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a responsible company serving
its customers and the community

ANNUAL REPORT 2010

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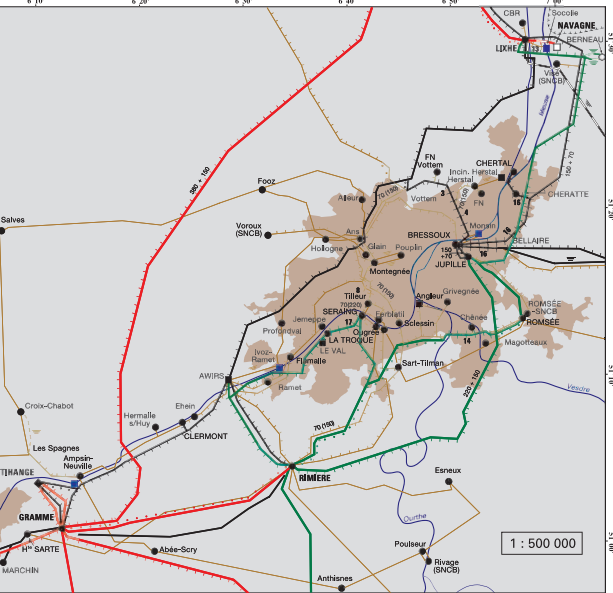
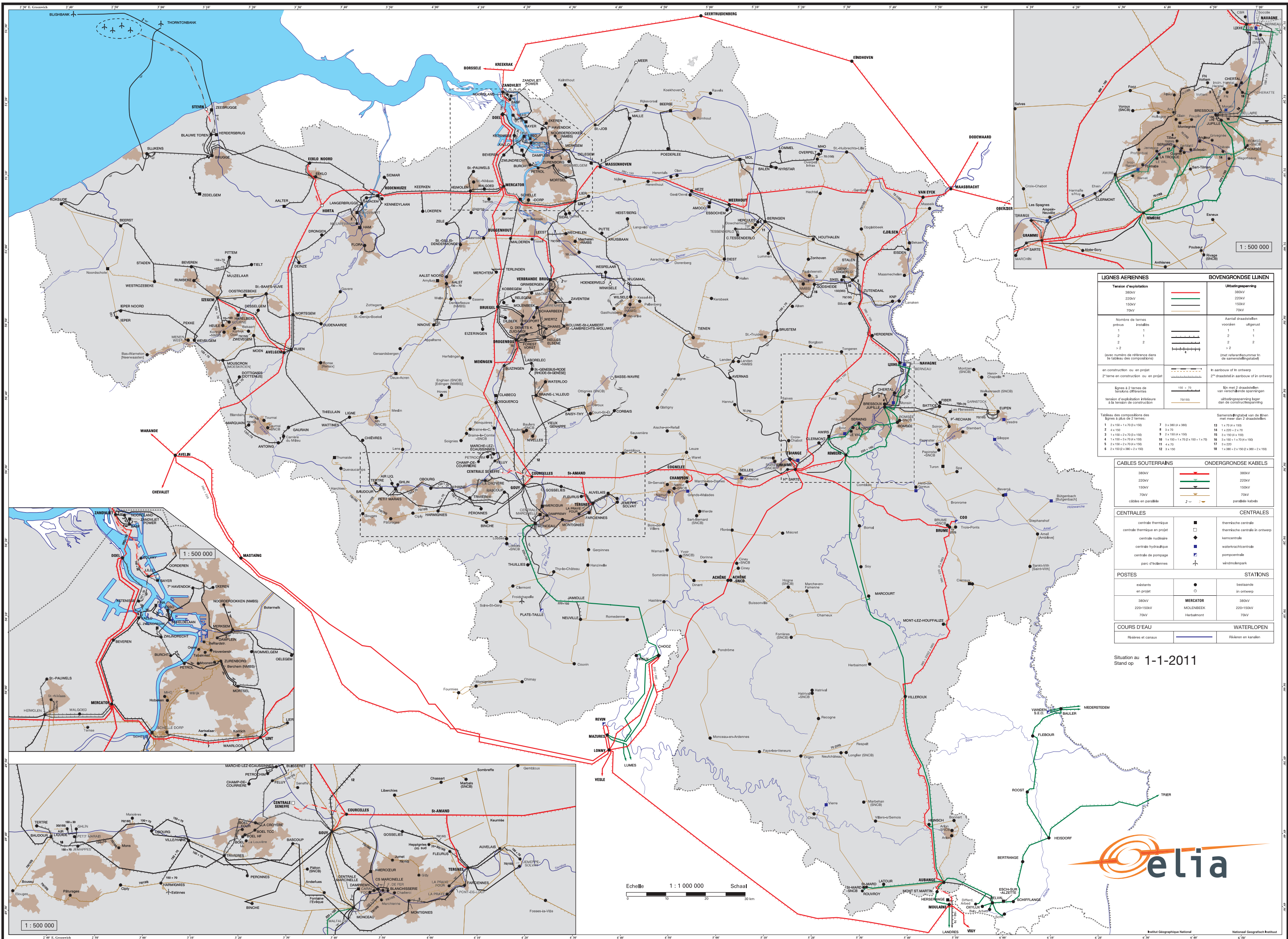
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*These chapters form the annual report cf. article 119 of the Belgian company code



LIGNES AERIENNES		BOVENGRONDSE LIJNEN	
Tension d'exploitation		Uitlaatingspanning	
380kV		380kV	
220kV		220kV	
150kV		150kV	
70kV		70kV	
Nombre de terres prévues		Aantal draadstellen vooraf	
1		1	
2		2	
> 2		> 2	
(avec numéro de référence dans le tableau des compositions)		(met referentie nummer in de samenstellingslijst)	
en construction ou en projet		In aanbouw of in ontwerp	
2 ^e terre en construction ou en projet		2 ^{de} draadstiel in aanbouw of in ontwerp	
Lignes à 2 terres de tension différentes		Lijn met 2 draadstellen van verschillende spanningen	
tension d'exploitation inférieure à la tension de construction		uitlaatingspanning lager dan de constructiespanning	
Tableau des compositions des lignes à plus de 2 terres		Samenstelling van de lijnen met meer dan 2 draadstellen	
1 2 x 150 + 1 x 70 + 1 x 150	7 3 x 380 + 1 x 380	13 1 x 70 + 1 x 150	
2 4 x 150 + 1 x 70 + 1 x 150	8 3 x 70	14 1 x 220 + 2 x 70	
3 1 x 150 + 2 x 70 + 1 x 150	9 2 x 150 + 1 x 150	15 3 x 150 + 1 x 150	
4 1 x 150 + 3 x 70 + 1 x 150	10 1 x 150 + 1 x 70 + 1 x 150 + 1 x 70	16 3 x 150 + 1 x 70 + 1 x 150	
5 2 x 150 + 2 x 70 + 1 x 150	11 4 x 70	17 3 x 220	
6 2 x 150 + 2 x 380 + 2 x 150	12 3 x 150	18 1 x 380 + 2 x 150 + 2 x 150	

CABLES SOUTERRAINS		ONDERGRONDSE KABELS	
380kV		380kV	
220kV		220kV	
150kV		150kV	
70kV		70kV	
câbles en parallèle		parallèle kabels	

CENTRALES		CENTRALES	
centrale thermique	■	thermische centrale	
centrale thermique en projet	□	thermische centrale in ontwerp	
centrale nucléaire	◆	kerncentrale	
centrale hydraulique	■	waterkrachtcentrale	
centrale de pompage	▣	pompcentrale	
parc d'éoliennes	⚓	windmolenpark	

POSTES		STATIONS	
existants	 	bestaande	 
en projet		in ontwerp	
380kV	MERCATOR MOLENBEEK Herbalmoot	380kV	 
220-150kV		220-150kV	
70kV		70kV	

COURS D'EAU		WATERLOPEN	
Rivières et canaux		Rivieren en kanalen	

Situation au
Stand op 1-1-2011



Echelle 1 : 1 000 000
0 10 20 30 km

about this report

A european group serving its customers and the community

With its transmission system operator activities in Belgium and Germany, the Elia Group performs a public service mission on behalf of its customers and the community as a whole.

This long-term mission aims to ensure the quality and security of the electrical power supply as well as an ongoing balance between supply and demand and to adapt the Elia facilities to enable the development of a reliable and efficient electricity system in line with current and future energy and environmental policies.

At a time when the crucial role of transmission system operators in supporting energy and environmental policy is recognised at EU level, the Elia Group, as a socially responsible enterprise, is striving more than ever before to strike an optimal balance between Profitability (essential for the investments it has to make and the innovation capacity it has to exhibit), the Planet (to minimise adverse effects on our natural environment) and People (employees, subcontractors, local residents, customers and the community as a whole, all of whom are stakeholders in our activities).

These three pillars – People, Planet and Profitability – are at the heart of every corporate social responsibility policy. In the case of the Elia Group, they are reflected in the Group's willingness to play an active role that is commensurate with the energy challenges of the 21st century, characterised by listening to and engaging in dialogue with our customers, policymakers and the regulatory authorities, associations and the community as a whole.

This 2010 annual report takes stock of the measures we have undertaken at Group level in Belgium and in Germany to contribute to the security of supply of electrical power, to improve the competitiveness of our companies and the well-being of citizens, and to fight against climate change whilst ensuring fair remuneration for our shareholders. In 2009, for the sake of clarity and transparency we opted for a Global Reporting Initiative (GRI) approach. We are reinforcing our commitment with the 2010 annual report so as to comply with the methodology's level C requirements, and are determined to exceed this level in the years to come.



foreword

by the Chairman of the Board of Directors

Transmission system operators will play a crucial role in establishing the energy landscape in the decades to come. European Energy Commissioner Günther Oettinger has stated with regard to the goals set by the European Union that “we cannot meet these goals without infrastructure” and announced an investment budget of €200 billion, earmarked in particular for the continued development of the transmission system infrastructure in the North Sea to bring the electricity generated by offshore wind farms to consumers and to upgrade inter-connections in southwest Europe to transmit wind and solar energy and hydroelectric power to the rest of the continent.

Fully aware of these challenges, Elia undertook two major initiatives in 2010, with the acquisitions of a 60% stake in the German transmission system operator 50Hertz Transmission and a 20% stake in the APX-Belpex-Endex exchange, following the transfer of the Belgian exchange to this entity. In taking this approach the Management Committee has enjoyed the active support of the Group’s Board of Directors and public shareholders who reaffirmed their willingness to be involved in the development of grids in Belgium and in Europe. They have accordingly provided the company with the means and resources to consolidate the position it has gradually acquired in Europe thanks to its skills and expertise. The markets have followed suit, as can be gauged from the successful capital increase which marks a spirit of renewed confidence amongst the current shareholders.

Elia underwent a fundamental change in 2010 when Electrabel/GDF SUEZ withdrew from its shareholding (a logical consequence of the development of European legislation) plus an increase in the stake held by Publi-T and the acquisition of a 60% stake in 50Hertz Transmission.

The Group now has the means and resources to achieve its stated ambition for its customers and the community - namely to create shared wins and to develop the European electricity market in a reliable, sustainable and efficient way in line with its mission statement.

This is precisely what it did throughout 2010, both on a daily basis, by providing a level of security of supply that ranks amongst the highest in Europe, and through major projects, such as of course the acquisition of 50Hertz Transmission, and also the integration of the Belgian energy exchange into the APX-Belpex-Endex Group, as well as a key contribution to extending the market coupling to nine countries in Central West and North Europe.

Furthermore, the Elia Group is ready to take up new challenges, such as the massive integration of renewable sources of energy into its grids, the extension of market coupling to intraday markets and paving the way for the new tariff period for the years 2012-2015!

A handwritten signature in blue ink, appearing to read 'Luc Van Nevel'.

Luc Van Nevel,
Chairman of the Boards of Directors



foreword

of the Chairman of the Management Committee

2010 will linger in our memory as a year of major events for the Group.

These events range from the tornado of 14 July in Belgium, when the Elia staff lived up to its reputation by restoring security of supply in the disaster-hit areas within just a few hours, to the publication of the first version of the revamped federal grid development plan; the presentation of the Stevin project to enhance the security of supply in West Flanders and the second phase connection of the major offshore wind farms; the successful initiation of the market coupling for nine Central West European and Scandinavian countries; the acquisition of 50Hertz Transmission; the transfer of Belpex combined with the acquisition of a stake in APX-Endex; and the withdrawal of the historic shareholder from the company's capital and the ensuing capital increase!

In parallel, Elia supplied its customers in good time with the studies, connections and upgrades required for their activities, and carried out its investment, maintenance and replacement plans – in complete safety for the personnel, with 2010 seeing the best results ever on that front.

This series of achievements and successes was a result of the professionalism of the Elia staff, their capacity for teamwork, their motivation and their passion for providing the public service of ensuring the uninterrupted supply of electrical power throughout the year regardless of the circumstances.

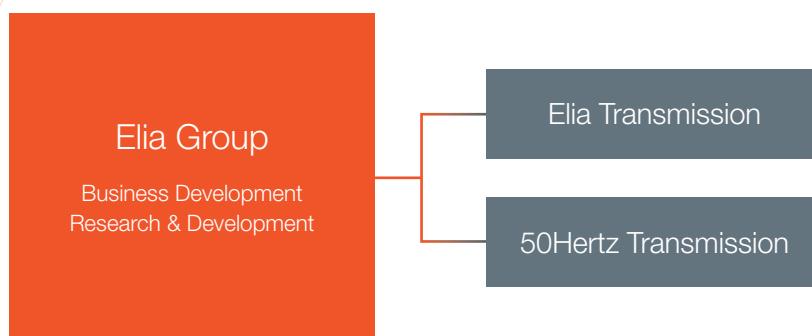
Their commitment has enabled Elia to become a European transmission system operator, duly recognised as such by its peers, and attentively followed by the players in the European electricity market. This active role is reflected in many actions both in Belgium and at the European level to promote a reliable and efficient internal market for electricity and to facilitate the harmonised management of national transmission systems.

Elia can offer its Belgian and German customers access to the widest and most varied possible electricity market by anticipating the developments in the European electricity system and contributing actively to achieving them. Driven by the growing share of renewable energy, national transmission grids will in future have to be managed like one large European network. Our stake in 50Hertz Transmission enables us to influence the course of these events for the benefit of our customers and the community in Belgium and Germany.

Our European approach has enabled us to diversify the legislative and regulatory risk for our shareholders, while creating new sources of organic growth in line with our risk profile. Their confidence, which was reaffirmed at the time of the capital increase in June, is a seal of approval for the choices we have made and our vision for the development of our company.

This is a role we intend to develop in the years to come for the sake of our customers, employees and shareholders. For this is our ambition and what we all want to achieve.

Daniel Dobbeni,
Chairman of the Management Committee



profile



The Elia Group is organised around its two major constituent electricity transmission system operators: Elia in Belgium and 50Hertz Transmission in Germany.

Elia, the Belgian transmission system operator, holds licences for its 380 kV to 150 kV national grid and for its 70 kV to 30 kV grids in Belgium's three regions.

50Hertz Transmission, one of the four German grid operators and active in the north and east of Germany, is held jointly by Elia (60%) and Industry Fund Management (IFM) (the remaining 40%). The acquisition was concluded in May 2010 after it had been approved by the EU authorities.

The Elia Group is now amongst the top five transmission system operators in Europe. Through its actions it has set an example in terms of its independence, its role as a driving force behind development on the European market, its commitment to the security of supply of electricity and its contribution to the integration of energy generated from renewable sources.

It acts through the legal entity Elia System Operator, a company that is listed on the stock exchange (the free float amounts to 52.10%) and whose reference shareholder is the municipal holding company Publi-T. It employs more than 1,800 people in all and contributes to the security of supply of electricity of nearly 30 million citizens in Belgium and Germany.

The primary mission of the Elia Group is to ensure the reliable and entirely safe transmission of electricity generated by generation units to consumers connected to its grids in Belgium and Germany (distribution system operators and major industrial consumers).

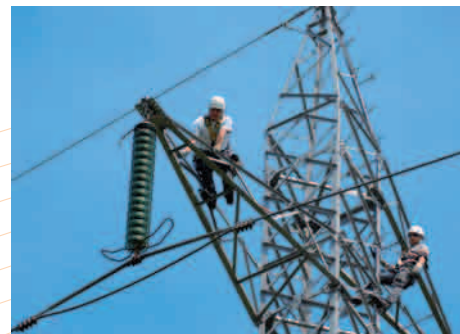
Given its strategic position at the intersection between the electricity markets in the west, east and north of Europe, the Elia Group safely manages electric power imports, exports and transits on its grids in Belgium and Germany. It also plays a key role in the construction of a fully-fledged electricity market in Europe through its (direct and indirect) participation in the shareholding of the APX-Belpex-Endex and EPEX exchanges.

The Elia Group also offers a range of consultancy and engineering services to its customers and to the community as a whole.

Its approach combines respect for the environment with support for EU, national and regional sustainable development policies, with the Group endeavouring to involve the various stakeholders in its activities at national and European levels.

The Elia Group applies the rules relating to corporate governance as well as the provisions of the Corporate Governance Code applicable to companies quoted on the stock exchange.

Elia System Operator has been quoted on the regulated Brussels Euronext market since June 2005.



values

"We are a team of professionals with the ambition to create shared wins for our customers and the community and to develop the European electricity market in a reliable, sustainable and efficient way."

These are the words of the mission statement drawn up by Elia in 2008 and intended to give everyone in the company a clear idea of its goals and challenges, as well as the priorities facing the Group in terms of its deployment of human and financial resources.

It integrates the Group's activity into its public service mission for the benefit of its customers, the economy and the community.

Against this background, Elia expanded its activities in 2010 by acquiring the German transmission system operator 50Hertz Transmission.

This mission statement is reflected in the group's corporate values which constitute the key priority dimensions that guide how its employees go about and build on their activities within the company and vis-à-vis the outside world: entrepreneurship, integrity, empathy and responsibility.





key events

2010

Social

29 JANUARY: NEW JOBSITE ON LINE

Elia is constantly on the lookout for talented individuals with various profiles to join its ranks. To attract their attention to the wide range of career opportunities in our company, Elia launched an attractive, fully-fledged jobsite that includes an online application tool.

Environmental

23 MARCH: LAUNCH OF FRIENDS OF THE SUPERGRID

Friends of the Supergrid includes various industrial enterprises, among which Elia, which have joined forces to develop a social, political and regulatory base for a future offshore grid. The association was launched at Elia's headquarters in Brussels on 23 March.

Economic

12 MARCH: AGREEMENT ON THE ACQUISITION OF 50HERTZ TRANSMISSION

Elia, its financial partner Industry Fund Management (IFM) and the seller Vattenfall Europe announced their agreement for the acquisition of the German transmission system operator 50Hertz Transmission by Elia and IFM.

Environmental

13 APRIL: EWIS PRESENTS ITS FINAL REPORT

The European Wind Integration Study (EWIS), an initiative of European transmission system operators, in cooperation with the European Commission, presented the results of its study for the large-scale integration of wind energy in the grids after two years of research. Hubert Lemmens, Chief Innovation Officer at Elia, coordinated the entire project.

