Elia Transmission Belgium

Elia Transmission Belgium
2020 half-year financial report

Brussels, 29 July 2020

Content

1. Business performance review

1.1. Consolidated results and financial position of Elia Transmission Belgium for the first six months of 2020

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

Key results

Key figures (in € million)	1H2020		
Revenue, other income and net income (expenses) from settlement mechanism	474.5		
Equity accounted investees	2.9		
EBITDA	212.1		
EBIT	119.6		
Net finance costs	(39.2)		
Net profit	**59.1**		
Non-controlling interests	*0.0*		
Net profit attributable to the Group	***59.1***		
Key Balance Sheet items (in € million)	1H2020	2019	Difference (%)
Total assets	7,189.1	6,696.6	7.4%
Equity attributable to owners of the company	2,225.6	2,198.1	1.3%
Net financial debt	3,340.4	3,255.6	2.6%

See the glossary for the definitions

Comparative figures for Total assets, Equity, Net financial debt and Equity per share are 31/12/2019

Pursuant to IFRS 8, the Elia Transmission Belgium identified the following operating segments:

- Elia Transmission (Belgium), which comprises the regulated activities in Belgium (i.e. the regulated activities of Elia Transmission Belgium);
- Non-regulated segment & Nemo Link, which comprises non-regulated activities within Elia Transmission Belgium and Nemo Link

1.1.1. Segment reporting Elia Transmission (Belgium)

Highlights

— Start of new regulatory period 2020-2023
— Higher fair remuneration driven by a higher equity return (4.68%) and gearing ratio (40%)
— Solid operational performance and higher incentives
— The development of the national grid continues , during the coronavirus pandemic, with progress made on all major investment projects but behind the initial plan due to lockdown measures
— Improved liquidity position with the successfully launch of an €800 million Eurobond

Regulatory framework

Since the beginning of 2020, a new tariff methodology came into force. This methodology is again applicable for a period of 4 years (2020-2023) and represents to a large extent a continuation of the main principles already applied under the previous tariff period. The regulatory framework remains a cost-plus model, with cost coverage of all reasonable costs and remuneration. The fair remuneration and additional incentives substituted the investment mark-up. The parameters for the computation of the fair remuneration were revised: the risk-free rate will be fixed ex-ante at 2.4% for the entire period and the regulatory gearing increases from 33% to 40%. The embedded debt principle for financial charges and volume neutrality remain applicable. The remuneration includes specific incentives, intended to incentivise Elia to further enhance the performance regarding a wide range of regulated activities in Belgium. Working capital elements (trade payables and receivables) linked to the levies will be excluded from the RAB from 2020 onwards, leading to a marginal one-off adjustment on the opening RAB. As from 2020, intangible assets are capitalised in the RAB, with depreciation charges passed through into revenues.

Key results

Elia Transmission key figures (in € million)	1H 2020		
Revenue, other income and net income (expense) from settlement mechanism	471.1		
Revenues	*419.1*		
Other income	*27.4*		
Net Income (expense) from settlement mechanism	*24.6*		
Equity accounted investees	1.1		
EBITDA	211.2		
EBIT	118.7		
Net finance costs	(34.2)		
Income tax expenses	(23.0)		
Net profit	**61.5**		
Key Balance Sheet items (in € million)	2020	2019	Difference %
Total Assets	6,877.1	6,384.4	7.7%
Total equity	2,112.3	2,102.5	0.5%
Net financial debt	3,123.9	3,024.8	3.3%
Free cash flow	(95.0)	0.0	n.r.

See the glossary for the definitions
Comparative figures for Total assets, Equity and Net financial as at 31/12/2019

Financials

Elia Transmission's revenue of € 471.1 million consist of the following details. The revenue in Belgium for the first half of 2020, was affected by a reduction of the energy offtake volumes as a consequence of the covid-19 measures and the new tariffs applicable in 2020.

Detailed revenue and other income (in € million)	1H2020
Grid revenue:	415.7
Grid connection	23.1
Management and development of grid infrastructure	241.7
Management of the electrical system	64.4
Compensation for imbalances	59.1
Market integration	10.8
International revenue	16.6
Transfer of assets from customers	1.4
Other revenue	2.1
Subtotal revenue	**419.1**
Other income	27.4
Net income (expense) from settlement mechanism	24.6
Total revenue and other income	**471.1**

Revenues from **management and development of grid infrastructure** of €241.7 million includes in increased tariff as from 2020 but have been affected by the decrease of the monthly peak tariff and monthly peak volume due to Covid-19 lockdown.

Revenues from **management of the electrical system** encompassed a tariff increase and the introduction of the tariff for injection of additional reactive energy related to the new tariff period 2020-2023.

Services rendered with regard to energy management and individual balancing of balancing groups are paid within the revenues from **compensation for imbalances** for € 59.1 million. During the 1st semester of 2020 imbalance situations were quite low and there were no exceptional imbalance days in 2020.
Finally, the last section of the tariff revenues encompasses the services Elia Transmission Belgium provides within the context of **market integration**, for €10.8 million , includes a tariff decrease from the new tariff scheme 2020-2023 and the energy volume offtake has been affected due to Covid-19 lockdown.

