusted result from operating activities, which is used to compare the operational performance of the Group over the years.

The adjusted EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortisations and impairments, changes in provisions and other operating expense and plus the share of equity accounted investees – net and plus or minus adjusted items.

(in € million) – Year ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBIT	**227.1**	**272.9**	**40.3**	**(0.2)**	**540.1**
Deduct:					
Adjusted EBIT	**227.1**	**272.9**	**40.3**	**(0.2)**	**540.1**

There are no adjusted items in 2021

(in € million) – Year ended 31 December	2020				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	235.6	340.1	(6.5)	0.0	569.3
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	0.0	9.2
EBIT	**237.5**	**340.1**	**0.9**	**0.0**	**578.5**
Deduct:					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	**237.5**	**340.1**	**1.2**	**0.0**	**578.8**

Adjusted net profit

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

(in € million) – Year ended 31 December	2021			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Profit for the period	**131.0**	**165.4**	**31.9**	**328.3**
Deduct:				
Adjusted net profit	**131.0**	**165.4**	**31.9**	**328.3**

There are no adjusted items in 2021

(in € million) – Year ended 31 December	2020			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Profit for the period	**124.8**	**192.6**	**(9.5)**	**307.9**
Deduct:				
Corporate reorganisation	0.0	0.0	(0.3)	(0.3)
Tax impact	0.0	0.0	0.1	0.1
Adjusted net profit	**124.8**	**192.6**	**(9.3)**	**308.1**

CAPEX (Capital Expenditures)

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

EBIT

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

(in € million) – Year ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0	49.4
EBIT	**227.1**	**272.9**	**40.3**	**(0.2)**	**540.1**

(in € million) – Year ended 31 December	2020				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	235.6	340.1	(6.5)	0.0	569.3
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	0	9.2
EBIT	**237.5**	**340.1**	**0.9**	**0.0**	**578.5**

EBITDA

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

(in € million) – Year ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Add:					
Depreciation, amortisation and impairment	206.8	260.3	0.5	0.0	467.5
Changes in provisions	(1.7)	0.9	0.0	0.0	(0.7)
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBITDA	**432.2**	**534.0**	**40.8**	**(0.2)**	**1,006.9**

(in € million) – Year ended 31 December	2020				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	235.6	340.1	(6.5)	0.0	569.3
Add:					
Depreciation, amortisation and impairment	187.3	245.1	0.2	0.0	432.6
Changes in provisions	1.1	(6.6)	0.0	0.0	(5.5)
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	0.0	9.2
EBITDA	**425.8**	**578.6**	**1.1**	**0.0**	**1,005.6**

Free cash flow

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

(in € million) – Year ended 31 December	2021			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Net cash from operating activities	262.3	3,720.7	(29.8)	3,953.1
Deduct:				
Net cash used in investing activities	379.9	831.4	(153.3)	1,057.9
Free cash flow	**(117.6)**	**2,889.4**	**123.6**	**2,895.2**

(in € million) – Year ended 31 December	2020			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Net cash from operating activities	84.5	(796.3)	(24.6)	(736.6)
Deduct:				
Net cash used in investing activities	345.4	730.1	(134.2)	941.3
Free cash flow	**(260.8)**	**(1,526.4)**	**109.6**	**(1,677.8)**

Net finance costs

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

Net financial debt

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

(in € million) – Year ended 31 December	2021				2020			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total
Non-current liabilities:								
Loans and borrowings	3,421.9	3,838.6	481.3	7,741.7	3,433.6	3,327.2	488.8	7,249.6
Add:								
Current Liabilities:								
Loans and borrowings	147.6	33.5	12.9	194.0	67.7	725.9	11.9	805.5
Deduct:								
Current Assets:								
Cash and cash equivalents	128.5	2,857.2	63.8	3,049.4	195.7	296.6	97.8	590.1
Net financial debt	**3,441.0**	**1,014.9**	**430.4**	**4,886.3**	**3,305.6**	**3,756.6**	**402.9**	**7,465.0**
EEG surplus (levies)		2,110.0		2,110.0				
EEG deficit (levies)						808.9		808.9
Net financial debt, exl. EEG position	**3,441.0**	**3,124.8**	**430.4**	**6,996.3**	**3,305.6**	**2,496.7**	**3,305.6**	**6,656.2**

Regulated Asset Base (RAB)

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

Return on Equity (adj.) (%)

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

(in € million) – Year ended 31 December	2021	2020
Profit for the period	328.3	307.9
Deduct:		
Profit attributable to holders of hybrid securities	19.2	19.3
Profit attributable to non-controlling interests	33.1	38.5
Profit attributable to equity holders of ordinary shares (A)	**276.0**	**250.1**
Divided by:		
Equity attributable to ordinary shares	3,850.6	3,471.7
Deduct:		
Hedging reserve in equity	199.9	
Adjusted equity attributable to ordinary shares (B)	**3,650.7**	**3,471.7**
Return on Equity (adj.) (%) = (A) / (B)	**7.56%**	**7.20%**