Economic

22 MARCH: INAUGURATION OF THE NEW NATIONAL CONTROL CENTRE

Elia inaugurated its new national control centre, the nerve centre of the transmission system management. The building, designed on the basis of innovative and advanced environmental management and sustainability requirements, has been recognised as an exemplary piece of architecture by the IBGE.

Economic

19 APRIL: INTEGRATION OF BELPEX INTO APX-ENDEX

Elia and TenneT announced the transfer of their respective stakes in the Belgian Belpex power exchange to APX-Endex. At the same time, Elia acquired a 20% stake in the capital of the APX-Belpex-Endex Group. This integration is a new and important step towards an integrated electricity market in northwest Europe.



From left to right:
Jobsite online - Acquisition of 50Hertz
Transmission - Inauguration of the
national control centre (NCC) in the
presence of the Brussels-Capital
Region Environment and Energy
Minister - Launch of Friends of the
Supergrid.

Environmental

27 APRIL: ELIA JOINS THE RENEWABLES GRID INITIATIVE

Elia and its counterparts RTE, National Grid and Swissgrid joined the Renewables Grid Initiative. The aim of this association is to boost electricity generation from renewable sources and the transmission capacity needed for its development. It comprises non-governmental organisations such as the World Wildlife Fund and GermanWatch.

Corporate

11 MAY: CHANGE IN THE ELIA BOARD OF DIRECTORS

When Electrabel sold 12.5% of its stake in the capital of Elia to Publi-T, the directors representing Electrabel resigned. They were replaced by three new directors: Jennifer Debatisse, Dominique Offergeld and Leen Van den Neste. Luc Van Nevel, an independent director, replaced Ronnie Belmans as Chairman of the Board.

Corporate

18 MAY 2010: ELECTRABEL/GDF SUEZ WITHDRAWS FROM ITS SHAREHOLDING IN ELIA

Following developments on the market, in particular the third package of measures adopted by the European Union to create an internal electricity market, Electrabel/GDF SUEZ withdrew from the capital of Elia by selling its stake to institutional investors. The free float of Elia now stands at 52.10%.

Economic

19 MAY: 50HERTZ JOINS THE ELIA GROUP

IFM and Elia henceforth hold a stake of 40% and 60% respectively through their Brussels-based subsidiary Eurogrid International, with Elia having operational control. The Elia Group is now amongst the top five transmission system operators in Europe.

Environmental

18 MAY: TWENTIES IN ORBIT

The European Union launched the Twenties project to implement new technologies for the sound and efficient integration of wind energy generation facilities into the European transmission system. The Elia Group is one of 26 partners involved in the project.

Economic

22 JUNE: SUCCESSFUL CAPITAL INCREASE

The capital increase organised by Elia to finance the acquisition of 60% of the German transmission system operator 50Hertz Transmission was fully subscribed. The new shares were listed for the first time on 25 June.



Economic

25 JUNE: INAUGURATION OF THE AUBANGE- MOULAINÉ SECOND CIRCUIT

The interconnection between Aubange, in Belgium, and Moulainé, in France, was equipped with a second 220 kV circuit. Thanks to the use of high-performance conductors, its transmission capacity has more than doubled, from 300 MW to 800 MW. The official inauguration was held at the high-voltage station in Moulainé in the presence of Chairman of the RTE Executive Board Dominique Maillard and Elia CEO Daniel Dobbeni.

Social

13 JULY: BELGIAN TRANSMISSION TARIFFS AMONGST THE LOWEST IN EUROPE

ENTSO-E published a survey of the transmission tariffs in more than 30 European countries for 2009 and 2010. Conducted by the 'Economic Framework' workgroup of ENTSO-E, this study shows that Elia's tariffs are amongst the lowest in Europe.

14 JULY: STORMS ALSO HIT THE ELIA HIGH VOLTAGE GRID

The high-voltage grid was not spared by the violent storms that ravaged Belgium. The 380 kV interconnection between Achène and Lonny and one of the three connections that supply ancillary services for the Tihange nuclear power station were hit. The Elia teams worked until late into the night of 14 to 15 July to repair the damage. In mid-August, a backup connection was installed and works got underway for a full repair expected by the end of the first half of 2011.

Social

1 SEPTEMBER: TRAINING CENTRE FOR 50HERTZ TRANSMISSION

50Hertz Transmission and the Technical University of Brandenburg in Cottbus, not far from Berlin, approved the establishment of a training centre for the specialists of the control centre in charge of the operational management of 50Hertz Transmission.

Environmental

11 OCTOBER: MOVING TOWARDS BALTIC 2

50Hertz Offshore, a subsidiary of 50Hertz Transmission, concluded a contract with the General Cable Group, which will produce and install a 120 km underwater cable to connect up Baltic 2, the second offshore wind farm in the Baltic Sea, by 2012. Baltic 2 will supply 1,200 GWh each year and will help to reduce CO₂ emissions by 900,000 tonnes.

Economic

14 OCTOBER: ELIA BECOMES A SHAREHOLDER IN APX-ENDEX

The transfer of the respective stakes of Elia and TenneT in Belpex to the APX-Endex international power exchange was confirmed. Belpex became a fully-fledged subsidiary of APX-Endex, whilst Elia henceforth holds a 20% stake in the capital – an important step towards the creation of an integrated electricity market for northwest Europe.



From left to right:
Inauguration of the Aubange-Moulaine upgrade - Storm hits the Elia high-voltage grid - Elia becomes a shareholder in APX-Endex - Teams under pressure.



Environmental

22 OCTOBER: EUROPEAN SUPPORT FOR THE OFFSHORE GRID IN THE BALTIC SEA

The European Commission granted a subsidy of €150 million to the Danish transmission system operator Energinet.dk and to 50Hertz Transmission for their joint project to build an offshore grid between the wind farms of Kriegers Flak and Baltic 2. This connection, providing links with Denmark and Germany respectively, will be a first step towards the creation of a grid in the Baltic Sea.

Economic

9 NOVEMBER: MARKET COUPLING WITH NINE COUNTRIES

The price coupling in Central West Europe and the volume coupling between this region and the Nordic market got off to a successful start. The consumers of nine countries (the Benelux, France, Germany, Denmark, Finland, Norway and Sweden) can thus take advantage of the wholesale price convergence thanks to the optimal allocation of transmission capacity between these countries. Elia and 50Hertz Transmission played a central role in seeing this project through.

Social

25 AND 26 NOVEMBER: TEAMS UNDER PRESSURE

A simulation exercise was conducted on the grid with the Belgian federal government's Crisis Unit. The objective is simple: check up on the allocation of roles and responsibilities to the various players as well as the proper operation of the processes to be implemented so as to restore normal operations as soon as possible.

Social

26 NOVEMBER: TERNA AND 50HERTZ TRANSMISSION JOIN CORESO

Terna, the Italian transmission system operator, and 50Hertz Transmission joined Elia, RTE (France) and National Grid (United Kingdom) in the capital of the Coreso technical coordination centre established in Brussels in 2009. Coreso henceforth anticipates and supervises the electricity flows for a region of 215 million inhabitants, i.e. more than 40% of the consumption in the European Union.

Environmental

21 DECEMBER: CONNECTING CAPACITY FOR RENEWABLE ENERGY

At the initiative of the Minister for Energy of the Flemish Region, Elia proposed contracts for connecting, under certain conditions, some 114 MW generated from renewable energy, whilst waiting for the upgrade provided for under the Stevin project to be implemented.





prospects and challenges 2011

Transposition of the new EU directive

The “third package” of EU directives, aimed at developing a single electricity and gas market, is due to be transposed into Belgian law by March 2011. In view of the political situation in Belgium, there is a real risk that this deadline will not be met. However, we should point out that Elia already meets the independence and impartiality criteria set for a grid operator in the new directive.

Second multi-year tariff period

Since 1 January 2008, Elia has operated with multi-year tariffs for four-year periods. The first four-year period will expire on 31 December 2011. Pursuant to the procedure in force, Elia must submit a tariff proposal for the period from 1 January 2012 to 31 December 2015 to the federal regulator by 30 June. This will then be examined by CREG with a view to determining tariffs for our customers as of 1 January 2012. Against this background, the transposition of the third package of EU directives into Belgian law according to the European Commission's schedule makes an important contribution to stability.

Integration of the 60% subsidiary 50Hertz Transmission

The cooperation between the respective services of Elia in Belgium and 50Hertz Transmission in Germany will continue in 2011. In addition to bringing the financial management of 50Hertz Transmission in line with that of the Elia Group, the objectives include optimising several processes such as purchasing, IT, grid investment planning, maintenance policies, and human resources, as well as the exchange of expertise through the secure integration of renewable energy sources.

Offshore grids: the electricity highways of the future

The role of grid operators in implementing energy policy aiming at drastic reductions in CO₂ emissions has never been as clear as it is now. The integration of a sizeable portion of variable renewable energy resources requires the unprecedented development of new transmission infrastructure and facilities, both onshore and offshore. Such transmission capacity is essential to convey large volumes of energy generated in increasingly remote locations to the consumption areas and to deal with the plethora of small and medium-sized generation units which are connected to the distribution networks.

From 2011 onwards, the Elia Group will have to face such challenges as financing investments, reaching the social consensus needed to obtain building permits, implementing the most advanced technologies for managing increasingly unpredictable energy flows owing to atmospheric conditions, and developing skills and expertise in booming lines of business.



The integration of a sizeable portion of variable renewable energy resources requires the unprecedented development of new transmission infrastructure and facilities, both onshore and offshore, expanding markets, and the electricity highways of the future, so as to meet European energy targets.

Maintaining grid safety

The increased exchanges on the European transmission grid raise questions about the ways the grids are used. The expansion of Coreso, the European regional coordination centre established by Elia with its French and British counterparts in 2010, to include Terna (in Italy) and 50Hertz (in Germany), is one of the initiatives aimed at enhancing the operational reliability of the interconnected grids in Central West Europe. The acquisition of 50Hertz will enable the Group – at the energy crossroads between the west, east and north of Europe – to pursue its commitment to the security of supply of power in Europe, which is crucial for our economies and our societies.

Expanding markets

The successful coupling of day-ahead electricity markets of nine European countries in November 2010 was followed by the launch of works to extend it to the United Kingdom within the North-West regional market. Moreover, the system operators and power exchanges are actively working on the integration of intraday markets. In parallel, the integration of power exchanges, in which area major achievements were notched up in 2010 in the form of the consolidation of the Belgian Belpex exchange in APX-Endex and the entry of Elia into the Group's capital, is bound to continue to be a strong trend in the years to come.

New interconnections

Nemo, the project to connect the Elia grid in Belgium to the UK's National Grid infrastructure is making significant progress, and Elia and the German system operator Amprion have confirmed their joint determination to create an interconnection between Belgium and Germany. The choice of technology (high-voltage direct current) and its modular nature will constitute an initial segment of one of the future European electricity highways specifically intended to enhance security of supply and to contribute to the competitiveness of European companies.

the Elia Group in 2010

a strategic turning point

2010 was a real turning point in the company's development, as the Belgian system operator extended its activities in Europe with the acquisition of 50Hertz Transmission. The Elia Group now ranks amongst the top five transmission system operators in Europe.

Independent, with a broad public base

Ever since it was created in June 2001, Elia has had most of the characteristics of independence and impartiality of a transmission system operator that are enshrined in the provisions of the recent third EU directive. Elia has thus been able to take a considerable number of initiatives to improve the functioning of the Belgian market and to enhance competition between Belgian and foreign suppliers, whilst endeavouring to maintain an excellent supply quality.

The flotation of 40% of its capital on the stock exchange in 2005 and the gradual drop in the stake of the historical shareholder led to the withdrawal of Electrabel/GDF SUEZ from the capital of Elia in May 2010, thereby reinforcing the public base and the flotation.

AT THE HEART OF THE EUROPEAN SYSTEM, A DRIVING FORCE FOR INNOVATION ON THE ELECTRICITY MARKET

Its geographic location puts Belgium at the heart of the electrical grid in Central West Europe. Ever since it was created, Elia has relentlessly enhanced the integration of the Belgian grid within the market of that region. To that end, the interconnection capacity with France and the Netherlands has been enhanced to extend the exchange (import and export) capacity, which is essential for supply security and the construction of a competitive market. It has complemented these investments with many initiatives such as the development of market mechanisms like the trilateral market coupling mechanism, the creation of the Belgian power exchange, the first cross-border auctioning office for the allocation of capacity, CASC-EU, the first centre for regional technical cooperation shared by several transmission system operators, Coreso, and a contribution to the integration of renewable energy.

The acquisition of 50Hertz Transmission has been the logical conclusion to this European approach at a time when market integration clearly goes beyond national borders.

READY FOR THE INTEGRATION OF RENEWABLE ENERGY

Thanks to their respective strategic positions on the North and Baltic Seas, Elia and 50Hertz Transmission are ideally placed to play a major role in onshore wind energy (already present on a massive scale in the 50 Hertz grid) as well as offshore wind energy, and in the construction of future systems offshore and other electricity highways which will be crucial for meeting the objectives of the Union's energy and climate policies.



ENHANCED ADDED VALUE FOR THE SHAREHOLDER

Elia and 50Hertz Transmission, two transmission system operators, are involved in similar activities and have a similar risk profile. The acquisition of 50Hertz Transmission has enabled the Elia Group to diversify its legislative and regulatory risk, as well as its organic development prospects.

IMPROVED OPERATIONAL EXCELLENCE

By sharing their best practices, Elia and 50Hertz Transmission will be ideally equipped to deal with the increasing complexity of electrical grids in Europe following the rise in cross-border trading and in line with the growing share of renewable energy sources, where generation depends on climatic conditions.

The Elia Group will continue to improve its operational excellence for the benefit of consumers and its shareholders by developing a standardised, multi-level approach, in particular with regard to procurement, information technology and maintenance policy.

Moreover, the financial structure for the acquisition of 50Hertz Transmission has led to total tariff neutrality in Belgium and in Germany, thereby safeguarding the interests of consumers in both countries.

Widened scope for the Belgian power exchange Belpex

2010 was also a key year for the Belgian power exchange Belpex, created in 2006 by Elia, TenneT (the system operator in the Netherlands), RTE (the system operator in France), APX and Powernext (the power exchanges for the Netherlands and France respectively).

Elia and TenneT transferred their respective stakes to APX-Endex (the other shareholders sold their shares). Elia concurrently acquired a 20% stake in APX-Belpex-Endex and therefore joined the Group's management bodies. The new entity has a strong European component through its presence as an energy exchange – electricity, gas, green certificates – in Belgium, the Netherlands and the United Kingdom.

This operation constitutes an important step towards the integration of power exchanges on the market in northwest Europe and consolidates the work carried out by Belpex and Elia in a rapidly changing European environment.

On 12 March, Elia and Industry Funds Management (IFM), one of the world's leading infrastructure investment managers, announced the signing of an agreement on the acquisition of the German transmission system operator 50Hertz Transmission from Vattenfall Europe AG, Germany's third largest electricity generator.



the elia share in 2010

2010 was a relatively stable year overall with regard to the stock exchange, certainly in comparison with previous years, in spite of the euro crisis brought about by various southern European countries this summer.

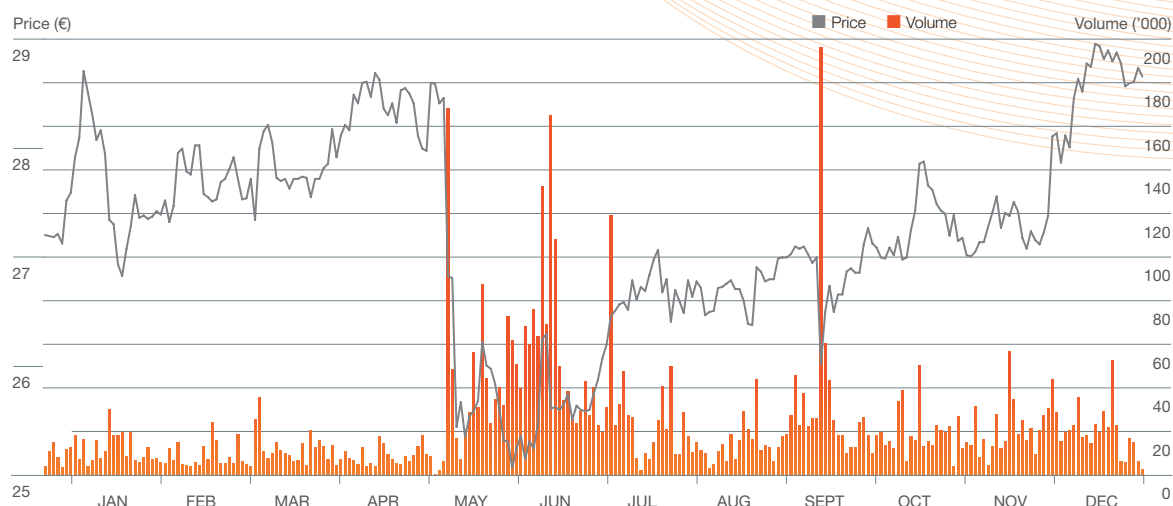
As the Group's activities are regulated both in Belgium and in Germany, the risk profile improved considerably thanks to the acquisition of 50Hertz Transmission, as this diversified a significant proportion of the legislative and regulatory risk.

Since 1 January 2008, Elia has been operating in Belgium under a system of tariffs that are set for four years. The tariffs for the next regulatory period (2012-2015) will be set in 2011. In Germany, the regulatory period, which started in 2009, covers five years (with the current period ending in 2013).

The Elia share followed an upward trend in 2010, with a dip in May and June, after various major operations, including the total withdrawal of GDF SUEZ from the company's capital (through an accelerated institutional placement of Elia shares on 18 May), the payment of a €1.38 dividend on 21 May, and the announcement of a capital increase of €299.4 million at an issue price of €24.80 on 3 June.

Following this successful capital increase, the share price rapidly stabilised in July at around €26.5. This trend subsequently continued and the share price closed at €28.66 on 31 December.

The share's liquidity rose by some 115% (from 10,717 shares per day to 23,096 shares per day on average) primarily because of the increase beyond the 50% of the number of freely tradable shares (free float) and the success of the capital increase.