International revenue for €16.6 million (down 26.3%) covers a low congestion income (long term and day-ahead income) resulting from the soft winter period and lower offtake due to Covid-19 measures in 2020 with high injection power availability in winter leading to less power exchange with the CWE region. The absence of high price differences with neighboring countries in 2020 enforced this decrease.

The temporary reduction in electricity consumption Belgium related to Covid-19 has no impact on the profitability of the Elia Group as the impact of volume variations is neutralised under the Belgian regulatory framework

The **settlement mechanism** (€24.6 million) encompasses both deviations in the current year from the budget approved by the regulator (up €4.9 million) and the settlement of net surpluses from prior tariff period (down €29.6 million). The operating surplus, in relation to the budget of the costs and revenues authorized by the regulator, must be returned to consumers and therefore does not form part of the revenues. The operational surplus compared to the budget is primarily a result of decreased depreciations (€8.4 million) and lower costs for ancillary services (€14.3 million). This was partly offset by lower tariff sales (€ 6.9 million), higher financial costs (€6.9 million) and higher taxes (€ 3.7 million) compared to the budget.

The **EBITDA** of €211.2 million covers the regulated net profit and the depreciations linked to the growing asset base and offset by lower financial costs that are all passed through into revenues. The **EBIT** of €118.7 million includes also the contribution of equity-accounted investments (HGRT, Ampacimon and Coreso) for €1.1 million.

Net finance cost of €34,2 million includes also the costs for unwinding of an interest rate swap (down €4.5 million) linked to a shareholder loan repaid early June. In April, Elia tapped the debt capital market with a €800 million Eurobond for the financing of its investment progamme and to refinance a €496 million shareholder loan. The new issuance reduces the average cost of debt significantly to consumer' benefit. Elia transmission has a well-balanced debt maturity profile with no upcoming near term material maturities.

Net profit amounts to €61.5 million and covers the following factors:

- Fair remuneration of €49,3 million driven by the adoption of the new regulatory framework characterized by risk-free rate being fixed ex-ante at 2.4% for the entire period and the regulatory gearing increasing from 33% to 40%. Last year's capital increase (€327 million) is fully remunerated in 2020 -
- Incentives of €10,2 million thanks to its overall good performances; mostly related to Interconnection capacity, controllable costs, MOG availability and Average Interruption Time
- Other items for € 2.0 million mainly linked to IFRS provisions for IAS 19 and bad debt and the depreciation of intangible assets acquired prior to 2020 and activated under IFRS while fully expensed and covered under the previous regulatory methodology

Total assets increased by €492.7 million to €6,877.1 million, mainly due to the investment programme and a higher liquidity. **Net financial debt** increased by €99.1 million (up 3.3%), as Elia's capex programme was mainly financed by cash flows from operating activities and the bond issuance. In 2020, Elia reimbursedthe RCF drawn at the end of 2019 (€75 million). A new commercial paper programme was put in place for an amount of €300 million at the end of May, fully undrawn.

Equity increased slightly (up €9.8million) mainly as a result of the half year profit (€61.5 million) minus the effect of the dividend paid over the 2019 financial year (€18.9 million) and the allocation of equity towards Nemo Link (€22.2 million to align the financing in accordance with the regulatory framework (40% equity/ 60% debt).

Operational

Total load estimation decreased by 6.6% from 43.0 TWh in 2019 to 40.1 TWh in 2020. This decrease mainly due to the Covid-19 measures in place since March 2020, the on average higher temperatures and higher decentralized production in 2020 compared to 2019 impacting the Distribution Grid Operators' offtake. As a consequence, the net offtake from the Elia network decreased by 9.0% from 32.1 TWh in 2019 to 29.3 TWh in 2020.

Net injection on Elia Transmission Belgium's network slightly decreased from 30.5 TWh in 2019 to 30.1 TWh in 2020, mainly due to a lower nuclear availability in 2020 partially compensated by gas-fired and renewable production.
In the first half of 2020, Belgium was on average a net exporter due to the lower offtake and an almost stable injection. Net imports decreased from 2.0 TWh in 2019 to -0.4 TWh in 2020. Total exports slightly increased from 6 TWh in 2019 to 6.7 in 2020, whereas energy imports decreased by 22% from to 8.0 TWh to 6.3 TWh.

Total electricity flows between Belgium and its neighbouring countries decreased from 14.1 TWh to 13.0 TWh mainly as a result of the decrease in the net imports from the Netherlands and France.

Investments

In the first half of 2020, Elia invested €134.7[1] million in Belgium, mainly intended to integrate increasing volumes of variable renewable electricity. The necessary investments are made to reinforce the existing corridors to absorb the higher infeed of renewable energy combined with upgrading the existing grid.

Over the first half of 2020, investments were linked to Brabo phase 2 project and the connection of the last two off-shore wind farms, Mermaid & Seastar, to the MOG platform, which marks the completion of the investment program. Furthermore, Elia continued working on reinforcing the existing Belgian 380kV backbone: on the Horta-Avelgem axis, reinforcement works of towers and foundations were finalized. The next steps will be the replacement of the existing conductors.

[1] Including the capitalisation of software and IAS 23 (Borrowing costs), IFRS 15 (Revenue recognition – Transfer of assets from customers) and IFRS 16 (Leasing), the total is € 152.5 million.

1.1.2. Segment reporting non-regulated activities & Nemo Link

Highlights

— Strong operational performance for the first half of 2020 for Nemo Link interconnnector, though the contribution to Elia Transmission's result was affected by a one-off preferred dividend to National Grid

Key results

Non-regulated activities and NemoLink (in € million)	1H 2020		
Total revenues	3.4		
Equity accounted investees	1.8		
EBITDA	(0.9)		
EBIT	0.9		
Net finance costs	(5.0)		
Income tax expenses	1.7		
Net profit	**(2.4)**		
Of which attributable to Elia Group	***(2.4)***		
Key Balance Sheet items (in € million)	1H 2020	2019	Difference (%)
Total assets	312.0	312.2	(0.1%)
Equity	113.3	95.6	18.5%
Net financial debt	216.5	230.8	(6.2%)

See the glossary for the definitions
Comparative figures for Total assets, Equity and Net financial debt as at 31/12/2019

Non-regulated revenue covers mainly revenues that covers costs that are recoverable with other companies of Elia Group (e.g. 50Hertz, Elia Grid Engineering, Elia Group, ..).

As an equity-accounted investment, the contribution of **Nemo Link** over the first half of 2020 was €1.8 million. Nemo Link delivered strong operational performance over the first half of 2020, with a very high overall availability of 99.86%, leading to a net profit of €12.7 million. However, the net contribution to Elia Transmission Belgium was impacted by a one-off preferred dividend paid to National Grid (€9.1 million). In the past Elia and National Grid provided project services to Nemo Link. These services were reimbursed in 2019 by Nemo Link to Elia and pass-through to the tariffs, while Nation Grid opted for a one-off preferred dividend. From an operational view, Nemo Link has not been directly affected by the Corona-crisis but by its impact on the reduced UK - Belgium electricity consumption while production was affected by the high intake of renewables (wind and solar) in the Belgian grid which led to many hours of negative electricity prices during weekend and bank holidays. All in all, this resulted in higher price spreads between UK and Belgium between mid-March and end of May and a narrowing of the spread in June following a gradual recovery in power demand, lower wind output and outages at Belgian and French nuclear reactors drove up Belgian power prices.

Net finance cost of €5.0 million and primarily comprises the regulatory settlements for 2019 (€3.4 million) and the cost linked to Nemo Link private placement. Nemo Link is financed according to the regulatory framework (40% equity /60% debt).

The **net loss** amounted to €2.4 million, as the high financing cost impacted by the regulatory settlements for 2019, and the costs for financing the stake in Nemo Link, which was not fully compensated by the result of Nemo Link, due to the payment of the one-off exceptional dividend to National Grid.

Net financial debt decreased slightly to €216.5 million (down 6.2%) due to capital repayments linked to the financing of Nemo Link.

2. Statement on the true and fair view of the condensed consolidated interim financial statements and the fair overview of the interim management report

The undersigned Chairman of the Management Committee and Chief Executive Officer Chris Peeters and Chief Financial Officer Catherine Vandenborre declare that to the best of their knowledge:
a) the condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, give a true and fair view of the equity, financial position and financial performance of the company, and the entities included in the consolidation as a whole,
b) the interim management report includes a fair overview of the information required under Article 13, paragraphs 5 and 6 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Brussels, 28 July 2020

Catherine Vandenborre
Chief Financial Officer

Chris Peeters
Chairman of the Management Committee &
Chief Executive Officer

3. Condensed consolidated interim financial statements

Condensed consolidated statement of financial position

(in € million)	Notes	30 June 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS		**6,479.5**	**6,417.1**
Property, plant and equipment	(7)	4,327.4	4,268.4
Goodwill		1,707.8	1,707.8
Intangible assets		35.4	35.1
Trade and other receivables		2.3	2.3
Equity-accounted investees	(4)	345.5	342.6
Other financial assets (including derivatives)		61.0	60.3
Deferred tax assets		0.1	0.6
CURRENT ASSETS		**709.5**	**279.5**
Inventories		14.6	14.6
Trade and other receivables		349.2	213.9
Current tax assets		1.6	2.6
Cash and cash equivalents		331.4	42.0
Deferred charges and accrued revenues		12.7	6.4
Total assets		**7,189.0**	**6,696.6**
EQUITY AND LIABILITIES			
EQUITY		**2,225.6**	**2,198.1**
Equity attributable to owners of the Company		2,225.6	2,198.1
Share capital		2,055.5	2,055.5
Share premium		0.0	0.0
Reserves		2.8	0.0
Hedging reserve		0.0	(3.3)
Retained earnings	(6)	167.3	145.9
Non-controlling interest		0,0	0.0
NON-CURRENT LIABILITIES		**3,901.3**	**2.943,2**
Loans and borrowings	(8)	3,634.0	2.704,6
Employee benefits		111.5	87,5
Derivatives		0.0	4,4
Provisions		37.6	33,0
Deferred tax liabilities	(10)	17.9	22,8
Other liabilities		100.3	90,9
CURRENT LIABILITIES		**1,062.2**	**1.555,3**
Loans and borrowings	(8)	37.8	593,0
Provisions		2.4	2,5
Trade and other payables		440.2	384.3
Current tax liabilities		13.3	1.6
Accruals and deferred income		568.5	573.9
Total equity and liabilities		**7,189.0**	**6,696.6**