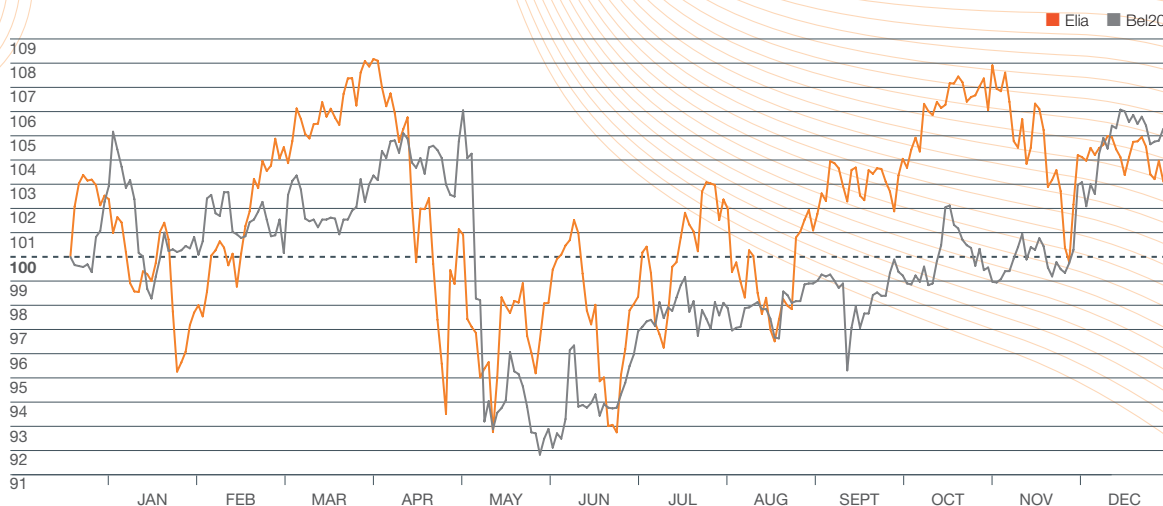
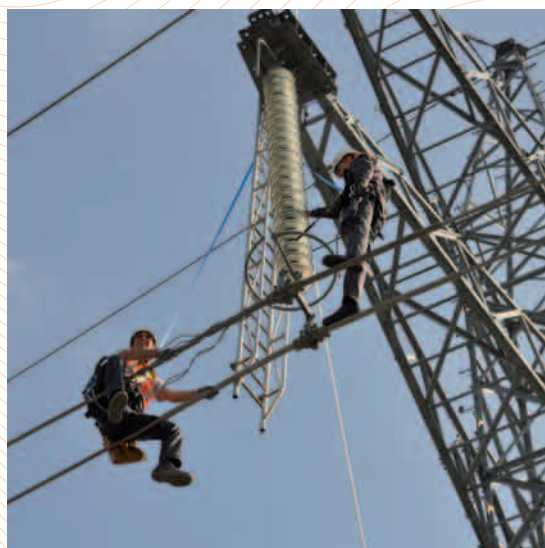
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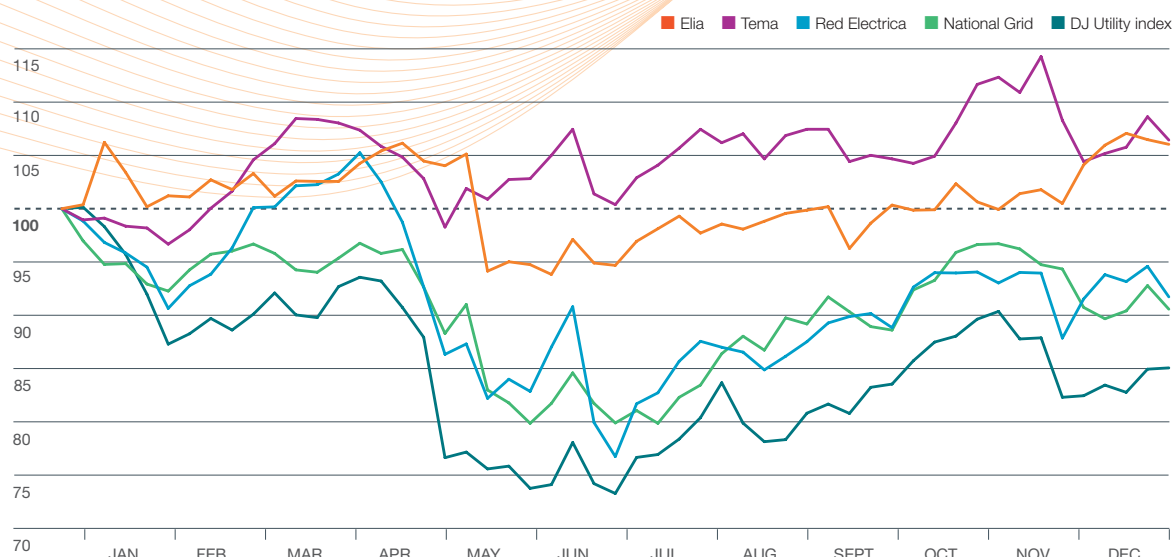


In 2009, the Elia share had closed at €27.30. The closing rate at the end of 2010 was €28.66, i.e. up 4.98%. If the dividend of €1.38 is taken into account, the share price rose 10.04% during the year.

The lowest price was on 8 June 2010 (€23.92) and the highest in December (€29.45).

The Elia share performed 2.31%, better on an annual basis than the Bel20 index which was up 2.67% in 2010.





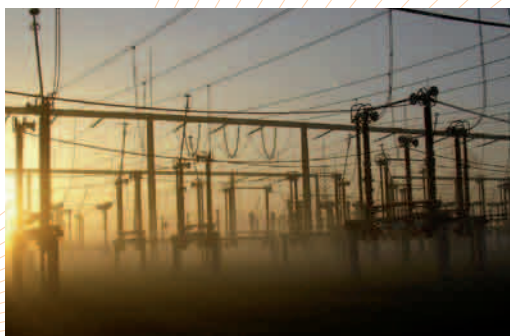
With the exception of the Italian system operator Terna (up 6%), Elia's results were better than those of Red Electrica in Spain (down 8.2%) and National Grid in the UK (down 9.4%). The electricity sector as a whole declined by 14.9% in 2010 (see the graph below).

With 60,355,217 shares outstanding, the company's market capitalisation stood at €1,729,780,519 at the end of December.

In 2010, 5,958,886 Elia shares were traded on Euronext Brussels, which is equivalent to 18.95% of the freely tradable shares.

The table below gives an overview of the monthly statistics for the Elia share on Euronext Brussels in 2010.

Month	Volume (daily average)	Closing price	Price		Freefloat turnover Rate	Market cap. In € m
			Highest	Lowest		
January	12,178	27.35	29.00	27.05	1.25%	1,321
February	8,913	27.79	28.52	27.30	0.91%	1,342
March	11,233	27.83	28.77	27.58	1.32%	1,344
April	9,070	28.52	29.19	27.86	0.93%	1,377
May	25,974	26.49	28.90	25.54	2.80%	1,279
June	59,592	25.64	26.58	23.92	4.17%	1,548
July	30,315	26.41	27.20	25.50	2.12%	1,594
August	14,866	26.78	26.95	26.20	1.04%	1,616
September	35,929	26.86	27.35	25.85	2.51%	1,621
October	20,131	27.20	28.10	26.91	1.34%	1,642
November	24,738	27.23	27.75	27.00	1.73%	1,643
December	21,156	28.66	29.45	27.15	1.55%	1,730
2010	23,096	28.66	29.45	23.92	18.95%	1,730



Successful capital increase to finance the acquisition of 60% of 50Hertz Transmission

Elia realised a capital increase of €299.4 million in June 2010 to finance its acquisition for €278.7 million of a 60% stake in the German transmission system operator 50Hertz. This operation was supported by KBC Securities, ING, BNP Paribas Fortis and Dexia. Roadshows were organised in London and Paris for institutional investors as well as in Brussels (Heysel) for retail investors.

During the period of subscription with rights, from 4 to 18 June 2010, a new share could be subscribed for four preferential rights at an issue price of €24.80. A total of 11,085,617 shares were subscribed through the exercise of rights, i.e. 91.84% of the volume of the €299.4 million offer. Publi-T, Publipart and the Arco Group exercised their preferential rights and subscribed for shares worth €135.8 million, €7.6 million and €31.1 million respectively.

The 3,941,704 subscription rights not exercised were offered on 22 June as scrips to institutional investors. They were sold in less than an hour at a price of €0.20 per scrip, which comes to €25.60 per share.

All 48,284,172 subscription rights were exercised during this operation, and all 12,071,043 new shares were subscribed. The planned increase of capital of €299.4 million was completed on 25 June 2010, when the new shares with a VVPR strip were quoted on the regulated Euronext Brussels market.

Appointment of two liquidity providers for the Elia shares

In late 2009, Elia entered into a liquidity provider contract with KBC Securities and Bank Degroof, both officially recognised by NYSE Euronext. The aim of the agreement was to boost the liquidity of the Elia share.

These two financial institutions have been continually present in the order book for the Elia share since 1 December 2009 and are involved in both sale and purchase.

The Elia share and its codes

SHARE INDEX

On 31 December 2010, Elia's share was included in the Bel Mid index. Elia's weight on that date was 4.05%, ranking it seventh in the index.

	Elia share on the stock exchange	Elia strips on the stock exchange
Stock exchange	Euronext Brussels	Euronext Brussels
Index	BEL MID	-
Ticker	ELI	ELIS
ISIN	BE 0003822393	BE 0005597688
Code Bloomberg	ELI BB	ELI BB
Code Reuters	ELI BR	ELI BR



Founded in 2002 by Nicole Notat, Vigeo has established itself as the leading European expert in analysing, rating, auditing and advising organisations in terms of their procedures, practices and results in relation to environmental, social and governance (ESG) challenges. To find out more, visit www.vigeo.com.

A sustainable and socially responsible company

Elia wants to make a commitment to investors and offer them the guarantee that the companies in which they are investing are sustainable and play a pioneering role, or a leading role in their sector, in all fields of corporate social responsibility (CSR). Elle was rated by the extra-financial agency Vigeo.

Vigeo analyses every company in six areas:

- relation with customers/suppliers;
- human rights;
- environmental policy;
- external social policy;
- corporate governance;
- human resources.

Moreover, the Elia share is included in Kempen's SNS SRI Universum.



Transparency regulations and disclosure of interests

Under the Belgian Transparency Act, stakes of at least 5% (or a multiple of 5%) of total share capital must be disclosed to the Belgian Banking, Finance and Insurance Commission (CBFA) and to the company itself.

On 11 May 2010, Publi-T and Publipart indicated that their respective stakes in Elia amounted to 45.37% and 2.53%. Furthermore, the same day GDF SUEZ reported that its stake was reduced to 11.74%. On 21 May 2010, GDF SUEZ indicated that its stake in Elia had been reduced to 0%.

On 25 June 2010, the ARCO Group announced that it held an 8.79% stake in Elia.

Shareholder structure

The shareholder structure of Elia System Operator SA as at 31 December 2010 was as indicated below:

	Shares	% Shares	% Voting rights
Publi-T	27,383,507	45.37	45.37
Publipart	1,526,756	2.53	2.53
Arco Group	5,306,880	8.79	8.79
Other free float	26,138,074	43.31	43.31
Total	60,355,217	100.00	100.00



Dividend

On 24 February 2011, the Elia Board of Directors decided to propose the following dividend payments at the general meeting of shareholders of 10 May 2010, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders, a normal dividend of €84.5 million or €1.40 per share (gross) was proposed. This gives a net result of € 1.19 per share without VPR strip and €1.5 per share with VPR strip.

The following paying agents will pay out dividends to shareholders: Fortis Bank, ING Belgium, KBC-Bank/CBC Banque and Dexia Bank. Dividend payouts for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia will pay out dividends on registered shares directly to shareholders.

Dividend policy

Elia is obliged by its articles of association to pay out at least 85% of profit gained, after retaining 5% for the legal reserve. This represents a payout ratio of 81% of recorded profit.

Following the introduction of multi-year tariffs, part of the net profit derived from offsetting decommissioning gains in the tariffs must be reserved under equity. As a result, the overall payout ratio fell slightly but this situation enhanced Elia's (self-) financing capacity.

Investors

For any questions regarding the Elia share, please contact:

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Fax: +32 2 546 71 80
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Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia website www.elia.be in three languages (French, Dutch and English). Elia's financial newsletter Investor News provides investors with up-to-date information about the company. Just sign up on the website to receive it electronically.



Financial calendar

25 February 2011 (8 a.m.)
Early April 2011
10 May 2011
13 May 2011
25 May 2011
26 August 2011 (8 a.m.)
15 November 2011

Publication of annual figures for 2010
Publication of 2010 annual report in PDF
General meeting of shareholders
Interim statement for Q1 2011
Payment of 2010 dividend (coupon n° 6)
Publication of half-yearly figures for 2011
Interim statement for Q3 2011





01

economic report

In the face of the energy challenges of the 21st century, transmission system operators play an important role in achieving the ambitious goals set by the European Union.

Against this backdrop, Elia and 50Hertz Transmission have proactively assumed their responsibilities on behalf of their customers and the community by working on security of supply for today and the future.

Martine Verelst
EUROPEAN MARKET INTEGRATION





grid operation

Grid operation, the core business of the Elia Group and its two poles devoted to electricity transmission, one in Belgium and the other in the north and east of Germany, takes place across different time-frames, ranging from year- and day-ahead to real-time operation 24 hours a day, seven days a week.

The national control centres maintain an instantaneous balance between generation and consumption and manage energy flows on their respective grids in close collaboration with the transmission system operators from neighbouring countries. The regional control centres focus particularly on the quality of supply for industrial customers connected to the transmission system and for distribution system operators. They work in close partnership with operational teams responsible for maintenance services.

This operational mission requires increasingly specialised skills, and now entails working in a European setting: the Belgian grid managed by Elia and the German grid managed by 50Hertz Transmission are subsets of the Continental grid and are synchronously interconnected with grids ranging from Portugal to Ukraine.

Following the liberalisation of the internal electricity market, exchanges within this extended grid have continued to increase, partly due to the price differentials in the various national markets. The growing share of energy generated from renewable sources such as large offshore wind farms will increase the variability of energy flows within grids. The gradual introduction of intraday adjustment mechanisms

will make it possible to meet the needs of these players more effectively by allowing them to align their level of generation with their customers' consumption throughout the day. This will result in greater variability of energy flows, leading to a need for operational measures to be implemented in a coordinated way by several transmission system operators to maintain a reliable and continuous supply.

To this end, Elia has put in place phase-shifting transformers, which act like taps and allow electricity flows to be distributed between a larger number of connections on the Central West European grid. These transformers, which are the largest in Europe, have been in service since the start of 2009 and are operated in close collaboration with the transmission system operators in neighbouring countries. To this end, Elia, along with its French and British counterparts RTE and National Grid, set up the regional technical coordination centre Coreso in Brussels. In its capacity as a European regional centre, Coreso assesses the risks of incidents on the Central West European grid over weekly and daily periods and in virtually real time. It warns the system operators concerned, including Elia, and proposes preventive measures in which phase shifting transformers play a crucial role. In November 2010, the Italian grid operator Terna and 50Hertz Transmission joined Coreso, thereby doubling the geographic area under its supervision. At the crossroads between the west, north and east of Europe, 50Hertz Transmission is also part of TSO Security Cooperation (TSC), a cooperation initiative of 11 European system operators to improve the security management of transmission grids in the centre of Europe.

Both Coreso and TSC play an active role in the market coupling that was extended to cover nine countries (France, the Benelux, Germany and the Scandinavian countries) in November 2010.

Grid operation, the core business of the Elia Group and its two poles devoted to electricity transmission, one in Belgium and the other in the north and east of Germany, takes place across different time-frames, ranging from year- and-day-ahead to real-time operation 24 hours a day, seven days a week.

Lorenz Müller,
Portfolio Management, 50Hertz Transmission



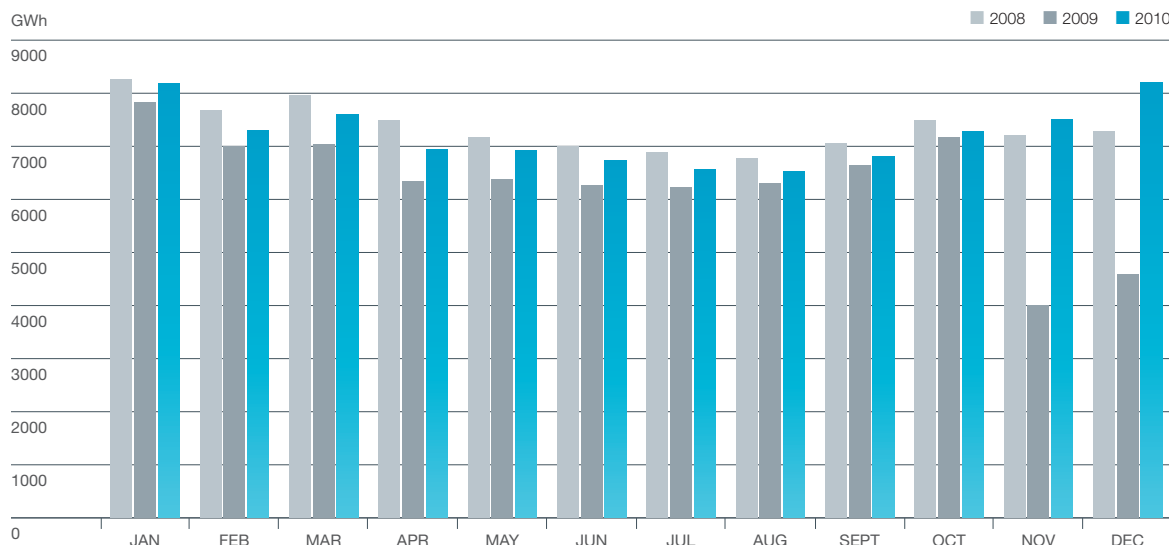
Lorenz Müller has headed the Portfolio Management Department of 50Hertz Transmission for 3 years. He and his team are in charge of the strategic and design aspects of market development, energy purchasing and ancillary services.

“As part of our responsibilities, we have to promote the national and European electricity markets and support the priority integration of renewable energy. In cooperation with our colleagues from the System Management Department, we develop and supply the tools for system management, congestion management and renewable energy integration.”

These activities are pursued in close cooperation with German policy-makers and regulatory agencies that define the legal framework for these operations. Lorenz and his team have helped achieve significant progress on this front.

“We define market models for renewable energy in accordance with the German Renewable Energy Act (EEG). We also develop optimal processes for the purchase of energy to offset grid losses and for control power, as well as new instruments for the management of energy balancing group mechanisms. We are also in charge of operations tasks such as medium- and long-term purchasing of energy to offset grid losses and tenders for control power, plus liquidity forecasts by the support mechanism for renewable energy. This is no mean feat, given the importance of green energy. We are already one of the leading players on the power exchange!”





Security of supply

Security of supply in Belgium remained at a high level in 2010.

The average number of interruptions on the Elia grid per consumer (Average Interruption Frequency²) was 0.129, equivalent to one interruption per customer every 7.8 years.

The average duration of interruptions was 37 minutes and 24 seconds.

Spread across all customers, the average duration of interruptions was 4 minutes and 51 seconds per customer (Average Interruption Time), equivalent to an average availability of more than 99.999%, which is higher than the average for the last decade. Belgium thereby emerges, year on year, as one of the best countries in Europe in terms of quality of electricity supply.

In Germany, the integration of an even higher proportion of renewable energy was the main challenge for operational security. Special measures, stipulated by the relevant German legislation (EnWG Article 13) had to be applied more frequently because of critical situations due to extensive renewable generation (wind and photovoltaic energy). At least one of these measures had to be active for some 160 days of the year.

Thanks to close cooperation between 50Hertz Transmission and the other stakeholders in the electrical grid and the expertise of the team at the control centre, no incidents or interruptions of supply were recorded in 2010.