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

Condensed consolidated statement of profit or loss

(in € million) – Six Month period ended 30 June	Notes	2020
Continuing operations		
Revenue		419.1
Raw materials, consumables and goods for resale		(3.2)
Other income		30.8
Net income (expense) from settlement mechanism		24.6
Services and other goods		(163.4)
Personnel expenses		(82.0)
Depreciations, amortisations and impairments		(92.5)
Changes in provisions		0.0
Other expenses		(16.6)
Results from operating activities		**116.7**
Share of profit of equity-accounted investees (net of tax)		2.9
Earnings before interest and tax (EBIT)		**119.6**
Net finance costs		**(39.2)**
Finance income		0.5
Finance costs		(39.7)
Profit before income tax		**80.4**
Income tax expense	(11)	(21.3)
Profit from continuing operations		**59.1**
Profit for the period		**59.1**
Profit attributable to:		
Equity holders of the parent - Equity holders of ordinary shares		59.1
Non-controlling interest		0.0
Profit for the period		**59.1**
Earnings per share (€)		
Basic earnings per share		0.29
Diluted earnings per share		0.29

For a disaggregation of the revenue, we refer to chapter 1 Business Performance Review.

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

Condensed consolidated statement of profit or loss and other comprehensive income

(in € million) - Six month period ended 30 June	Notes	2020
Profit for the period		**59.1**
Other comprehensive income (OCI)		
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges		4.4
Related tax		(1.1)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations		(21.4)
Related tax		5.3
Other comprehensive income for the period, net of tax		**(12.8)**
Total comprehensive income for the period		**46.3**
Total comprehensive income attributable to:		
Equity holders of the parent - Equity holders of ordinary shares		46.3
Non-controlling interest		0.0
Total comprehensive income for the period		**46.3**

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

Condensed consolidated statement of changes in equity

(in € million)	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	**Equity attributable to ordinary shares**	Non controlling interests	**Total equity**
Balance at 1 January 2020	**2,055.5**		**(3.3)**			**145.9**	**2,198.1**		**2,198.1**
Profit for the period						59.1	59.1		59.1
Other comprehensive income			3.3			(16.0)	(12.7)		(12.7)
Total comprehensive income for the period			**3.3**			**43.1**	**46.4**		**46.4**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to Owners									
Transfer to legal reserves					2.8	(2.8)			
Dividends						(18.9)	(18.9)		(18.9)
Total contributions and distributions					2.8	(21.6)	(18.9)		(18.8)
Total transactions with Owners					2.8	(21.6)	(18.9)		(18.9)
Balance at 30 June 2020	**2,055.5**				**2.8**	**167.2**	**2,225.6**		**2,225.6**

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

Condensed consolidated statement of cash flows

(in € million) - Six month period ended 30 June	Notes	2020
Cash flows from operating activities		
Profit for the period		**59.1**
Adjustments for:		
Net finance costs		39.2
Current income tax expense		21.5
Profit or loss of equity accounted investees, net of tax		(2.9)
Depreciation of property, plant and equipment and amortisation of intangible assets		88.2
Gain on sale of property, plant and equipment and intangible assets		3.1
Impairment losses of current assets		0.1
Change in provisions		0.7
Change in loans and borrowings		(4.0)
Change in deferred taxes		(0.2)
Cash flow from operating activities		**204.7**
Change in inventories		(0.2)
Change in trade and other receivables		(135.2)
Change in other current assets		(4.2)
Change in trade and other payables		60.8
Changes in working capital		**(78.9)**
Interest paid		(71.0)
Interest received		0.5
Income tax paid		(7.2)
Net cash from operating activities		**48.0**
Cash flows from investing activities		
Acquisition of intangible assets	(7)	(5.3)
Acquisition of property, plant and equipment	(7)	(140.3)
Proceeds from sale of property, plant and equipment		0.6
Net cash used in investing activities		**(145.0)**
Cash flow from financing activities		
Dividends paid (-)	(6)	(18.9)
Repayment of borrowings (-)	(8)	(609.8)
Proceeds from withdrawal of borrowings (+)	(8)	1,015.0
Net cash flow from (used in) financing activities		**386.4**
Net increase (decrease) in cash and cash equivalents		**289.4**
Cash & Cash equivalents at 1 January		42.0
Cash & Cash equivalents at 31 December		331.4
Net variations in cash & cash equivalents		**289.4**

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

4. Notes to the condensed consolidated interim financial statements

1. General information

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

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

Elia's core business is managing, maintaining and developing very-high-voltage grids (380 kV, 220 kV and 150 kV) and high-voltage grids (70 kV, 36 kV and 30 kV). It is responsible for transmitting electricity from power generators in Belgium to customers, particularly distributors and major industrial users.

These unaudited and condensed consolidated interim financial statements of the company as at and for the six months ended 30 June 2020 contain the financial position and performance of the company and its subsidiaries (collectively referred to as "the Group") and the Group's interests in joint ventures.

The condensed consolidated interim financial statements were approved by the Board of Directors of Elia Transmission Belgium SA/NV on 28 July 2020.

2. Basis for preparation and changes to the Group's accounting policies

a. Basis for preparation

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting*, issued by the IASB as approved by the European Union.

The condensed consolidated interim financial statements do not include all the information and disclosures required for a complete set of IFRS financial statements and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 31 December 2019. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's position and performance since the last annual consolidated financial statements.

There were no changes in the accounting policies for the Group compared to the Annual Report 2019. We refer to this Annual Report for a detailed overview of the accounting policies used.

b. New standards, interpretations and amendments adopted by the Group

The accounting policies applied when preparing the condensed consolidated interim financial statements are consistent with those used to prepare the Group's annual consolidated financial statements for the year ended 31 December 2019.

Standards, interpretations and amendments, effective as from 1 January 2020, can be summarised as follows:

- Amendments to IAS 1 and IAS 8 – Definition of material;
- Amendments to IFRS 3 – Business Combinations, definition of a business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to references to the Conceptual Framework in IFRS standards;

These new, revised or amended standards did not have a material impact on the consolidated financial statements of the Group.

c. Standards issued but not yet effective

The below standards and interpretations are published, but not yet applicable for the annual period beginning on 1 January 2020 and are not expected to have a material impact for the Elia Group and are therefore not set out in detail:

- IFRS 17: Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS1 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 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);
- Amendment to IFRS16 Leases: Covid-19 related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020, 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).
- 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 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)
- Amendments to IFRS 4 Insurance contracts – Expiry date of the deferral approach (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)

3. Use of estimates and judgements

The condensed consolidated interim financial statements for the first half of 2020 were prepared using estimates and judgements as indicated in note 2.4 accompanying the Group's annual consolidated financial statements as of and for the year ended 31 December 2019.

The following estimates and judgements have specifically been re-assessed in the context of the Covid-19 pandemic.

- Credit risk related to customers (IFRS 9): management closely reviews the outstanding trade receivables and compared to previous reporting period, the payment behaviour of the clients remained mainly unchanged. Hence, there is no change in the expected credit losses as at 30 June 2020.
- Employee benefits including reimbursement rights (IAS 19): The estimated fair value of the plan assets has also been accounted based on evolution stated in the financial markets and the input of the external expert.
- Goodwill impairment testing (IAS 36): the main drivers of the value in use of the cash generating units, and potentially affecting the result of impairment test, are cash flows resulting from the regulated businesses and the Regulated Asset Base ("RAB") at a certain moment in time.
    - Because the remuneration as defined in the regulatory schemes are not affected by the pandemic, the assumptions used for determination of the cash flows in the impairment test per 31 December 2019 remain quasi unchanged.
    - In respect of the RAB, currently some delays are observed in some investment projects resulting in a slightly lower RAB per year-end. However, this delay is merely a shift in timing which will be caught up in future years and the RAB used in the terminal value of the impairment test should normally not be impacted.

4. Subsidiaries, joint ventures and associates

a. Group structure

For detailed accounting policies in respect to 'Business combinations and Goodwill', we refer to note 3.1 in the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019.

The below table provides an overview of subsidiaries, joint ventures, associated companies and other shareholdings held across the group.

Name	Country of establishment	Headquarters	Stake % 2020	Stake % 2019
Subsidiaries				
Elia Asset NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Investments accounted for using the equity-method – Joint Venture				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Investments accounted for using the equity-method – Associates				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	15.84	15.84
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	20.54	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	17.36	17.36
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	4.00	4.00

5. Segment reconciliation

We refer to chapter 1 for a detailed description of the performance per segment. In the table below, the segment reconciliation is provided.

Consolidated results (in € million) - Period ended 30 June	2020 Elia Transmission (a)	2020 Nemo Link and non-regulated activities (b)	2020 Elia Transmission Belgium Group (a) + (b)
Total revenues	419,1	0,0	419,1
Other income	27,4	3,4	30,8
Net income (expense) from settlement mechanism	24,6	0,0	24,6
Depreciation, amortisation, impairment and changes in provisions	(92.5)	0.0	(92.5)
Results from operating activities	117.6	(0.9)	116.7
Share of profit of equity accounted investees, net of tax	1.1	1.8	2.9
Earnings before interest and tax (EBIT)	118.7	0.9	119.6
Earnings before depreciations, amortisations, interest and tax (EBITDA)	211.2	0.9	212.1
Finance income	0.5	0.0	0.5
Finance costs	(34.7)	(5.0)	(39.7)
Income tax expenses	(23.0)	1.7	(21.3)
Profit attributable to the owners of the company	**61.5**	**(2.4)**	**59.1**
Consolidated statement of financial position (in € million)			
Total assets	6,877.1	312.0	7,189.1
Capital expenditures	152.5	0.0	152.5
Net financial debt	3,123.9	216.5	3,340.4

Consolidated statement of financial position (in € million) - Period ended 31 December	2019 Elia Transmissie (a)	2019 Nemo Link and non-regulated activities (b)	2019 Elia Transmission Belgium Group (a) + (b)
Total assets	6,384.4	312.2	6,696.6
Capital expenditures	0.0	0.0	0.0
Net financial debt	3,024.8	230.8	3,255.6

All revenues are earned from external customers.