Consumption

Electricity consumption as recorded on Elia's transmission system is a good indicator of economic life. It has been scrutinised very closely since the start of the economic crisis in October 2008, not only by the Elia Group, but also by external observers in search of signs of an economic recovery in Europe.

Consumption indicator

In Belgium, the consumption indicator³ for the Elia control area grew by 5.8%, from 81.8 TWh in 2009 to 86.6 TWh in 2010. The monthly values recorded in 2010 were up on the equivalent months in 2009, but were down from the equivalent months of 2008 up to October 2010 inclusive.

In 2010 as a whole, consumption was 13.6% higher than 2009 for industrial customers connected directly to the Elia grid, and 1.4% higher for industrial, business and residential customers and distribution system operators.

However, it was still 2% lower than in 2008.

In Germany, the final consumption in the 50Hertz grid amounted to 1,792,505 MWh on 31 December 2010. Offtakes by end customers in 2010 were up 6% from 2009 (1,692,435 MWh).

IMPORTS AND EXPORTS - ELIA GROUP

		(GWh)	(GWh)	(GWh)	Change (%)	Change (%)
		2010	2009	2008	2010-09	2010-08
Elia System Operator						
FR	import	3,167	1,832	7,386	72.9	-57.1
	export	5,409	6,642	2,034	-18.6	165.9
NL	import	7,383	5,787	8,119	27.6	-9.1
	export	5,313	3,769	3,005	41.0	76.8
LUX	import	1,846	1,868	1,629	-1.2	13.3
	export	1,122	910	1,518	23.2	-26.1
50Hertz Transmission						
PL	import	167	134	95	-5	-4
	export	5,331	5,616	5,576	24	75
CZ	import	2,922	2,314	1,438	26	103
	export	494	914	1,307	-46	-62
DK	import	691	1,284	1,973	-46	-65
	export	2,742	1,800	777	52	253
TenneT GmbH	import	14,067	13,301	13,819	6	2
	export	20,874	22,498	22,558	-7	-7

Consumption peaks

In Belgium, the maximum consumption on the Elia grid in 2010 was 13,845 MW, recorded on 1 December 2010 between 5.45 p.m. and 6 p.m. This is 1.4% lower than the all-time record, set on 17 December 2007 (14,040 MW) but is 2.3% higher than the maximum value recorded in 2009 (13,531 MW, on 8 January 2009).

Conversely, the lowest consumption (6,278 MW) was recorded on 25 July 2010 (between 6.15 a.m. and 6.30 a.m.). This annual low was 6.4% higher than the minimum value in 2009 (5,901 MW) on 2 July 2009.

In Germany, the maximum load in the 50Hertz control area was recorded on 25 November (10,336 MW).

Imports and exports

In 2010, the Belgian control area again became a net importer, with a balance of 0.55 TWh, whereas 2009 saw a net export balance of 1.83 TWh.

By way of a reminder, net exports in 2009 amounted to 2,792 GWh. The rising import trend recorded until 2008, which was reversed in 2009 due in particular to the economic crisis, was picked up again in 2010.

Physical exchanges of electricity with neighbouring countries via the Elia grid totalled 24.24 TWh in 2010 - a 16.5% rise from 20.81 TWh in 2009.

These differences are the result of a strong increase in imports (30.7%), mainly from France (up 72.9%), while exports grew less significantly (up 4.6%).

In Germany, exports from the 50Hertz control area to the neighbouring control areas in Poland, the Czech Republic and Denmark and the TenneT grid amounted to 29,442 GWh, while imports came to 17,846 GWh.

2 The AIT is an indicator that can vary widely from year to year depending on the location and complexity of the incidents and the time at which they occur. Customers may experience very different power interruptions. As the number of incidents entailing interruptions is very limited, the annual overall figures cannot really be considered as valid statistics on which to base conclusions about the observed trends.

3 The Elia consumption indicator covers most of the electricity consumption in Belgium. It includes all the generation connected to the Elia grid as well as the import-export balance. The share of consumption provided directly by the generation facilities connected to the distribution grids is not included in the indicator.



Net offtake from the grid

Net offtake is a measure of the volumes of energy taken from the Elia grid. In the case of local generation, some or all of the power generated is consumed directly on the site of the industrial customer or distribution system operator. The level of local generation changed only very slightly compared with 2009, rising only 0.2%.

Since energy generated and consumed locally is not drawn from the Elia grid, it is not counted as part of the net offtake, although it is included in the domestic consumption indicator. In 2010, net offtakes were up 3.4% on 2009, from 73,642 TWh in 2009 to 76,165 TWh in 2010.

Annual offtakes from the 50Hertz grid totalled 63.0 TWh in 2010 (total energy drawn by customers of the very high-voltage grid (380/220 kV) or the conversion of very high voltage to high voltage at 50Hertz Transmission GmbH).

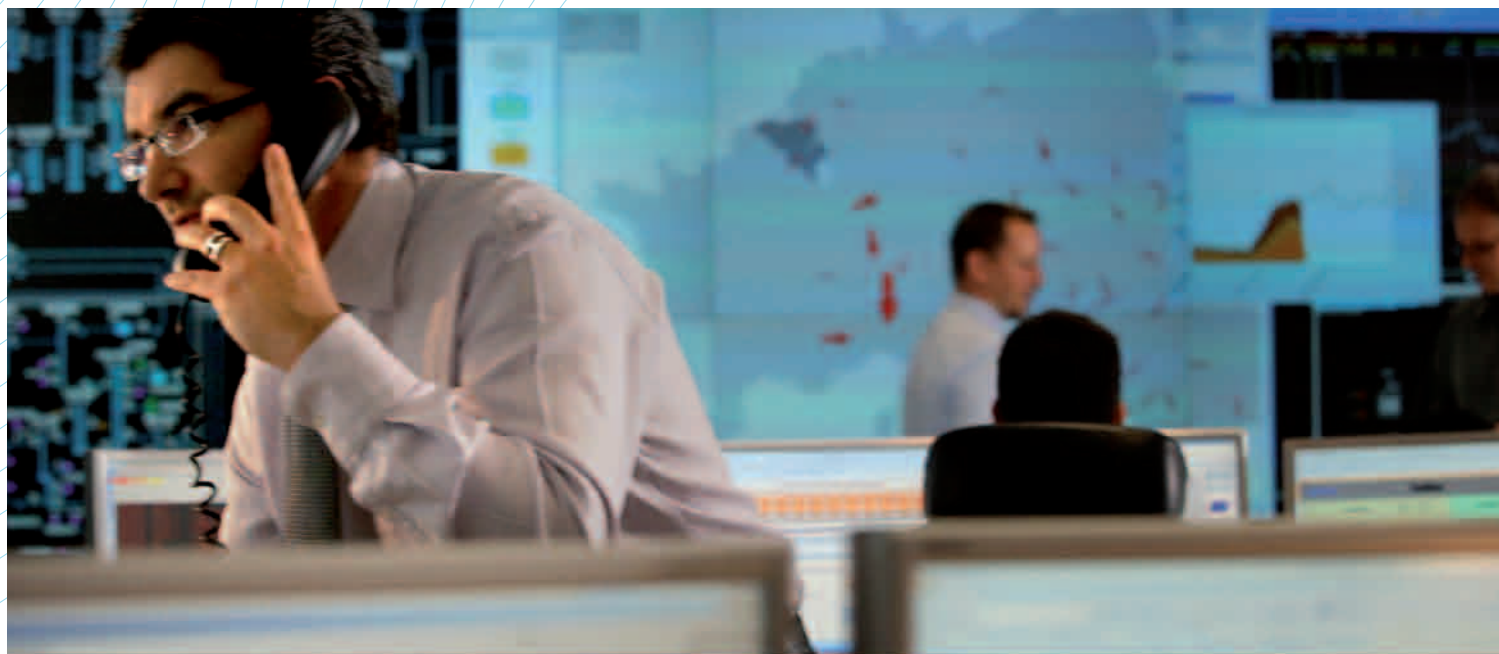


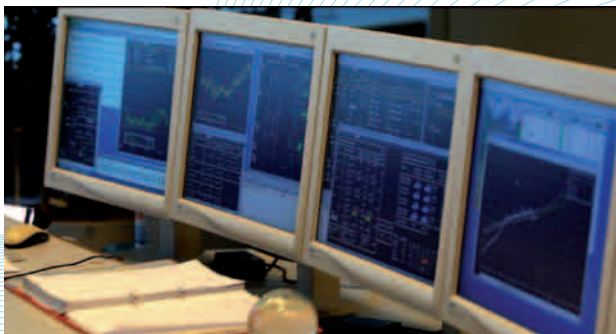
Balancing generation and consumption to meet the needs of the market

Balancing generation and consumption is primarily the responsibility of market players, in particular Access Responsible Parties (ARPs). ARPs are expected to ensure the best possible balance between the injections and offtakes of their customers. Each ARP must inform Elia, one day ahead, of all the energy exchanges it will perform, on a quarter-hourly basis for each point on the grid. This applies to injections and offtakes, exchanges between ARPs, imports and exports. The residual imbalance for the Belgian control area is offset in real time by Elia using energy reserves available under contract with generators and industrial customers in Belgium.

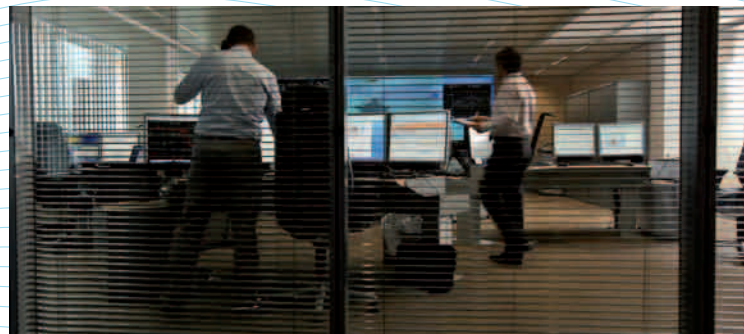
The volumes of energy activated by Elia to ensure the balance of the control area were 844 GWh in 2010, as opposed to 718 GWh the year before.

The control power needed to offset the difference between generation and consumption in the 50Hertz control area amounted to 1,383 GWh in 2010 compared to 1,703 GWh in 2009.





The area supervised by Coreso expanded in November following the arrival of Terna and 50Hertz, and now accounts for more than 40% of European consumption.



Coreso's role further strengthened to ensure the security of supply in Belgium and in Europe

Coreso, the first regional technical coordination centre created at the initiative of several transmission system operators (Eliia, RTE and National Grid), began operations in Brussels on 16 February 2009. Coreso has been providing the control centres of the participating transmission system operators with forecasts about the security of the North West Europe grid, by performing security analyses, simulating various scenarios and proposing sets of coordinated remedial measures that transmission system operators can take to control the security of the electrical grid in this zone. Coreso's operational team works in round-the-clock shifts. The coordination centre supplies security analyses every 15 minutes based on data provided by transmission system operators (topology, electricity flows, voltage, generation and load, as well as the technical characteristics of their grids in the zone in question).

In November 2010, Terna, the transmission system operator in Italy, and 50Hertz Transmission joined the founders of Coreso, bringing the number of its shareholders to five (all of them transmission system operators). The area supervised by Coreso has thus been enlarged and now covers 215 million consumers, or more than 40% of all consumption in the European Union.

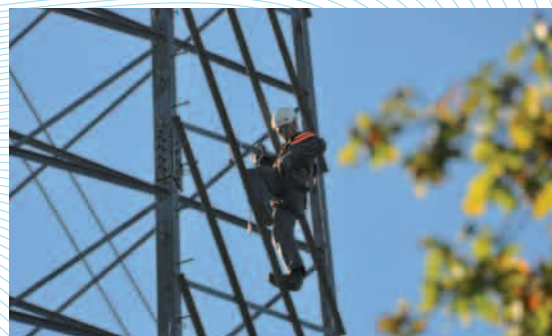
The coordination services provided by Coreso have expanded considerably since this centre was created, in a European electricity market with a real transnational dimension and a growing share of renewable energy, which by its very nature is subject to fluctuation. By way of illustration, Coreso plays an important role as a service provider in the regional market coupling between the Benelux, France and Germany.

The participation of National Grid allows flows on the existing IFA DC cable linking France and the UK to be taken into account. This collaboration paves the way for the development of future projects to build offshore wind farms and new DC cables linking Great Britain and Central West Europe.

Coreso has shown its added value on a number of occasions by identifying risk situations in the European electrical grid that could be detected only through the sharing of information, beyond the scope of action of its participating transmission system operators, and by proposing coordinated, efficient and preventive solutions.

TSO Security Cooperation (TSC)

TSO Security Cooperation is a cooperation initiative of 11 European transmission system operators, including 50Hertz Transmission, to improve the security management of electrical grids in the centre of Europe. It includes the establishment of a permanent TSO Security Panel, the use of a Real-time Awareness and Alarm System, and the implementation of an IT platform for data interchange and common security calculations. TSC aims to enhance the operational security of the grids so as to integrate a considerable proportion of wind energy and to increase cross-border trade in electricity.



infrastructure

Length of the high-voltage grid in Belgium

The figures do not include networks not owned by Elia

For the overhead lines, the figures shown are geographical lengths, i.e. the sum of the geographical lengths of the overhead lines (whether or not they were in operation) that are given in the table. Parallel circuits are counted only once. For the underground cables, the figures shown are electrical lengths, i.e. the sum of the lengths of the connecting circuits in operation which are given in the table. Parallel circuits are counted only once.

Length of the high-voltage grid of 50Hertz Transmission

The total length of the transmission system of 50Hertz Transmission (excluding the 110 kV transmission facilities) was 9,765 km on 1 January 2011 (compared with 9,755 on 1 January 2010).

LENGTH OF THE HIGH-VOLTAGE GRID AS OF 1 JANUARY 2011

Voltage (kV)	Underground cables (km)		Overhead lines (km)		Total (km)	
Elia	2011	2010	2011	2010	2011	2010
380	-	-	891	891	891	891
220	-	-	297	297	297	297
150	427	415	2,008	2,008	2,435	2,423
70	280	282	2,382	2,338	2,662	2,670
36	1,927	1,928	8	8	1,935	1,936
30	141	140	22	22	163	162
Total Elia	2,775	2,765	5,608	5,614	8,383	8,379
50Hertz	2011	2010	2011	2010	2011	2010
380	55	55	6,830	6,815	6,885	6,870
220	3	3	2,862	2,867	2,865	2,870
110	2	2	23	23	25	25
400 (DC)	15	15	-	-	15	15
Total 50Hertz	75	75	9,715	9,705	9,790	9,780

investments



Investments by the Elia Group in its transmission systems are driven by various factors: the need to meet the connection and upgrade requirements of industrial customers and distribution system operators, to cope with changing demand in terms of both the location and volume of energy drawn from the grid, to replace facilities at the end of their service life or bring them into line with environmental requirements, to contribute to the liberalisation of the market, and to promote the integration of renewable energy sources. Each infrastructure project is based on criteria relating to the reliability, economic efficiency and sustainability of the proposed options.



the Elia grid in Belgium

Development of interconnections

In 2010, Elia and RTE officially inaugurated the upgraded interconnection between the high-voltage substations at Moulaine, France (Meurthe and Moselle) and Aubange (Belgian Ardennes). This investment consists of a second three phase transmission circuit (220,000 volts) on an existing 15 km power line. A new electrical conductor technology was used on both the new circuit and the existing circuit to increase the power transmitted by each circuit by more than 20%. Thanks to this investment, the exchange capacity between France and Belgium has been increased by some 10% to 15%, while avoiding the need to construct a new power line. This increase in exchange capacity enhances the capacity of the two countries to provide assistance to each other in the event of a major incident. It also helps to develop the integrated European electricity market.

Connections requested by industrial customers and generators

Many projects to connect up new power generation units were studied in 2010. Elia conducted preliminary studies (feasibility, costs, etc.) on behalf of generating customers concerning the connection of planned power stations to the transmission grid. These technical and economic studies form an integral part of the feasibility studies of these investments.

The connection projects processed in 2010 for centralised generation facilities represent some 6,000 MW (excluding offshore and decentralised projects and projects for centralised generation units for which only a preliminary study was carried out). These projects, most of which stem from new players on the market, are at different stages of development and will not necessarily materialise.

In 2010, Elia made alterations to the Beringen 150 kV substation to connect up the new T-Power generation unit. The same applies to the Exxon Mobile unit, which was connected to the Scheldelaan 150 kV substation, following works carried out at that station. Elia also laid a 150 kV cable in 2010 to connect the new Marcinelle-Energie unit to the Monceau substation.

Grid upgrades to keep up with electricity consumption

Various projects to upgrade the transformation capacity to medium voltage were conducted at various substations in the grid, e.g. at Lokeren (36kV), Elan (36 kV), Wilsele (150 kV), Wingene (36 kV) and Gosselies (150 kV).

These investments consist of installing a new transformer at medium voltage to enhance the consumption capacity of distribution grids from these substations.

Elia continued its facility maintenance and upgrade programme in 2010.



Facility replacement programme

Belgium is without doubt one of the best countries in Europe in terms of quality of electricity supply. This is the result of an infrastructure management strategy and an approach of replacing installations whose reliability may diminish with time. In this light, Elia has continued to implement its programme to renovate its facilities, such as:

- 220 kV: replacement of the substation in Seraing by a GIS;
- 150 kV: projects in progress at the Dampremy and Monceau substations;
- 70 kV: project in Noordschote;
- 36 kV: project in Essegem, renovation of the underground connection between Eeklo-Waarschoot;
- medium-voltage substations, such as at Burch and Merksem.

Integration of decentralised and/or onshore renewable energy generation

The current transmission grid has a considerable connection capacity for decentralised generation units - sometimes as a result of investments in the conversion or upgrading of substations. As it takes considerably less time to obtain permits for this type of investment than for investments in lines and cables, they can generally be carried out within deadlines that are compatible with the schedules of these investors.

For instance, having extended the medium-voltage substation of the Lier substation, Elia commissioned the tertiary winding of the 150/70/15 kV transformer to inject directly into the transmission grid decentralised generation capacity connected at medium voltage in the Sint Katelijne Waver-Kontich-Duffel-Lier region. As this approach cannot cover all requirements, other grid extensions are currently under consideration.

Two 70 kV cables were also laid between Beerse and Merksplas/Koekhoven (operated initially at medium voltage). This investment has enabled horticultural businesses near Merksplas to develop cogeneration units totalling up to 60 MW.

Elia also renovated the 70kV station in Monceau-en-Ardenne fully with a view to connecting up the decentralised generation capacity in that area.

Other projects to extend the grid are under way to support the development of decentralised generation capacity. Here are a few examples.

- the upgrading of the 70 kV lines to the east of the Province of Liège (Butgenbach-Bévercé-Houffalize) to connect up various wind farms; these works could be accompanied by the installation of a 220/70 kV transformer at Mont-Les-Houffalize;
- a 20 km extension of the grid to the north for a set of potential projects for cogeneration and bio-generation units in the north of the Campine area (Hoogstraten – Meer);
- a 150 kV injection in the Rijkvorsel region to host renewable energy generation units; there are plans for investments in the short term to install a new 150/15 kV transformer with a capacity of 50 MVA in the Rijkvorsel substation and to lay a 150 kV cable between Brecht (tie connection on the 150 kV line between Massenhoven and Sint Job) and Rijkvorsel.

The Stevin project aims to enhance the security of supply in West Flanders, and in particular the port of Zeebrugge.



Stevin: extension of the 380 kV grid to the coast

Through the Stevin project, Elia wants to extend its 380 kV grid between Zomergem and Zeebrugge. There are four reasons behind this: to connect up the second phase of the offshore wind farms off the Belgian coast; to create an interconnection between the Belgian and UK grids by means of an underground cable; to connect the decentralised renewable energy generation to the grid; and to enhance the security of supply in West Flanders, and in particular in the area around the port of Zeebrugge.

2010 was a year marked primarily by the production of environmental impact report based on the recommendation of the MER department in the Flemish Region ("MER plan" or "milieu-effectenrapport") which includes alternatives and additional environmental aspects. This environmental impact report plan was launched in early November by the authorities of the Flemish Region.

In the next step, the Flemish government will examine the new facilities and the connection route from a town and country planning perspective, in the form of a draft regional development plan, taking the environmental impact report plan into account. The next public consultation is to take place in 2011. Depending on the outcome of the application for a permit, the works will start in early 2013, with commissioning expected in late 2014.

For its part, Belwind, the offshore wind farm, was connected to the existing Elia grid thanks to the upgrades of the Koksijde-Slijkens connection and of the Slijkens substation.

Federal development plan

On 15 September 2010, Elia submitted the first version of its draft federal development plan 2010-2020 to the federal regulator (CREG) and to the competent minister for marine environments.

This draft plan was drawn up in cooperation with the Directorate General for Energy of the Federal Public Service Economy, SMEs, Self-employed and Energy and the Federal Planning Bureau, taking particular account of the electricity prospective study.

It presents a detailed estimate of the transmission capacity needs based on a series of underlying hypotheses and is in line with the 10-year development plan drawn up by ENTSO-E.

The draft version of the development plan is subject to the impact assessment procedure pursuant to the Act of 13 February 2006. Final approval of the draft plan and environmental impact report by the Federal Minister for Energy is expected in 2011.

The Development Plan presents a detailed estimate of transmission capacity needs based on various hypotheses.



the 50Hertz Transmission grid in Germany



50Hertz Transmission extended and renovated its infrastructure in accordance with its investment and replacement plans. A set of connection projects was also completed on schedule.

For instance, the high-voltage substation in Bärwalde was complemented by a connection bay to connect an entity of some 600 MW from the Boxberg generation site. A 150 kV connection bay was erected in the Bentwisch high-voltage substation to enable 50Hertz Offshore to connect Baltic 1, the first offshore wind farm in the Baltic Sea.

The first part of the new 380 kV overhead line between Hamburg and Schwerin was finalised and all the new 110 kV substations (owned by the distribution system operator Wemag) supplied by this connection were also commissioned.

Permit procedures for some other overhead lines are in progress (such as the southwest coupling and the Uckermark connections) or under preparation (Berlin North ring and the third interconnection to Poland).

The conversion capacity in the Eisenhüttenstadt substation for the distribution system operator E.ON edis has been extended and that of the Dresden South high-voltage substation is to be extended by adding an additional 380/11 transformer on behalf of the distribution system operator Enso Netz.

The construction of a new high-voltage substation on the Freiberg/North site was launched in the summer with the distribution system operator envia Netz.

Projects to renovate a 110 kV substation and a 380 kV substation in Neuenhagen and to renovate and extend the high-voltage substations of Vieselbach and Altenfeld as part of the southwest coupling project are under way.

Connection and access to the network

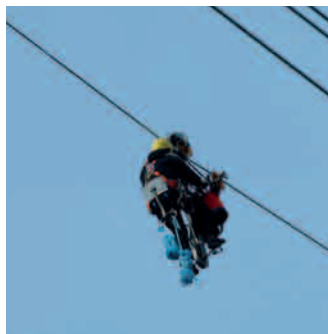
A total of 14 requests for connection to the 50Hertz Transmission grid of generation and storage units were being processed in 2010, for 12 sites with a total capacity of some 12,150 MW.

Annual monitoring of the status of project requests was also launched in accordance with the relevant legal provisions (KraftNAV and the Energy Act).

Some 22 connection requests for renewable energy generation units (under the EEG Decree) are being examined. In total, they have a capacity of up to 5,500 MW for 14 offshore and 8 onshore requests, including photovoltaic facilities of up to 250 MW.

Connection and grid-access contracts for the Reuter West and Rostock generation units, as well as for a steel factory in Thuringia, were finalised and were due to come into force on 1 January 2011.

The first part of the new northern line between Hamburg and Schwerin was completed and the new 110-kV systems carried by the line went into operation.



50Hertz Transmission extended and renovated its infrastructure in accordance with its investment and replacement plans. A set of connection projects was also completed on schedule.

Third interconnection between Germany and Poland

On 23 October 2010, PSE Operator and 50Hertz Transmission decided to continue their cooperation in the Ger-Pol Power Bridge project, based on a general agreement. A preliminary declaration was signed by the two transmission system operators who undertook to conclude a cooperation agreement as soon as possible to define a cooperation structure and a more detailed plan. They also intend to apply for funding from the European Union to take the project forward. This cooperation agreement was signed in December 2010 in Warsaw in the presence of European representatives, including the project coordinators, and representatives of ministers and regulators from the two countries.





international projects

Interconnection with the Netherlands

During installation of the phase-shifting transformers, the protection systems on the 380 kV line between Zandvliet and Borssele in the Netherlands were adapted to enable the connection to be used as an international interconnector following the expansion of a 380 kV high-voltage substation at Borssele.

Interconnection with Germany

Elia and Amprion (the relevant German transmission system operator) continued their in-depth studies of a planned interconnection between Belgium and Germany. The conclusions of these studies have led the two system operators to consider developing a direct, adjustable interconnection of some 1,000 MW between the two countries, expected to be completed by 2016-2017. Such an interconnection is in line with EU policy as it would enhance competitiveness, security of supply and the attainment of the renewable energy objectives on the Belgian and German markets. This study has been subsidised by the European Union. The designated coupling stations are Lixhe in Belgium and Verlautenheide in the Aachen region.

Interconnection with France

As well as the installation of a second three-phase transmission line on the existing 220 kV line between Aubange and Mou-laine, which was officially inaugurated in June 2010, Elia and RTE are looking at whether or not it is necessary to upgrade transmission capacity between France and Belgium.

Interconnection with the Grand Duchy of Luxembourg

Feasibility studies for the creation of a direct 220 kV interconnection between the Elia grid and the grid of the Luxembourg grid operator Creos are continuing. A number of variations are being examined, based on a number of market development scenarios for the years to come.

Interconnection with the UK: the Nemo project

Elia and National Grid have continued their joint works to connect their grids with a view to increasing market liquidity and enhancing security of supply in both the UK and Belgium.

The feasibility of the Nemo project was confirmed in late 2008 and the first part of the phase leading to the creation of the connection was launched in 2009. Its aim is to define more precisely the technical aspects of the connection and to initiate licensing procedures. The technical study should be completed in the first half of 2011. The seabed study conducted by the experts in charge of examining such aspects as the thermal conductivity of the soil, the optimal route, the laying techniques in accordance with the conditions of the seabed and the crossing with other underground cables was practically finalised in 2010. The project advanced on the regulatory front too, in consultation with the British and Belgian regulators OFGEM and CREG.

Seabed study

The seabeds between Belgium and the UK are not one vast plain of smooth and regular sand as one would expect. They vary in depth from a few metres to nearly 100 metres. The seabed is irregular and comprises moving dunes which move with the currents. Exploration is needed to determine how the connection cables should be best anchored. There are many cables already in place, particularly for telecommunication, and each crossing must be worked out individually with the owner of the cable in question. Furthermore, the seabed is strewn with all sorts of shipwrecks which must also be taken into account.

The procurement phase is due to start in 2012, and the connection should be operational by 2016 at the earliest.

The Nemo connection will have two main components: one offshore part under the sea, and the other onshore. The offshore part should be around 130 km in length and the onshore part no more than a few kilometres, extending to connection substations either side of the Channel. The direct-current connection will comprise two separate cables (one with negative voltage, the other with positive voltage), operated as a single whole. Each end will be connected to a high-voltage substation that acts as a converter station, at which the direct current (DC) is converted into alternating current (AC) and connected to the 380 kV grid. The actual conversion will be carried out by power electronic semiconductor components. The connection will have a capacity of between 700 MW and 1,300 MW, depending on the findings of the ongoing study.



grid maintenance

Preventive maintenance

Thanks to the expertise of the teams in the field responsible for preventive and corrective maintenance of the transmission system and to the investments in replacement of facilities in recent decades, security of supply has been at a very high level for a number of years.

This outcome is the result of proactive incident risk management including a preventive maintenance programme and replacement policies covering the technologies and components that make up the transmission system. On the one hand, maintenance and replacement policies are driven by operating experience feedback. Some 488 incidents were subjected to a specific analysis, even though most of them did not lead to any interruption of supply for customers. On the other hand, greater standardisation and harmonisation of infrastructure components, operational databases and working procedures help to maintain quality and increase productivity.

For lines, cables and pylons, preventive maintenance encompasses many types of inspections, such as infrared or camera inspection of all 20,000 or so pylons, which are inspected several times a year. As regards high-voltage substations, preventive maintenance is scheduled on around 11,600 infrastructure sub-units across the country. In 2010, close to 17,050 operations were carried out by teams in the field, covering preventive maintenance (11,600), inspections (4,650) and legal checks (800).

When it comes to replacement investments, synergies are sought between investments in upgrades, replacements and personal safety. In 2010, some €46.8 million was invested in upgrading end-of-life equipment. Many projects were carried out, including the replacement, at all voltage levels, of circuit breakers, isolators, bus bars and line sets, voltage and current transformers, lightning arresters, meter boxes, protection relays and remote monitoring systems.

Maintenance and replacement activities are performed by around 600 Elia staff, of whom two-thirds work in the field and one-third provides technical and administrative support.

Incident response

Elia's teams are also responsible for post-incident repair activities, 24 hours a day. They also intervene, as and when required, to secure facilities or ensure the safety of individuals. Their ability to intervene rapidly at the scene of an incident, seven days a week, and to carry out repairs, contributes directly to security of supply on the grid.



A tornado on 14 July damaged several grid components, resulting in the construction of a backup line on the Achène-Lonny interconnection.

ACHÈNE: DEPLOYMENT OF BACKUP LINE

The high-voltage grid had to deal with several simultaneous incidents due to the violent storms accompanied by tornadoes in Belgium on 14 July 2010. The tornadoes brought down or caused serious damage to several high-voltage pylons. Some 20 grid components, at different voltage levels, were thus put temporarily or definitively out of service. The Achène-Lonny 380 kV interconnection and one of the three connections that supply the ancillary services of the Tihange nuclear power station were impaired, and the electricity supply was interrupted in certain places as a result. Voltage dips were recorded in many high-voltage substations – with the one in Dinant being down for some 6 hours before supply could be restored.

Elia deployed a crisis centre in Namur to take immediate measures to secure the facilities and to restore supply to consumers. The emergency teams were on the job the entire night of 14 to 15 July to restore the power. Backup staff were used for several weeks to clear the damaged equipment and to start repair works.

The grid operation programmes had to be reviewed after these events, and a backup line was constructed in just a few weeks at Achène on the Achène-Lonny 380 kV interconnection.

It was commissioned in August, at the time when electricity consumption was picking up again after the summer holiday. In parallel with the upgrade between Aubange and Moulaine, inaugurated in June, this backup line made it possible to offset the capacity loss on the cross-border connections. A temporary by-pass on a 150 kV connection from Avernas replaced the damaged supply of the ancillary services of the Tihange nuclear power station while the repairs were being carried out. Given the scope of the damage, the repair works will be completed in the first quarter of 2011.

LINT: PYLONS REBUILT AND CONNECTION RESTORED !

Elia did not remain idle after the incident of 21 July 2009 in Lint, when a storm damaged two pylons on the 380 kV Mercator-Massenhoven line, bringing down the neighbouring 70 kV and 150 kV lines. A backup line was installed to continue to guarantee electricity supply in a large swathe of Flanders. The definitive repair of the existing lines was also planned immediately in consultation with the entrepreneurs with a view to restoring service in the essential line of the high-voltage grid in the spring. In March 2010, the first three-phase transmission line was back in use. The backup line was then dismantled and the second three-phase transmission line was put back in service in late April 2010.





market operation



Integration of the european markets

The transmission system operators in Germany, France, the Grand Duchy of Luxembourg and the Netherlands have endeavoured for several years to develop an integrated electricity market in Central West Europe (CWE). A Memorandum of Understanding was signed in this regard in 2007, and important steps were taken in 2009. The works continued in 2010.

COMMON CAPACITY CALCULATION

Since 18 May 2009, transmission system operators in the CWE region have been coordinating their calculations of monthly import and export capacities. At the start of the month, the TSOs exchange information that is useful for calculating cross-border transmission capacity, such as any connections decommissioned for maintenance and any large generation units shut down. The results of these calculations are then exchanged and discussed by experts to ensure reliable and safe operation of the CWE grid.

A new coordinated capacity calculation process for day-ahead market coupling was introduced in the CWE region. Tested for nearly a year, this process has been fully operational since 8 November 2010, which was just the day before the extension of the market coupling to the five countries of this region. It enables each grid operator to verify the security of the grid on the basis of a shared model.

In addition to their initial net transfer capacity (NTC) proposals, each operator in the CWE will provide a two-days-ahead congestion forecast (D2CF) from now on. These files, which include detailed forecasts of the topology of the grid, generation, consumption, etc. are compiled each evening by the Coreso operators into a shared overview of the grid situation.

This shared basic template enables each transmission system operator in the region to verify that any instances of the maximum use of exchange capacities at the borders of the region do not pose a security problem in its area. If a potential problem is detected and no solution can be found, the proposed capacities are reduced in a coordinated fashion. These checks, which are carried out every night in each control centre, to ensure the supply of secure exchange capacities for the interconnected grid in the CWE region.

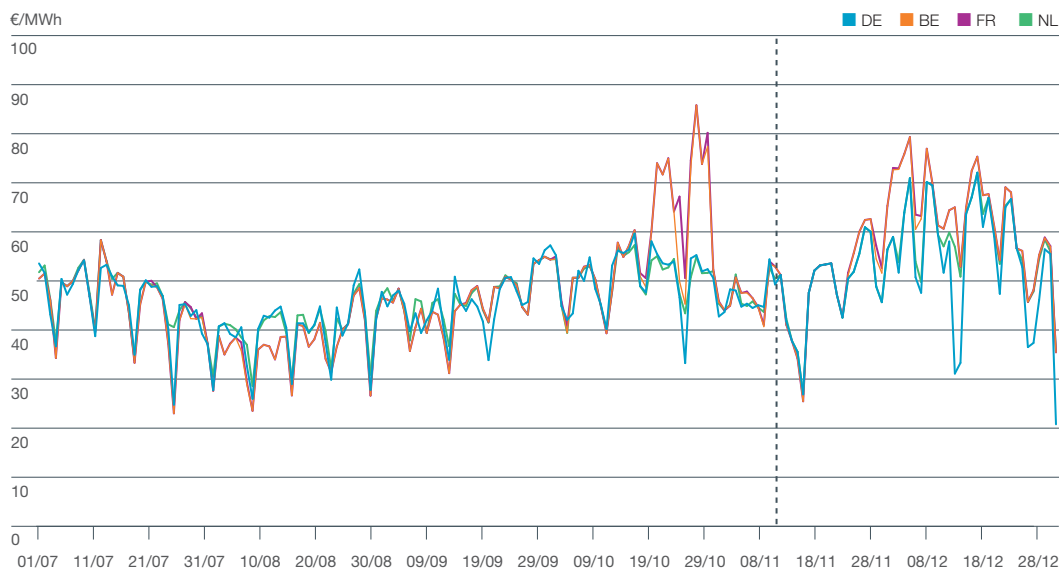
INTEGRATION OF DAY-AHEAD MARKETS

A decisive step was taken on 9 November 2010 with the introduction of a single price coupling in Central West Europe (the Benelux, France and Germany) and interim tight volume coupling between this region and the Scandinavian market (Denmark, Finland, Norway and Sweden).

The CWE price coupling is a system that uses a centralised module to simultaneously calculate the exchange volumes and market prices on the basis of information provided by the transmission system operators (available transfer capacity at the borders) and power exchanges (offers for sale and purchase).

The Interim Tight Volume Coupling (ITVC) solution is based on the European Market Coupling Company (EMCC) model between the German borders – and thus the entire CWE region – and the Nordic market through the interconnectors between Germany and, respectively, Denmark and Sweden.

MARKET PRICE – CWE REGION



The NorNed interconnector between the Netherlands and Norway was integrated into this volume coupling in January 2011.

On the first day of the operations, the day-ahead prices for the baseload in the CWE region showed a convergence for all hours of the day, with an average price of €51.21/MWh for the electricity supplied on 10 November. The flows on the ITVC interconnectors between the Nordic countries and the CWE region were utilised to their maximum level for 23 out of the 24 hours of the day.

All the zones of the CWE region were coupled 61% of the time in nearly two months of operation in 2010.

HARMONISED AUCTION RULES

The launch of the CWE market coupling has also had an impact on the harmonised auction rules introduced in November 2009 for the allocation of annual, monthly or daily transmission capacity at their shared borders. Explicit daily capacities were done away with at the German borders. Explicit shadow auctions would be held by CASC.EU only if the price coupling results in the CWE region could not be published in time.

DAY-AHEAD MARKET COUPLING IN NORTH WEST EUROPE

The transmission system operators of North West Europe (NWE) decided to embark on a project to develop and introduce a single price coupling mechanism for the sustainable integration of the markets in the CWE region (consisting of Germany, Belgium, France, the Grand Duchy of Luxembourg and the Netherlands), the Nordic region (Finland, Denmark, Norway and Sweden) and the United Kingdom.

INTEGRATION OF INTRADAY MARKETS (INTRADAY)

On 27 May, Elia and its Dutch counterpart TenneT launched the allocation of intraday capacity at the Belgian-Dutch border. This gives market players greater flexibility in their ability to adjust their generation/consumption balance, especially in the case of unexpected events. The same type of mechanism was introduced in 2008 at the Belgian-French border. A similar approach is being examined for the borders between the five CWE countries.

The intraday markets are important tools for market players who can thus balance their positions if the supply and demand conditions vary between the day-ahead-stage and real-time operations – all the more so following the increase in variable generation capacities. The capability of market players to balance their imbalances would be improved substantially if they could benefit not only from liquidity on the national but also on the international markets, provided that cross-border capacity is available.

Moreover, an efficient intraday market is advantageous for both the grid operators and the market players. It should have a positive effect on the general imbalance of the control area, inasmuch as the market players have liquidity at more competitive prices to offset their imbalances themselves.

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9 November 2010 saw the joint launch of price coupling in Central West Europe (the Benelux, France and Germany) and interim tight volume coupling (ITVC) between that region and the Scandinavian market (Denmark, Finland, Norway and Sweden). The NorNed interconnector between the Netherlands and Norway was integrated into the volume coupling in January 2011.