6. Dividends

On 19 May 2020, the shareholders approved payment of a gross dividend of €0.092 per share (i.e. a net dividend of €0.062 per share), corresponding to a total gross dividend of €18.9 million.

7. Acquisitions and disposals of PPE

A net sum of €152.5 million was invested in the entire Elia Transmission Belgium Group, of which €152.5 million in the Belgian segment and €0.0 million in the Nemo Link and non-regulated activities segment in the first half of 2020.

8. Loans and borrowings

In the 1st semester of 2020, the following instruments has been issued:

- On 28th of April 2020, Elia Transmission Belgium successfully launched a €800 million Eurobond under its new €3 Billion EMTN[2] listed on the Euro MTF of the Luxembourg Stock Exchange in April. The €800 million senior unsecured bond will mature in 2030 and has an annual fixed coupon of 0.875%. The proceeds are used to refinance a €495.7 million shareholder loan which matured in 2020 and to finance the grid investment plan in Belgium.
- 26th of May 2020, Elia Transmission Belgium entered the bond market for a second time in May and successfully placed a private placement of €200 million dual tranche 8-year and 24-year amortising bond with a fixed annual coupon of 1.56% under its €3 billion EMTN programme.

In the context of the reorganisation of the group structure realized in 2019, Elia Transmission Belgium and the lenders agreed to an early repayment of the loans end of June 2020 (other loan € 453.6 million and the loan with Publi Part for € 42.1 million). As the lender Publi-Part only opted for early repayment end march 2020, the loan was presented under the section non-current liabilities per 31st December 2019.

At the end of June 2020, Elia Transmission Belgium restituted the loans as contractually agreed. For these loans interest rate swaps were contracted for € 300 million which have been unwinded end of June, resulting in a derecognition affecting the financial charges for €4.5 million.

At year-end 2019, Elia Transmission Belgium had drawn on its revolving credit facility for €75 million, increased the drawing with € 25 million in 2020 and paid back in May 2020 the full amount of € 100 million. Finally the yearly instalment of €14 million of the amortised term loan has been paid in June, together with the interests incurred on it.

Loans and borrowings as at 30 June 2020 comprise the following:

(in € million)	Maturity	Amount	Interest rate	Current proportion - fixed
Eurobond issues 2013/15 years	2028	547.1	3.25%	100.00%
Eurobond issues 2013/20 years	2033	199.1	3.50%	100.00%
Eurobond issues 2014/15 years	2029	346.7	3.00%	100.00%
Eurobond issues 2015/8.5 years	2024	498.4	1.38%	100.00%
Eurobond issues 2017/10 years	2027	247.7	1.38%	100.00%
Eurobond issues 2019/7 years	2026	498.1	1.38%	100.00%
Eurobond issues 2020/10 years	2030	787.9	0.88%	100.00%
Amortising term loan	2033	195.7	1.80%	100.00%
Amortising bond – 7.7 years	2028	67.2	1.56%	100.00%
Amortising bond – 23.7 years	2044	132.3	1.56%	100.00%
European Investment Bank	2025	100.0	1.08%	100.00%
Total		**3,620.2**		**100.00%**

The above €3,620.2 million is to be increased with €51.6 million of interest accruals and finance lease liabilities to reconstitute the overall debt of €3,671.8 million.

[2] Euro Medium Term note-

9. Financial instruments

The table below shows a comparison of the carrying amount and fair value of financial instruments as at 30 June 2020 and the fair value hierarchy:

(in € million)	Carrying amount					Fair value			
	Fair Value through P&L	**Fair Value through OCI**	**Amortzsed Cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2019									
Other financial assets	7.0	0.2			7.2	7.0	0.2		7.2
Trade and other receivables			216.2		216.2				
Cash and cash equivalents			42.0		42.0				
Assets held to hedge long-term borrowings		(4.4)			(4.4)		(4.4)		(4.4)
Unsecured financial bank loans and other loans				(880.5)	(880.5)		(880.5)		(880.5)
Unsecured bond issues				(2,336.2)	(2,336.2)		(2,689.8)		(2,689.8)
Trade and other payables				(384.3)	(384.3)				
Total	**7.0**	**(4.2)**	**258.2**	**(3,601.0)**	**(3,340.1)**	n.r	n.r	n.r	n.r
30 June 2020									
Other financial assets	7.0	0.2			7.2	7.0	0.2		7.2
Trade and other receivables			351.6		351.6				
Cash and cash equivalents			331.4		331.4				
Unsecured financial bank loans and other loans				(295.7)	(295.7)		(295.7)		(295.7)
Unsecured bond issues				(3,324.5)	(3,324.5)		(3,683.3)		(3,683.3)
Trade and other payables				(440.2)	(440.2)				
Total	**7.0**	**0.2**	**683.0**	**(4,060.4)**	**(3,370.2)**	n.r	n.r	n.r	n.r

The above tables do not include fair value information for cash and cash equivalents, trade and other receivables, trade and other payables, as their carrying amount is a reasonable approximation of fair value. The fair value of finance lease liabilities and accrued interests are not included as there is no requirement for disclosure.