INTEGRATION OF THE BELGIAN AND DUTCH INTRADAY MARKETS

In 2010, Elia, TenneT and the power exchanges Belpex and APX-Endex cooperated to introduce an implicit intraday capacity allocation system at the border between Belgium and the Netherlands. The four partners agreed to use the Elbas trading platform at Nord Pool Spot. In late 2010, the integration tests were finalised and the project is due to be launched in 2011, subject to approval by the regulators.

PLAN TO INTEGRATE THE INTRADAY MARKETS INTO NWE

Currently, various non-coordinated intraday capacity allocation mechanisms co-exist in North West Europe. These mechanisms include explicit and implicit allocations.

Given the different levels of development and the different models of cross-border intraday markets, the transmission system operators of the NWE region (Amprion, Creos, Elia, EnBW TNG, Energinet.dk, Fingrid, National Grid, RTE, Statnett, Svenska Kraftnät, TenneT B.V., TenneT GmbH and 50Hertz Transmission) launched the 'NWE Intraday' project.

The purpose of this project is to create a regional intraday market in North West Europe to facilitate the operation of the market by increasing intraday liquidity on the power exchanges whilst improving the security of the electrical grid in the region.

Belgian market

NEGATIVE PRICES

On 9 November 2010, negative prices were authorised on Belpex and on all CWE power exchanges, thereby bringing them in line with the German market. Elia adjusted the activation price of certain ancillary services and the imbalance tariff accordingly. These adjustments send better signals to the market in case of excess generation whilst providing enhanced flexibility, in particular for generators of renewable energy.

CLOSED DISTRIBUTION SYSTEMS

EU Directive 97/2009 provides for a new category of player, the 'closed distribution system', which distributes electricity within a geographically delimited industrial, commercial or shared-services site. The customers of these 'private' systems must be able to choose their supplier freely.

In 2010, the Elia Users' Group published an opinion on this matter to enable the Belgian authorities to more appropriately transpose the directive and guidelines for a solution for the industrial customers concerned. Synergrid, the association of grid operators in Belgium, also issued an opinion that reflects the point of view of all transmission and distribution system operators on the matter. This opinion was sent to the federal and regional authorities. Moreover, Elia is examining the practical and contractual procedures required to enable closed distribution systems connected to the Elia grid to function in practice.



German market

'NETZREGELVERBUND'

In response to a decision of BNetzA (the German regulatory authority), 50Hertz Transmission, in cooperation with the other German transmission system operators, managed to extend the adjustment mechanism ('Netzregelverbund') to the whole of Germany. This innovative balancing concept, unique in the European continental grid, will be fully operational in May 2011. Situations where excess generation in a given control area and a power deficit in another control area will henceforth be balanced in an integrated manner, thereby reducing the overall costs for consumers.

Belpex, the Belgian power exchange

Belpex is the Belgian exchange for the short-term trading of electricity and green certificates. Belpex allows generators, suppliers, large industrial consumers and traders the chance to optimise their portfolio in the short term at a transparent and internationally competitive market price.

At the end of 2010, a total of 36 market players – generators, suppliers, traders and banks – were registered and active on Belpex, i.e. two more than at the end of 2009. Thanks to the success of the trilateral market coupling launched in 2006, Belpex has achieved positive financial results ever since it was created. The situation continued in 2010, meaning that the company could offer new products to its Belgian and European customers.

GROWTH IN VOLUMES

After the drop recorded in late 2008 and in the first months of 2009 due to the financial and economic crisis, consumption started to grow again from late 2009, and especially in 2010. The day-ahead market share of Belpex compared with the Belgian load mirrored this increase, rising from 12.4% in 2009 to 13.7% in 2010. The volume traded was up too, from a daily average of 27,782 MWh in 2009 to 32,446 MWh in 2010.

The record volume in 2010 was reached on 7 December with 80,607 MWh, i.e. 27.1% of the daily consumption on the Elia grid.

CONVERGING PRICES

From the launch of the trilateral market coupling on 22 November 2006 until 9 November 2010, prices on the three power exchanges (EPEX Spot France, Belpex and APX) converged on average 61.9% of the time.

The average price on the Belpex day-ahead market was €46.30 per MWh, slightly higher than the Dutch average and lower than the French average, which stood at €45.38/MWh and €47.50/MWh respectively. In 2010, the Belgian and French prices were the same 84.9% of the time, while the Belgian and Dutch exchanges converged 72.9% of the time. The prices converged 59.1% of the time on the three exchanges.

From 9 November 2010 until the end of the year, the German, Belgian, French and Dutch day-ahead prices converged 55.1% of the time.

In the same period, the Belgian and French prices were the same 97.7% of the time, and the Belgian and Dutch prices 69.3% of the time. The price convergence at the Belgian borders remains high after the CWE pentilateral coupling. The CWE market coupling has also reduced price volatility thanks to the liquidity on the spot markets in the CWE region. Moreover, this liquidity coupling has prevented negative prices at times of low demand combined with high renewable energy generation in Germany. At such times, an isolated spot market may be faced with negative prices, whereas a coupled market can maintain positive prices thanks to exports.

The market coupling has optimised the utilisation of the import/export capacities at the borders between Belgium and the Netherlands and between Belgium and France every day, with average daily volumes of 18,099 MWh for imports and 16,244 MWh for exports.

Market coupling

The market coupling links the orders to buy at the highest price and the orders to sell at the lowest price on several exchanges, irrespective of the country in which they are placed, whilst taking into account the daily capacity available at the interconnections. As a result, the lowest supply meets the demand, regardless of the provenance of said supply. The degree to which demand meets supply depends on the daily capacity available at the interconnections. If this daily capacity is sufficient, then there is a uniform price on the different markets. If the capacity is insufficient, capacity saturation limits price differences.

A trilateral market coupling mechanism between the Belgian, French and Dutch exchanges (Belpex, Powernext and APX respectively) and the transmission system operators of these three countries (Elia, RTE and TenneT) was successfully launched in 2006, and has since emerged as a real global point of reference. In November 2010, the market coupling was extended to Central West Europe (CWE), comprising Germany, Belgium, the Netherlands, France and the Grand Duchy of Luxembourg. A volume coupling was launched simultaneously between the CWE region and the Nordic countries, thereby extending said coupling to nine European countries. Works are continuing in North West Europe, including the UK.



CONTINUOUS MARKETS

Belpex proposes next to the existing day-ahead market a continuous intraday market (CIM), which offers market players an IT platform on which they can trade any unanticipated changes in their electricity portfolio (breakdown of a generation unit, change in wind forecasts, unexpected shutdown of a major industrial customer, etc.) up to five minutes prior to delivery. CIM therefore enables optimum management of risks for new players and generators using intermittent energy sources such as wind and photovoltaic energy. The intraday market continued its robust growth in 2010: 275.6 GWh were traded in 2010, compared with 193.6 GWh in 2009 and 94 GWh in 2008. A total of 6,896 contracts were concluded, compared with 5,488 in 2009.

Belpex is working in close collaboration with European partners to bring about implicit allocation of cross-border intraday transmission capacity. In early 2011, it launched, in cooperation with APX-Endex, the intraday implicit allocation of cross-border transmission capacities at the interconnection between Belgium and the Netherlands, at the request of Elia and TenneT. This allocation method is a useful addition to existing products until just before physical delivery, especially for generation units that rely on intermittent, renewable energy sources.

GREEN CERTIFICATES EXCHANGE (GCE)

Belpex launched a green certificates exchange in Flanders in March 2009 and in Wallonia in May 2009. The exchange enhances transparency on the certificates market and facilitates contacts between buyers and sellers. It offers standardised products, in terms of both green certificates (GCs) and combined heat and power certificates (CHPCs). The fact that the regional regulators VREG and CWAPE are involved in the project is a guarantee of delivery and reliable operation.

A total of 18 participants were active in the GCE market at the end of 2010, which saw a total of 22,358 certificates exchanged: 8,215 Flemish green certificates, 4,800 combined heat and power certificates in Flanders and 9,343 green certificates in Wallonia. The average price on the three markets was €101.3/GC, €36/CHPC and €84.3/GC respectively. As in 2009, there was heavy pressure on certificate prices in 2010 following the drop in demand for electricity, which resulted in a comparable drop in demand for green certificates.



preventive management of critical grid situations

Managing the balance between generation and consumption

The Belgian grid is part of the continental European electricity system, an interconnected network of 24 countries between which power circulates freely, from Portugal to Poland, stretching as far east as Bulgaria. This very high-voltage grid can be likened to the arteries of the human body because it supplies electricity to lower voltage grids that supply consumers. This major transmission system, comprising some 305,000 km of overhead lines, is run by 41 transmission system operators. For the sake of reliable operability, they apply the same technical rules, drawn up and regularly updated by their association, the European Network of Transmission System Operators for Electricity (ENTSO E). The interconnections between national grids are the backbone of the internal electricity market as they ensure that power is supplied across Europe, and in so doing ensure competition between suppliers or deal with a local failure of a major generation unit. A photo of this grid taken from space would show a big, wide-meshed web in Europe with large, asymmetrical links containing different types of generation facilities (conventional power stations, wind turbines, cogeneration facilities, etc.) into which electricity is injected, and which supply electricity to a variety of users (large-scale industry, small and medium-sized enterprises, institutions such as hospitals, and homes) taking energy from the grid.

As electricity cannot be stored in any great quantity (except by means of hydraulic pumping units), generation must be tailored at all times to consumption in this large grid – consumption that is the result of the actions and needs of more than 500 million inhabitants. Transmission system operators such as Elia and 50Hertz Transmission maintain this balance, in their respective control area within strict limits and in compliance with common rules.

To this end, each of the 41 transmission system operators reserves from generators, through European invitations to tender, a generation capacity enabling them to adjust upwards or downwards the quantity of energy injected in their respective grid. This generation capacity is differentiated according to the speed of response and the length of the intervention. First of all, some generation units are equipped to adjust their generation almost automatically based on deviations from the frequency of reference (50 Hz in Europe) and the frequency measured on the grid, which depends on the instantaneous imbalance between the quantities of energy injected and taken off the entire interconnected grid. All the generation units connected to the large European grid will consequently react together to immediately offset the simultaneous loss of 3,000 MW (3 million kW), i.e. the equivalent of two of the largest generation units, irrespective of their location in continental Europe. The system operators, to which the defective power stations are connected, will then use other means of generation to restore this automatic intervention capability as quickly as possible, until the situation is back to normal.

Each system operator must also be capable of restoring the electricity system in its area, even in case of a blackout, i.e. a complete interruption of power supply across a wide geographical area.



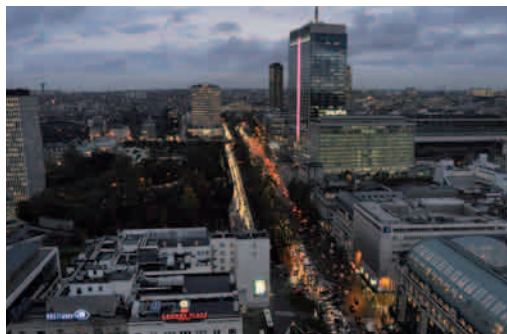
Goldisthal pumped-storage plant. The hydraulic pumping units use two reservoirs to store water. This is one of the solutions used to maintain a balance between electricity generation and consumption.

Black-start: progressive reconstruction of the grid

In the event of interruption of supply across a wide geographical area, the system operator will use generation units specially equipped to start up autonomously, known as 'black-start' units. Each system operator has contracts for black-start services with generators situated in its area and checks regularly that these units can start up independently as required. In 2010, Elia conducted detailed tests in three units. Thanks to a start-up capacity without injection of electricity from the transmission system, these generation units can gradually resupply a growing segment of the transmission system, and thus start up the other generation units, while at the same time connecting up more and more consumers so as to maintain a balance continuously between the quantity of energy injected into and taken off the grid – a delicate exercise which requires particular attention and expertise on the part of the staff of the system operators in a crisis situations !

Crisis simulation: teams under pressure performing vigilance tests to improve procedures

In the event of a crisis, the level of preparation of the teams mobilised to restore normality is key. Elia has from the outset had an emergency plan setting out the roles and responsibilities of the various players in the event of a major problem in the electricity transmission system. These procedures are regularly tested in simulation exercises. In 2010, such an exercise was carried out over two days directly in the field, in the national crisis centre and in two of the three regional control centres. Called the 'High Voltage' exercise, it followed a very realistic scenario: on Thursday, gale gusts were forecast by the meteorological service for Friday morning, neighbouring countries had been hit severely already, and initial contacts were made with the crisis centre at the Ministry of the Interior. The real crisis situation erupted on Friday, with a concatenation of true-to-life incidents: trees falling on the lines, requests from neighbouring transmission systems, power outages, floods, failures of segments of the grid, hospitals and private electricity customers, interrupted train traffic, Seveso site hit, falling pylons, etc. In the end, the crisis situation was well managed by the Elia team to the satisfaction of our virtually affected customers. The lessons learnt from the exercise led to the identification of lines of improvement, which were then turned into action plans, whilst confirming the value of such an exercise for all parties concerned.



To ensure a constant supply of electricity in all circumstances, a series of preventive measures are taken.

Earth Hour: raising awareness to enable better management

In 2010, Earth Hour fell on Saturday, 27 March. About 100 countries participated in this initiative organised by the World Wildlife Fund, which called on the public, businesses and the public authorities to switch off all their lights between 8.30 p.m. and 9.30 p.m., so as to draw attention to climate change and the energy issue.

As in 2009, Elia and its fellow European system operators were on stand-by to deal with any sudden imbalance between generation and consumption. A partial alarm was sounded in Elia to put several operational teams on alert, deploy the crisis plan organisation and reserve all the control capacity available in Belgium. Furthermore, with the help of the media and the consent of the WWF, Elia made consumers aware of the need to spread their action over time. Between 6.30 p.m. and 9.00 p.m., Elia recorded consumption that was 200 MW below the consumption expected for a normal Saturday.

Joint study with Fluxys, the gas transmission system operator

The purpose of this joint study was to examine the interaction between the gas and electricity transmission systems in the event of a blackout. It was important to ensure that gas turbines equipped for a black-start situation could be supplied with gas under such exceptional circumstances. The study concluded that a regional blackout on the gas transmission system could have a very serious impact on the gas transmission system. It would not, however, compromise supplies to black-start units, because the overall consumption as a result of the blackout would be lower than normal. Moreover, certain points requiring further attention were included in the reconstruction code to reduce the risk even further.

Plan to revise the reconstruction code

The proper operation of the electricity transmission system is of vital importance for the community and for business and industry. The electricity system was designed to function at a very high operational reliability level, but the risks cannot be completely eliminated. It is therefore useful to reassess the grid reconstruction codes regularly.

These codes define the operating procedures to be deployed by control centres, balance responsible parties, grid users and other grid operators, in the event that the system had to be reconstructed in full or in part. In 2010, the Elia reconstruction codes were revised thoroughly to take into account developments in the Belgian electricity system. The procedures have been simplified, the scenarios adapted as when required, and the staff concerned have undergone additional training. The codes will be distributed to the external stakeholders in early 2011.

Cooperation with the Belgian Government Crisis Centre (CGCCR)

Elia cooperates closely with the Belgian Government Crisis Centre (CGCCR). In addition to regular exchanges of experience, a new Elia procedure to notify this centre has been included in the internal emergency plan.



preparing for the future

research and development

CO₂ emission reduction is one of the main challenges in the 21st century, entailing major changes for electricity generation and consumption:

- switching to renewable or low CO₂ emission sources of energy;
- capturing and storing CO₂ for generation units using fossil fuels;
- increasing energy efficiency and the dynamic management of demand.

Electricity transmission system operators play a key role in this trend, as grids are bound to become more important due to:

- the growing distance between the major generation centres using renewable sources of energy (situated offshore or outside Europe) and the places of consumption;
- the increase in decentralised electricity generation;
- the use of stored energy, i.e. in pumping units situated in mountainous regions to offset the variable nature of certain renewable sources of energy, such as wind and solar energy;
- the gradual switch to electricity for freight and passenger transport and for heating.

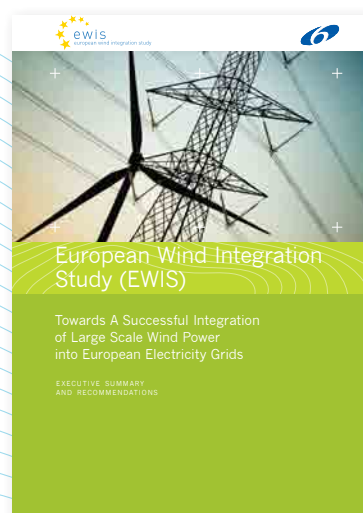
Elia has embarked on this process by setting up a Group Innovation and Knowledge Management Division to:

1. contribute actively to the Research and Development programme implemented on a European scale to hone the skills and expertise required in the Group;
2. create a network of universities and research centres in Belgium, Germany and in Europe as a whole;
3. acquire name recognition internationally through active participation in projects geared to demonstrating new technologies for the development and operation of electricity grids.

Elia has accordingly cooperated with various European partners to develop new proposals. The Ecogrid projects (for the demonstration of intelligent grid concepts) and 'After' (a study of the vulnerability of electricity systems and fallback measures) have been given the green light by the European Commission and will start in 2011. Other project proposals are currently being assessed by the Commission.

Elia Group Innovation and Knowledge Management

The Innovation and Knowledge Management Division was created to prepare the Group and all its associates for future challenges faced by current and future energy policies, to acquire experience in new technologies offered by manufacturers before using them in its systems, to offer its staff the wherewithal to take an active part in innovative activities relating to the decarbonisation of the electricity industry, and lastly to create a real 'incubator' for the development and establishment of expertise in the system operator's lines of business.



The conclusions of the study on massive integration of wind power in grids were published in 2010.

European Electricity Grid Initiative (EEGI)

The transformation of electricity grids requires a long-term approach because investments in the grid usually have a term of between 25 and 50 years. The Strategic Energy Technology Plan (SET plan), which comprises the European Electricity Grid Initiative, is one of the European Commission's pillars for achieving this.

Elia and its subsidiary 50Hertz Transmission, in cooperation with the transmission systems RTE (France), Red Electrica (Spain), TenneT (the Netherlands), Amprion and TenneT GmbH (Germany), as well as with seven distribution system operators, including Ores and Eandis of Belgium, have worked intensively with the Commission and the various stakeholders to develop an ambitious yet realistic research and development programme. Four main lines will be broached: technical challenges, issues relating to the electricity market with the integration of renewable sources of energy and active demand management, data interchange on a European scale, and legislative and regulatory aspects.

A network of universities and research centres

Over the years, Elia has entered into several partnerships with universities to promote cooperation on common research topics. In this context Elia provides support for PhD dissertations in universities and cooperates with such institutions in European projects.

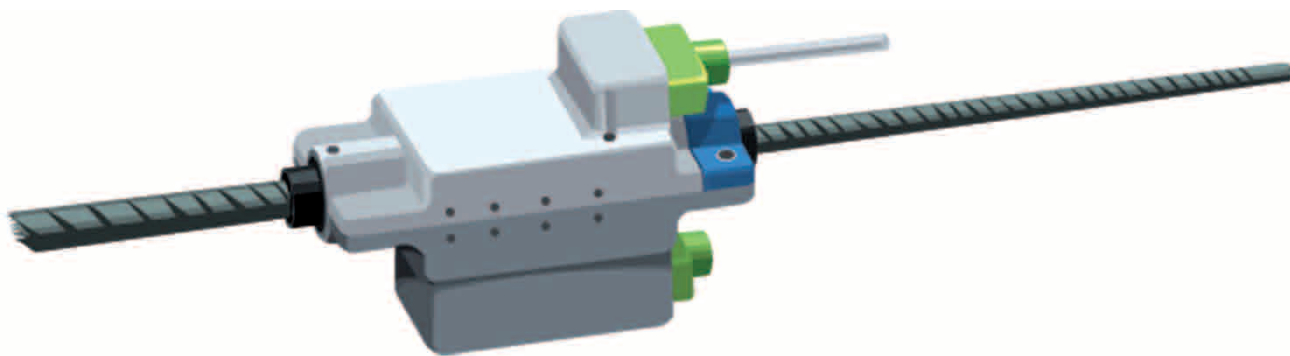
European projects

EWIS

Established by a group of transmission system operators, amongst them Elia, and financed by the European Commission under Framework Programme 6, the European Wind Integration Study aimed to propose, by 2015, practical solutions enabling the intermittent energy generated by large wind farms to be integrated into the European energy system and in particular very-high-voltage grids. Moreover, EWIS comprised several electricity transmission system operators, including the Elia Group, and the European Wind Energy Association (EWEA). EWIS, which consisted of a number of working groups covering both technical and regulatory/legal issues, published its final report in 2010, the results of which have since become a point of reference in this regard.

7MW-WEC-BY11

This European project aims to promote the emergence of large wind energy generation units and the development of a wind forecasting model. Elia's research focuses on using a wind farm as an adjustment tool in a transmission system. Certain wind turbines can actually contribute to the generation of reactive power, even in case of weak or non-existent winds. In the event of an incident on this system, these turbines remain connected and as soon as the defect has been remedied, can inject energy again thereby helping the system operator to restore normal operation. Consequently a check was carried out to verify that reactive – and if necessary active – power can be adjusted from the system operator's control centre. Elia can thus provide a monitoring and control service to wind farm operators and other small generators, thereby avoiding the need for a round-the-clock dispatching centre for each operator.



Ampacimon is a measuring tool used to determine the transmission capacity of overhead lines. It will be tested as part of the 'Twenties' project.

AMPACIMON

Conducted in partnership with the University of Liège, this project led to the development of a measuring tool to determine the reserve transmission capacity of overhead lines. Conducted in real time, the measurement is based on vibrations on the line's conductors. The first devices were installed on the Elia grid for full-scale experimentation. This equipment will also be tested as part of the European 'Twenties' project.

OPTIMATE

Launched at the end of 2009, the three-year Optimate project is being conducted by a consortium of five transmission system operators and seven universities and research centres. The aim is to develop a simulation platform to compare the different electricity market models in preparation for the integration of renewable sources of energy on a large scale in several regional markets. Research in 2010 focused on the design of the platform based in particular on the construction of a simplified model of the European electricity grid, the modelling of variable generation forecasts, and the analysis and synthesis of existing and future market models. Against this background, Elia focuses in particular on the analysis of the Central West Europe region.

TWENTIES

Supported by the European Commission, this collaboration project brings together 26 partners: system operators, generators, distributors, manufacturers and universities. It includes several demonstrations of innovative techniques ranging from electricity storage, demand management and the provision of ancillary services by renewable units. Elia is focusing in particular on aspects related to the flexibility of high-voltage grids to deal with variable large-scale electricity generation, the optimisation of exchange capacity, mainly by means of control instruments such as phase-shifting transformers, the

realtime optimisation of the use of capacity on the basis of meteorological data (e.g. Ampacimon) and grid stability. A number of Belgian universities are participating in the project, namely KULeuven, the ULB and the University of Liège. Coreso, the regional technical coordination centre, is also involved in the project.

SMARTLIFE

Elia is involved in the work of the Smartlife working group, which brings together Europe's main TSOs, DSOs and research centres, develops ageing models of grid infrastructure components to assess their residual life, analyse the operating risk and optimise the replacement strategy during the transition from the grids of today to those of the future to identify future needs in relation to grid infrastructure management: the development of ageing models, evaluation of residual life, risk analysis and replacement strategies with a view to preparing the transition to the grids of the future.

SUPERGRID

The Elia Group is closely monitoring international initiatives to develop future direct current electricity highways to host and transmit over long distances considerable volumes of energy generated in the north and south of Europe.





02

environmental report

As electricity transmission system operators, Elia and 50Hertz have to serve as a role model for the market and the community. The environmental dimension, i.e. a concern for the future of the planet, is an integral part of all the Group's activities.



A portrait of Jürgen Siefert, a middle-aged man with white hair, smiling. He is wearing a dark suit, a light blue shirt, and a striped tie. He stands in front of a large orange wall with a white grid pattern. To his left, a white wind turbine is visible in the background.

Jürgen Siefert

HEAD OF THE OFFSHORE
CONNECTIONS DEPARTMENT,
50HERTZ





Gaëlle Vervack, Permits, Property & Environment

A biologist by training who also holds a Master's degree in environmental management, Gaëlle Vervack put her skills and enthusiasm at the disposal of Elia because she finds that her environmentalist action is more efficient here. "Elia's core business is operating the high-voltage grid and ensuring security of supply. The security of supply of electricity is by definition the prime concern of my colleagues. Our activities offer ample room for improvement, as electricity and everything related to it can really make a difference to the planet" – one more respectful to its inhabitants."

Gaëlle helps implement this structured approach each and every day. "The important thing is to develop actions that improve the environmental aspect of our core activities – electricity transmission, overhead lines, underground cables and transformer stations. For instance, we are working on determining Elia's carbon balance. It will afford us a general view of greenhouse gas emissions from our activities, and will enable us to identify the main sources and in particular to take measures to reduce such emissions where necessary."

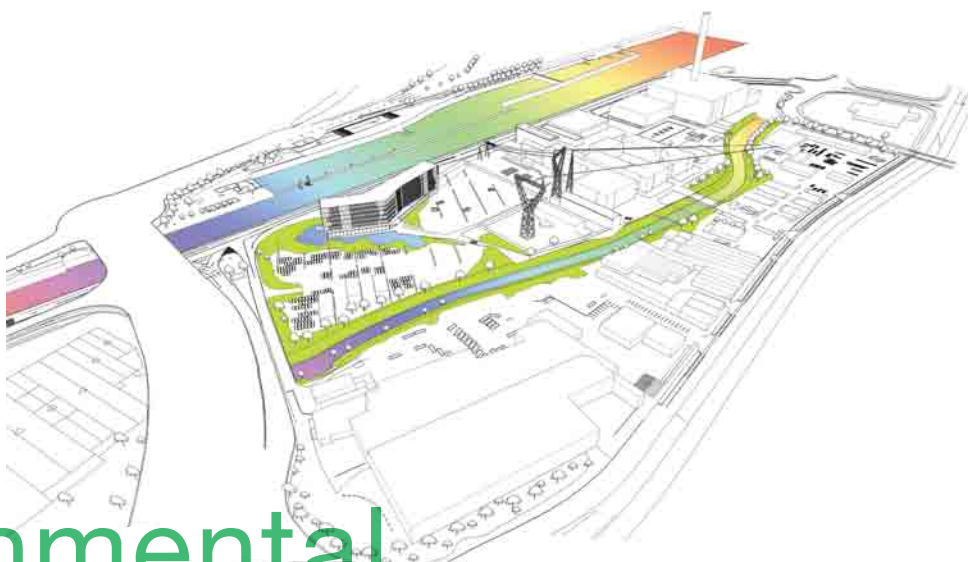
One example of a catalyst is the reduced heating of high-voltage substations thanks to the installation of a system for switching heating on and off via mobile phone: "This system will enable our colleagues who are concerned to have enough heat so that they can work comfortably, whilst ensuring that the substation is heated only when they are there. It will enable us to reduce our energy consumption and our costs, as we will be able to switch from an average temperature of 17°C to 10°C, without any adverse impact on our employees."

Other measures, such as including environmental clauses in purchase contracts, are being studied. "We are currently analysing the scope of this requirement that we would set for our suppliers for the use of recycled materials or environmentally friendly techniques or as regards the origin of production of environmentally friendly generation techniques or product origin."

Is Gaëlle's task in Elia easy? "We clearly have to constantly explain, promote and convince people of the necessity of such measures and actions if we want them to effectively implement them in the field. But mentalities are changing, and support from management in particular is opening doors for us and legitimising our measures."

¹ Most high-voltage substations include closed buildings, such as relay rooms, where Elia employees have to perform maintenance operations.

The new building will bear the BREEAM 'Very Good' label, awarded to biodiversity-friendly buildings with low grey energy and low water consumption.



environmental objectives and indicators

Like other companies, Elia has environmental obligations to meet in relation to its activities. For a transmission system operator, these obligations relate in particular to the decontamination of polluted soil, waste disposal, installing transformer tanks to prevent oil discharge, and compliance with noise regulations and legislation on greenhouse gas emissions and asbestos.

Elia also has a duty to set an example in terms of the rational use of energy and the conservation and protection of nature. It must also ensure that its facilities and investment projects are accepted by the community, in terms of their human and environmental impact as well as their cost-effectiveness (i.e. their the cost to the community at large).

With this in mind, Elia has undertaken various initiatives such as planting native species in the corridors beneath overhead lines, environmental offsetting measures and energy audits at high-voltage substations and administrative sites.

The main environmental indicators that are relevant to Elia's activities and their development over time are detailed hereafter.

1. Energy

RATIONAL USE OF ENERGY AND RENEWABLE ENERGY IN THE ADMINISTRATIVE SITES

Following an energy audit, the most efficient measures were identified to reduce the energy consumption at Elia headquarters and will be implemented in 2011.

Electricity meters were installed at the administrative site on the Avenue de Vilvorde, near the port of Brussels, which plays host to the national control centre amongst other facilities, to identify optimally the factors behind high energy consumption. A complete study for a biomass cogeneration facility to supply the entire site was also carried out.

The new building to be erected shortly on this site was designed adhering as closely as possible to the principles of sustainable construction. This building will not only be very energy-efficient (passive building), it will also bear the BREEAM 'Very Good' label, awarded to buildings that are healthy for their occupants, with low grey energy, low water consumption, and with a biodiversity-friendly arrangement of the plot. The application for a permit was filed in December 2010.

ENERGY REDUCTION FOR THE HEATING OF HIGH-VOLTAGE SUBSTATIONS

Various audits and checks were carried out these last two years on the heating consumption of high-voltage substations. As heating was a major item of energy consumption, it was decided to install a new system for switching the heating on and off automatically from a mobile phone on a trial basis in 25 high-voltage substations. Thanks to this system, the temperature will be sufficiently high when the people who have to work there arrive, while limiting the heating at times when nobody is there.

Pylon bases arranged in an ecological manner in collaboration with the non-profit association 'Faune et Biotopes', under a three-year partnership launched in 2009.



2. Biodiversity

IMPACT

Presence in protected areas

A new management system for projects in areas with environmental constraints (regulated woods, Natura 2000, nature reserves, etc.) was introduced to take better account of legislative constraints on the environment in these areas. Elia devotes considerable attention to the flora and fauna in the corridors under its overhead lines. These corridors covered an overall length exceeding 320 km in Natura 2000 areas.

Study to lessen the impact of overhead lines on avifauna

Elia commissioned a study from the non-profit association Natagora to identify the collision and electrocution risks for birds posed by overhead lines. The results, which are expected in mid-2011, will enable Elia to identify sections of existing lines that require devices to be installed to protect avifauna, as well as areas to avoid when building or moving an overhead line.

Environmental assessment projects

In 2010, 36 projects were launched to renovate and extend the electricity transmission system. Permits for such projects may be subject to environmental studies, depending on the specific regional legislation and the type and scope of the project. A descriptive note of the potential environmental effects is systematically drawn up for each project in Wallonia. No project that meets the criteria (type, scope) for a formal environmental study was launched in 2010.

The following environmental studies were launched or carried out in Flanders:

- two environmental impact assessment studies planned at plan level for two new high-voltage substations;
- two environmental studies at plan level for two new projects concerning new 380 kV overhead lines;
- an environmental study for a project at project level for a second three-phase transmission circuit of a 380 kV overhead line.

ENVIRONMENTAL OFFSETTING

Planting of trees and hedges around our facilities

In November 2009, Elia organised a 'nature' day for its employees during which a large long hedge, an orchard and a large flower meadow were planted on a farming plot of land belonging to Elia. More than conclusive results were obtained in 2010. All the vegetation has grown well, providing a key refuge for the preservation biodiversity.

Some 11 pylon bases were arranged in an ecological manner. The project, which entails planting flower meadows, bushes or covering vegetation that can serve as a refuge for the local fauna under the pylons situated on large farmland, was pursued in cooperation with the non-profit association 'Faune et Biotopes' in 2009 and 2010. Very good results have been obtained in various cases.

The pylon bases arranged in the 1990s in the Province of Limburg were checked in 2010, leading to new planting and maintenance activities in 2011.

Indigenous defensive hedges (consisting of hawthorn, dog rose and blackthorn bushes) are planted each year around the high-voltage substations to better integrate the facilities into the landscape and to host the local fauna. Thorny shrubs also serve as barriers to discourage intruders. In 2010, a hedge more than 1,000 m long was planted in Aubange.

In Flanders, five additional nest boxes for kestrel falcons were installed near or in high-voltage stations. A total of 220 eggs were counted in the nest boxes in 2010 and some 179 young birds were ringed.



The Group wants to serve as a role model for the market and the community in terms of the rational use of energy and the conservation and protection of nature. With this in mind, Elia has undertaken various initiatives such as planting native species in the corridors beneath overhead lines, environmental offsetting measures and energy audits at high-voltage substations and administrative sites.

3. Emissions and waste

GREENHOUSE GASES

SF₆

SF₆ gas has been used in electrical equipment for over 30 years, mainly as an electrical insulator in high- and very high-voltage devices. Gas Insulated Switchgear (GIS) is frequently used in densely populated areas because it is more compact than traditional outdoor switchgear which uses air as an insulator. In the case of medium-voltage facilities, Elia uses mainly vacuum-circuit breaking chambers as an alternative to SF₆ which is not available only for high- and very-high voltage devices.

Since SF₆ is a greenhouse gas, Elia has developed specific maintenance and investment policies aimed at limiting the risk of SF₆ loss. To this end, manufacturers must guarantee a very stringent maximum percentage of loss throughout the lifetime of the facilities. The maintenance policy aims to keep operations involving compartments containing SF₆ to an absolute minimum. The volume of SF₆ gas installed in the Elia grid (from 36 kV to 380 kV included) amounts to 54.4 tonnes. The consumption of SF₆ gas (as a replacement and as a top-up in the event of a leak) is tracked closely using a system that monitors each bottle of SF₆. The SF₆ leak percentage for the whole Elia park amounted to 0.86% in 2010. This is one of the best results amongst European TSO's.

Maintenance of the facilities concerned is carried out by specially trained teams, in accordance with EU Regulation 305/2008. The first Elia employees were certified in 2010 on the basis of the Flemish Decree of 4 September 2009 on the certification of technicians with the task of recovering fluorinated greenhouse gases from high-voltage facilities.

HAZARDOUS WASTE

Elimination of PCBs

Since the end of 2005, none of Elia's equipment has contained more than 500 ppm of PCB (polychlorobiphenyl). However, transformers with concentrations below 500 ppm are still in operation and Elia has voluntarily undertaken to decontaminate this equipment or replace it before the end of its service life, even though it is not legally obliged to do so. The funds needed to complete this project have been earmarked. In 2010, 8 transformers were decontaminated by an accredited firm, representing 92 tonnes of mineral oil.

Asbestos

Small quantities of solid asbestos are found when carrying out works in the high-voltage substations. They are then put in appropriate bags and brought to accredited treatment facilities.

Batteries

The installation of batteries, which is very common in high-voltage substations, requires a permit. Environmental legislation in this area is aimed principally at preventing possible leaks from such batteries. Elia favours a switch to dry batteries, which entail no risk of leakage. Wet batteries now account for just 20% of all batteries installed in the grid.



Accidental soil pollution

Elia manages over 12,000 plots of ground, spread right across Belgium. To preserve this land from waste dumping (fly-tipping) and protect the surrounding environment (soil, ground and surface water, etc.) in the event of accidental pollution, Elia can call on a specialist firm seven days a week to remove all contamination as quickly as possible. Moreover, our operational teams have the necessary equipment to intervene in the field. There were around 15 interventions of various kinds in 2010, from removing a barrel of oil overturned accidentally to parts destroyed during an accident in a high-voltage substation.

4. Compliance

NOISE

Transformers at high-voltage substations generate low-frequency noise, the level of which must comply with legally defined values, according to the area's designated land use as stipulated in the land-use plans. Whenever changes or extensions are made to its facilities, Elia uses simulations to ensure that the prevailing values are not exceeded and makes any necessary adaptations.

Elia follows up on all noise-related complaints from local residents. Such complaints may have to do with noise generated at high-voltage substations or from electrical conductors, mainly when there is fog or heavy rainfall. In 2010, there were seven complaints about high-voltage substations and three about overhead lines. Measures taken in the field revealed that three of these complaints (two relating to substations and one to an overhead line) were not justified. In the other cases, specific measures have been taken or are being looked into. An overhead line was put temporarily out of service, for instance, for the time needed to repair the marking spheres for helicopters, which were at the root of the problem.

SOIL POLLUTION

At the time of Elia's incorporation, soil studies were carried out at over 200 sites in Flanders, in accordance with Flemish soil legislation. These studies showed that our transformers, though potentially responsible for local soil pollution, posed little or no risk to the environment. At sites where significant soil pollution was observed, this had been there previously and was the result not of electricity transmission activities but rather of earlier or nearby industrial activities (gas plants, blast furnaces, chemicals, etc.). Work has been completed at four of the eleven sites requiring decontamination, and is either underway or has been planned for the remaining seven sites. Two of these cases were submitted to OVAM in 2010.



In the Brussels-Capital and Walloon Regions, which introduced soil legislation more recently, Elia anticipated such new legislation by carrying out analyses and studies in its high-voltage substations to detect pollution. Elia has thus ringfenced the future costs of potential decontamination projects which are updated in accordance with the changing legislation. These cases are limited to some ten sites in Wallonia and two in the Brussels-Capital Region.

ENVIRONMENTAL PERMIT

Elia operates some 800 high-voltage substations that include power transformers and accumulators/batteries for which environmental permits are required. Some 40 permits are renewed every year. This year in particular, more than 29 applications were filed in Flanders to renew such permits. In parallel, 14 applications were filed for environmental permits for new facilities.