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 statement of financial position at fair value, the disclosure of fair-value measurements by level in the following fair value measurement hierarchy:

Level 1: The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), the instrument is included in level 2.
The fair value of the unsecured bond issues and other loans is the close price at 30 June 2020 of the instrument on the secondary market.

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) are based upon valuation reports issued by third parties. The fair value of the other financial assets is derived from an external valuation report.

The fair value of the 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.

10. Deferred tax liabilities

Net deferred tax liabilities decreased slightly from €22.2 million to €17.7 million, of which €0.3 million has been recognised in profit or loss and €4.2 million in OCI.

(in € million)	Opening balance	Recognised in profit or loss	Recognised in OCI	Total
2020				
Property, plant and equipment	(49.4)	(1.1)	0.0	(50.5)
Intangible assets	(8.6)	1.2	0.0	(7.4)
Interest-bearing loans and other non-current financial liabilities	8.5	(0.5)	(1.1)	6.9
Employee benefits	8.8	0.4	5.3	14.5
Provisions	5.1	0.0	0.0	5.1
Deferred revenue	21.8	0.0	0.0	21.8
Losses carried forward	(0.1)	0.1	0.0	(0.0)
Deferred taks on investment grants	(1.1)	0.0	0.0	(1.1)
Other items	(7.2)	0.2	0.0	(7.0)
Total	**(22.2)**	**0.3**	**4.2**	**(17.7)**

11. Income tax expense

Excluding the share of profit of equity-accounted investees, the effective tax rate was 27.6%.

12. Settlement mechanism (regulatory framework)

The settlement arising from the tariff regulation mechanism for the year ended 31 December 2019 was accounted for in the period ended 30 June 2020 and decreased the net profit for the period by €2.4 million.

We refer to notes 9.1 and 9.2 accompanying the annual consolidated financial statements as of and for the year ended 31 December 2019 for more details.

13. Related parties

Controlling entities

Elia group NV/SA, in which Publi-T is the core shareholder, has 99.99% stake in Elia Transmission Belgium. Besides the yearly dividend, there were some significant transactions between Elia Group and Elia Transmission Belgium in the first half of 2020. Sales and expenses with these entities amounted to €0.1 million and €5.5 million respectively for the six months ended 30 June 2020. As at 30 June 2020, there were outstanding trade receivables of €0.1 million and outstanding trade debts of €1.2 million.

Transactions with key management personnel

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

The members of Elia Transmission Belgium'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 the annual report of Elia Group NV/SA (where amounts for Elia Asset are reported separately).

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

Transactions with joint ventures and associated companies

Details of transactions with joint ventures and associated companies are shown below:

(in € million) – Period ended 30 June	2020
Transactions with joint ventures and associated companies	**(0.6)**
Sales of goods	0.9
Purchases of goods	(1.5)
(in € million)	30 June 2020
Outstanding balances with joint ventures and associated companies	**(0.6)**
Current trade and other receivables	(0.3)
Current trade and other payables	(0.3)

Transactions with other related parties

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

There were various significant transactions with entities (mainly distribution system operators) in which Elia's Board of director's members exercise a significant influence in the first half of 2020. Sales and expenses with these entities amounted to €0.4 million and €0.7 million respectively for the six months ended 30 June 2020. As at 30 June 2020, there were no outstanding trade receivables and trade debts towards those entities.

14. Seasonal fluctuations

Some elements of the Group's revenue follow a seasonal pattern, primarily due to the higher volumes of electricity consumed during the winter that have to be transmitted by the grid operator from power generators to distributors and large industrial customers, and also due to the impact of renewable energies, which are highly sensitive to weather conditions and hence have a considerable effect on revenue inflows.

15. Events after the reporting date

There are no important events to report since 30 June 2020, which would affect the condensed consolidated interim financial statements.
As included in the 2019 annual consolidated financial statements, the Group expects Brexit still to have a very limited effect on the consolidated financial statements.

16. Regulatory framework

Regulatory framework in Belgium

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

Tariff setting – update period 2020-2023

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

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

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

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

Fair remuneration

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

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

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

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

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

Non-controllable costs and revenues

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

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

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

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

Other incentives

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

- **Market integration:** This incentive consisted of three elements in the past regulatory framework: (i) increase of import capacity, (ii) increase of market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare disappears, whereas the one on import capacity is replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive is created on the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Issuer's profit (from EUR 0 to EUR 16 million for cross-border capacity, from EUR 0 to EUR 7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which the CREG has accepted as being part of the RAB, is allocated as follows: 40 per cent. is allocated to future tariff reductions and 60 per cent. is allocated to the Elia's profit .
- **Network availability:** This incentive is broadened. The benefits for the Issuer are changed and they will consist of: (i) if the average interruption time ("AIT") reaches a target predefined by the CREG, the Issuer's net profit (pre-tax) could be impacted positively with a maximum of EUR 4.8 million, (ii) in case that the availability of the MOG is in line with the level set by the CREG, the incentive can contribute to the Issuer's profit from EUR 0 to EUR 2.53 million and (iii) the Issuer could benefit from EUR 0 to EUR 2 million in case that the predefined portfolio of maintain and redeploy investments is realised in time and on budget.
- **Innovation and grants:** The content and the remuneration of this incentive has changed and will cover (i) the realisation of innovative projects which could contribute to the Issuer's remuneration for EUR 0 to EUR 3.7 million (pre-tax) and (ii) the subsidies granted on innovative projects which could impact the Issuer's profit with a maximum of EUR 0 to EUR 1 million.
- **Quality of customer related services:** This incentive is broadened and is related to three incentives: (i) the level of client satisfaction related to the realisation of new grid connections which can generate a profit for the Issuer of EUR 0 to EUR 1.35 million, (ii) the level of client satisfaction for the full client base which would contribute with EUR 0 to EUR 2.53 million to the Issuer's profit and (iii) the data quality that the Issuer publishes on a regular basis, which can generate a remuneration for the Issuer of EUR 0 to EUR 5 million. .
- **Enhancement of balance system:** This incentive is similar to the one in the past regulatory framework named "discretionary incentive" through which the Issuer gets a reward if certain projects related to system balancing as defined by the CREG are realised. This incentive can generate a remuneration between EUR 0 and EUR 2.5 million (pre-tax).

Regulatory framework for the Modular Offshore Grid
The CREG amended the 2016-2019 tariff methodology to create specific rules applicable to the investment in the MOG. A formal consultation took place in the first weeks of 2018 between the CREG and the Issuer and the CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters are (i) a specific risk premium to be applied to this investment (resulting in an additional net return

of 1.4 per cent.), (ii) a special depreciation rate applicable to the MOG assets, (iii) certain costs specific to the MOG to bear another qualification compared to the costs for onshore activities, (iv) the level of the costs to be defined based on the characteristics of the MOG assets and (v) dedicated incentives linked to the availability of the offshore assets. For the tariff period 2020-2023, the regulatory framework for the MOG has been included in the tariff methodology, based on the features described here above, except for the risk premium which has applied since 1 January 2020 on a target equity/debt ratio of 40/60.

Regulatory deferral account: deviations from budgeted values

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

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2020-2023 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that the impact on Belgian grid users of Elia's financial participation in other companies which the CREG does not consider part of the RAB (such as stakes in regulated or non-regulated activities outside Belgium,) is neutral.

Public service obligations

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

Regulatory framework for the Nemo Link interconnector

In 2020, there were no significant changes to the regulatory framework for the Nemo Link interconnector applicable until 31 December 2020 (as described in note 9.3 to the annual consolidated financial statements as of and for the year ended 31 December 2019.

5. The report of the joint statutory auditors and their review of the condensed consolidated interim financial information

BDO Bedrijfsrevisoren CVBA
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Belgium

EY Bedrijfsrevisoren BV
De Kleetlaan 2
1831 Diegem
Belgium

Joint statutory auditor's report to the board of directors of Elia Transmission Belgium NV on the review of the condensed consolidated interim financial information as at 30 June 2020 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Elia Transmission Belgium NV as at 30 June 2020, the condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2020 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis matter – Covid-19

Without qualifying our review conclusion, we draw your attention to the disclosures of the interim condensed consolidated financial information that describe the consequences of Covid-19 on the results and the use of judgments and estimates of the Group. The continuous evolution around Covid-19, creates an important uncertainty. The impact of these developments on the judgements and estimates of the Group is disclosed in note 3 "Use of estimates and judgements" of the condensed consolidated interim financial information.

Brussels, 28 July 2020

Joint statutory auditors

BDO Réviseurs d'Entreprises / Bedrijfsrevisoren represented by	EY Réviseurs d'Entreprises / Bedrijfsrevisoren represented by
Felix Fank Partner	Paul Eelen* Partner *Acting on behalf of a BVBA/SPRL 21PE0038

6. Glossary

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

Prior to 2019, the adjusted items included the offshore commissioning effect and energy bonus at the level of 50Hertz. This is no longer presented separately as an Adjusted item in 2019 but directly included in the adjusted EBIT.

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

Adjusted net profit

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

CAPEX (Capital Expenditures)
CAPEX (Capital Expenditures) = Acquisitions of fixed assets (a.o. property, plant and equipment and intangible assets) minus proceeds from sale of fixed assets. 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.

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.

Equity attributable to the owners of the company

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

Financial Leverage

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

Free cash flow

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

Net finance costs

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

Net financial debt

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

Regulatory Asset Base (RAB)

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: RABi (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.

Net debt / EBITDA

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

EBITDA / Gross interest

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