5. Environmental spending

INVESTMENTS

Transformer tanks

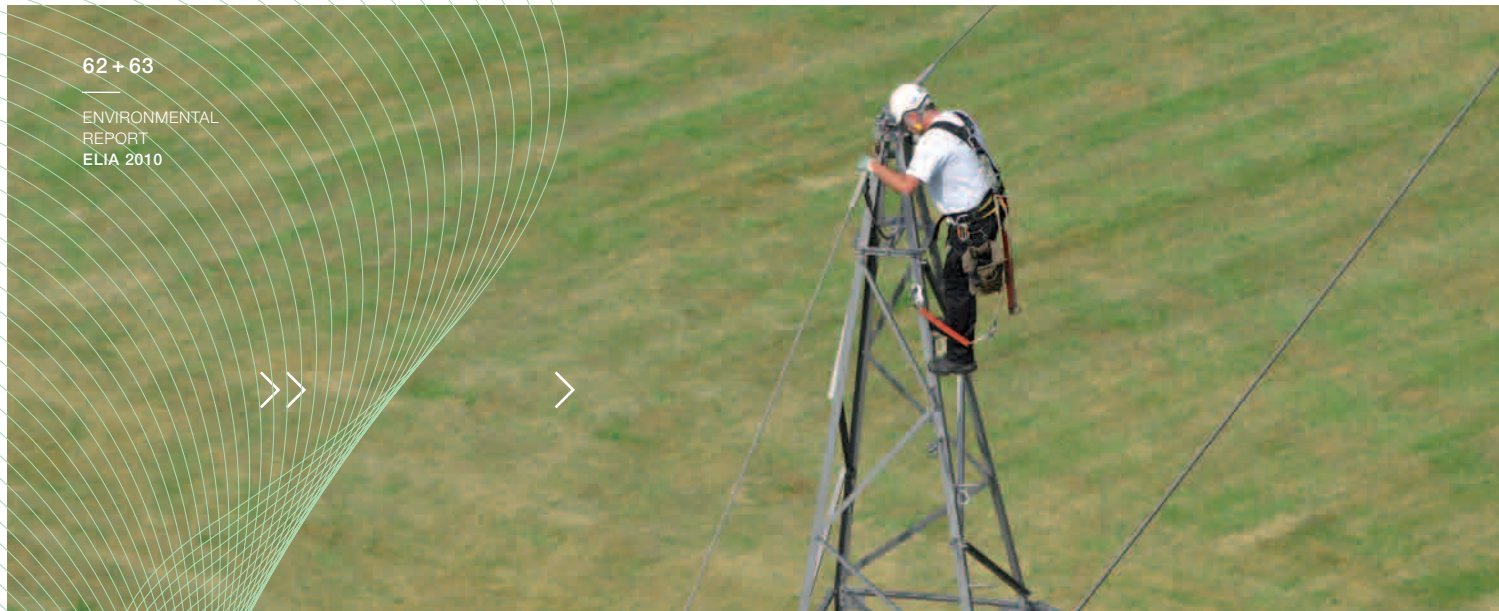
Since transformers contain large quantities of mineral oil, new equipment is systematically installed in a watertight tank with an oil-water separator to prevent environmental pollution in the event of a leak. This year, Elia started to install a coalescence filter in addition to the separator to guarantee that surface water quality environmental standards are complied with in the event of a leak.

In Flanders, in the wake of the Vlareem legislation, all existing transformers must be fitted with a tank in the event of upgrading, modification, replacement or movement of the transformer. In other cases, untanked transformers may be kept until the end of their service life. In Wallonia, all existing transformers must be fitted with a tank and a hydrocarbon separator by 2015 at the latest. An investment programme was set up in 2004 for 540 voltage transformers and 800 backup or earthing transformers.

In 2010, 48 transformers were fitted with a tank thanks to an investment of €1,539,000. Nevertheless, an analysis of the investment portfolio in the beginning of 2010 showed that the objective could not be reached on schedule at the current pace. An additional budget of €8 million was thus provided, along with the necessary support to carry out the required operations in time.

Noise mitigation

Elia invested €225,000 in 2010 to reduce the noise generated by some voltage transformers.



Operating costs

TREATMENT OF HAZARDOUS WASTE

Aside from PCB-contaminated mineral oil, batteries and asbestos, hazardous waste is confined to empty oil drums and paint pots, aerosol cans and fluorescent tubes.

A total of 32,200 kg of waste was collected by accredited companies during the year.

TRAINING

Environment Service specialists receive regular training on changes in environmental legislation. The staff of the operational services attend internal training courses organised by the training centres for environmental disciplines related to their daily tasks. A training course was also organised for project leaders on environmental issues in addition to the problem of permits. Another specific training programme was organised on noise in the presence of external experts.

Electric and magnetic fields

The magnetic field produced by the electricity system has a very low frequency (50 Hz), much lower than that used by mobile phones and microwaves for example, and its intensity declines rapidly the further you move from the source.

There are concerns amongst the public about the potential impact of magnetic fields on human health. International scientific studies carried out over the past three four decades have not established a correlation between 50 Hz magnetic fields and health problems. Concerned about its responsibility for its employees and society, Elia has been actively contributing to the advancement of scientific knowledge on this subject. In 2009, it renewed its cooperation agreement, including full guarantees of scientific independence, with various research centres and universities forming part of the Belgian BioElectro-Magnetic Group (BBEMG). The BBEMG studies the effects of electric and magnetic fields generated by the transmission and use of electrical energy at work and in our day-to-day lives. In addition, Elia has access to the results of high-level international

research in the field through the Electric Power Research Institute in the United States.

Elia also measures magnetic fields on site at the request of local residents. It received some 250 such questions and requests in 2010, which resulted in about 200 field measurements.

In the absence of specific Belgian legislation in this area, Elia applies the European recommendations issued by the International Commission on Non-Ionising Radiation Protection (ICNIRP) and the Council of the European Union. When planning new investments, magnetic fields are simulated at the study phase. The area in which the magnetic field of overhead lines has an effect can be reduced through new technologies such as the compact arms of compact pylons. Furthermore, Elia avoids inhabited areas as much as possible when building new facilities.

Support for environmental policies

DECENTRALISED GENERATION

Elia is helping to meet European, Belgian and regional targets on the integration of renewable energy sources by ensuring harmonious grid development. For example, Elia has undertaken, in collaboration with the relevant distribution system operators and regional bodies, to anticipate the integration of these generation units as part of regional sustainable development initiatives.

In Flanders, a number of geographical areas have been identified for the connection of cogeneration facilities; most of the decentralised generation units involve cogeneration for horticultural purposes and of renewable energy facilities. A number of geographical areas have been identified for the



Elia has undertaken, in collaboration with the relevant distribution system operators and regional bodies, to anticipate the integration of decentralized generation units as part of regional sustainable development initiatives.

connection of cogeneration and renewable energy facilities, most notably at Merksplas, Lier and Rijkevorsel. Plans to connect an area in the far north of the Campine region (Hoogstraten - Meer) are currently being examined. Spurred on by the Minister for Energy of the Flemish Region and in cooperation with the Flemish regulator, VREG, and the distribution system operators, Elia offers connection contracts on condition of safe operation of the grid. This approach released 114 MW of additional transmission capacity for the connection of 27 projects, previously on a waiting list. The Stevin project will help solve the region's capacity problem once and for all.

In Wallonia, the study into the accommodation potential for wind energy generation, carried out by Elia in partnership with the ICEDD and APERe, found that there is a lot of scope for great potential for accommodating renewable decentralised generation (mainly onshore wind farms) in the region spanning the south of the province of Liège and the north of the province of Luxembourg. On the scale of the Walloon Region, the potential of the Elia grid, without significant upgrading of the existing infrastructure, is between 2,000 MW and 3,000 MW. Elia has entered into a constructive dialogue with the relevant regional authorities about these works with a view to devising an optimum grid development scenario.

Rational use of energy (RUE) and renewable energy sources

PROMOTING RUE AMONGST OUR CUSTOMERS

As part of its public service obligations in Flanders, Elia implements an action plan each year aimed at encouraging Rational Use of Energy (RUE) amongst its industrial customers. In this connection, Elia provides its customers with the resources required to make recurrent savings of 2.5% on their primary energy consumption for each MWh supplied, in the case of facilities connected at between 36 kV and 70 kV.

The objective set for 2010 was savings of 45.2 GWh of electric power, while savings of 27.1 GWh have been made. 30 projects were introduced and our customers undertook to invest in some 52 energy-saving projects. Thanks to the initiatives Elia has taken amongst its industrial customers, cumulative energy savings since 2003 stood at 455 GWh at the end of December 2010, i.e. some 148,000 tonnes of CO₂.



SUPPORT FOR RENEWABLE ENERGY SOURCES: INTEGRATION OF OFFSHORE WIND FARMS

For the offshore wind farms in the North Sea that already exist or are under construction, Elia is helping to finance underwater connection cables to the tune of €25 million per connection, applying special measures to deal with the generation fluctuations associated with such units, and purchasing the green certificates awarded to them in accordance with the relevant legislation.

Moreover, Elia is continuing its efforts to integrate wind energy generation units representing a capacity of around 2,000 MW by 2015. To this end, Elia launched the Stevin project which aims to upgrade the 380 kV grid as far as the coastal region. One of the highlights of 2010 was the environmental impact report ('plan-MER' or 'milieu-effectenrapport') which was based on recommendations made by the MER service of the Flemish authorities and sets out alternatives and additional environmental aspects. This report was submitted to the Flemish authorities in the beginning of November.

The second offshore wind farm, Belwind, was connected to the Elia grid in the course of the year, thanks to previous upgrades of the Koksijde-Slijkens connection and the Slijkens substation, amongst others.

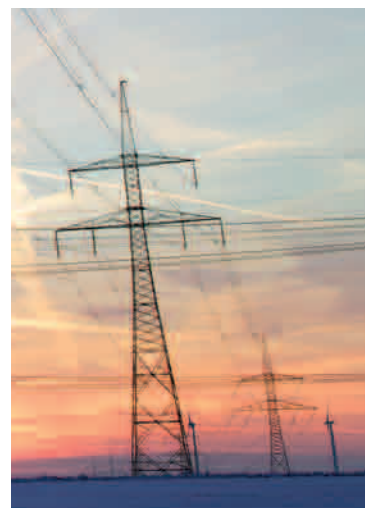
Elia also concluded various cooperation agreements to acquire the means and resources it needs to play a constructive role in the development of future wind farms:

- participation in the 'Friends of the Supergrid' project, an initiative launched in March 2010, which brings together various industrial concerns that join forces to create a social, political and regulatory base for a future offshore grid;
- participation in the Renewable Grid Initiative, geared to boosting electricity generation from renewable sources and the transmission capacity required for its development;
- a strategic cooperation agreement with Alstom in intelligent systems and the integration of renewable energy sources;
- a cooperation agreement with 3E, Alstom Grid, CG Power Systems, CMI, DEME Blue Energy and SAG, through Eurogrid International, to make an active contribution to the development of future offshore infrastructure in Europe.

SUPPORT FOR RENEWABLE ENERGIES: GREEN CERTIFICATES

Federal and regional legislators have developed market mechanisms aimed at encouraging investment in facilities for generating electricity from renewable sources. These include the 'green certificates' awarded to generators by the regulator, vouching for the green credentials of their electricity. Suppliers produce the certificates annually in proportion to their sales, with the proportion being set by law.

As a transmission system operator, Elia is required by law to purchase the certificates offered to it at a minimum price. Elia returns these certificates to the market via the power exchange Belpex. The balance between the price at which Elia purchases the certificates and the price at which they are sold on Belpex is passed on to the consumers through transmission tariffs.



50Hertz Transmission

Study on the ecological management of overhead lines

The installation of overhead lines in forest areas often requires cleared corridors. In 2010, 50Hertz Transmission launched a study on the ecological management of overhead lines. Conducted in cooperation with local partners for a differentiated management of forests on a regional scale and for improved compatibility with the landscape, this study was co-financed by the European Union.

The planned construction of the southwest inter-connection line between Halle and Schweinfurt is at the root of this study, which aims to limit the environmental impact, to design procedures to preserve landscapes and to select the best methodology for the conservation of the natural and cultural heritage. The study suggests a three-tier management concept adapted to the sites, covering ecological and social objectives, roles and interests.

System operators are playing a key role in the development of the grids of the future. The Elia Group is preparing for this transformation.



03

social report

An electricity transmission system operator's mission is pursued in the general interest, for the benefit of businesses and their competitiveness and the community as a whole.

The social dimension addresses various aspects and takes shape through a commitment to all internal and external stakeholders.

This dimension is at the core of the Elia Group's activities.



Jan Bogaert works in the Safety Support Department. A field technician specialising in high voltage, he did not hesitate for a moment the day he was asked to devote his efforts to safety after having safety coordinator training.



"We work in what is by definition a hostile environment", he explains with conviction, "whether it be the electricity risk, which lies at the heart of our line of business, working at a height (on pylons but also in our high-voltage substations) or excavation works for our underground cables. All our colleagues are well aware of these risks but they are hands-on people who are interested in technology first and foremost. They at times see our safety procedures as administrative overload. For me, it is vital to make them aware of the importance of these rules and procedures, which are there to ensure that they return home safe and sound."

What are Jan's daily tasks? Three things essentially: drawing up safety procedures, training, and reviews in the field which he performs in a spirit of understanding and with a sense of responsibility and a determination to continuously improve practices. An early riser, Jan arrives at the site he selected before the works start to monitor all the actions, from the decommissioning to the securing of the facilities. His contacts are the works foreman, the person in charge of safety and the head(s) of works. "I check whether procedures are applied correctly from the preparatory phase on. Are appropriate work clothes and personal protective equipment used? Is scaffolding installed as it should be? Has a colleague working at a height above another colleague taken all possible measures to avoid risks? Are the work areas properly signposted and are those signs complied with, regardless of the circumstances?"

Even though the reviews are quantified (the results improve year on year), the aim is not so much to 'inspect' but rather to continuously check whether the procedures are compliant and to seek to improve them. "Our facilities are complex and highly diverse", Jan explains. "We do not provide procedures down to the minutest detail because that would be something like an unusable telephone directory! Instead, we define rules applicable to general cases and develop the skills, experience, and safety reflexes of our colleagues, so that they can assess situations with knowledge of the facts and act accordingly."





Jan Bogaerts
FIELD TECHNICIAN
SAFETY SUPPORT





Bianca Berger Branding / Strategic Communication, 50Hertz Transmission



Bianca Berger joined 50Hertz in 2010, which was an exciting year not only in terms of branding. Along with her colleagues in the Communication Department, she ensures that the Elia Group is immediately recognised nationwide and internationally, and that the 50Hertz brand serves as a reference for all the company's partners.

She could not have chosen a better time to start working at 50Hertz. "I had discovered a developing young brand with its name, visual image and values. On joining the Elia Group, we were able to boost our brand with characteristic elements of the Elia Group to develop a common identity. The values relating to the two brands as well as their colours – orange (invigorating) and grey (more technical) – blended perfectly; our name was enhanced by this ever so powerful element, i.e. the graphic symbol of energy, the sign of the Elia Group which binds us.

To make sure that our new visual identity finds its rightful place on a day-to-day basis, once we had redesigned our logo, we developed a guide for the Group's visual identity. This enabled us to have the look of the Elia Group in all our publications, while leaving room for the specific needs of the two companies. We are proud that our brand reflects so well our identity as a grid operator belonging to the international Elia Group and that our colleagues have welcomed our new brand so warmly.

The corporate brochure of Elia kicked off the new look of 50Hertz that is guiding us day in and day out towards a common identity. We are already looking forward to the premiere of our company film in 2011 – the result of good cooperation with our Belgian colleagues and proof that our two brands blend well in the Elia Group", Bianca says happily.

staff policy

In carrying out its activities, Elia relies on the professionalism and expertise of some 1,785 staff, including 1,163 in Belgium, more than 46% of whom have joined the company since it was founded in 2001, thereby creating a fine blend of experience and new blood.

The company Elia Group faces a variety of challenges, in a constantly and rapidly changing energy environment. These include the need to:

- identify and attract young people, often in advanced technical disciplines, and train them in the specific skills needed in its activities – both traditional activities, such as high-voltage technology and new ones, e.g. all the disciplines related to smart grids and market operation and regulation;
- ensure career development opportunities for staff within the company and continue to enhance their skills in areas of activity that are changing year by year;
- successfully expand its activities abroad;
- develop its innovation capacities;
- anticipate the company's HR needs in a context of ongoing change, and expand its skills base to meet the challenges of tomorrow's world;
- integrate newcomers with older, more experienced staff who possess valuable knowledge and experience;
- put in place performance management mechanisms designed to motivate and develop staff according to their own personal aspirations and the specific needs of the company.

Against this backdrop, Elia has introduced policies on staff recruitment and retention, skills management, training, mobility and motivation.

These policies are rooted in the values of the company's mission statement, which Elia believes are an essential foundation underpinning the way its employees should operate, both within the company and in their dealings with outside players. Those values are:

- **Entrepreneurship:** actively seek opportunities and show the courage, along with others, to take the plunge with regard to improvements, overhauls or chances to help Elia to develop and serve its customers better.
- **Integrity:** be open and attentive to the feelings and opinions of others and demonstrate your desire to understand them while maintaining your own authenticity.
- **Empathy:** be open, loyal and honest with others, respecting them personally and their professional ethics. Make commitments and keep to your word.
- **Responsibility:** be aware of the importance of your work and therefore bring it to a successful conclusion using the appropriate resources, while at the same time respecting others and organisational constraints and accepting the consequences of your actions.

**COMPOSITION OF THE ELIA STAFF, 31 DECEMBER 2010¹**

	Men	Women	Total	FTE
Management	7	0	7	7
Supervisory staff	292	74	366	359.60
Employees	646	144	790	770.07
Total	946	218	1,163	1,136.67

Recruitment

Elia undertakes a large-scale recruitment programme every year. It thus took on 65 new employees in 2010 to meet HR needs resulting from retirements and the creation of new positions.

In Belgium, more than 46% of Elia's staff joined the company after its incorporation in June 2001. The proportion of employees with more than 10 years' seniority has fallen gradually from 68% in 2002 to 52.71%. Women account for 18.74% of staff and are playing an increasingly significant role in key posts for the Group's strategy and future.

**Top Employer 2011**

In 2011, for the fourth year in a row, Elia took part in the Top Employer survey organised by the independent experts at CRF and once again won the coveted title of Top Employer for 2011.

Five criteria are considered in the selection process: primary working conditions, training opportunities, internal promotion opportunities, secondary working conditions and corporate culture.

The title, which was awarded to 43 Belgian companies, is a further boost to Elia's profile as a leading employer in the labour market.

Job Fairs

As in previous years, job fairs were a particularly useful aid to Elia's recruitment activities. Aside from the Career Launch job fair held nationwide in the autumn, Elia also attended the leading job events organised by universities and colleges. Attending these events allows Elia's recruitment specialists to meet talented young people, who are then invited to take part in the first phase of the recruitment procedure held on a Saturday in February and March. The initiative has gone down very well with students.

Partnerships with schools and universities

Elia's areas of activity, especially those relating to high-voltage technology, are not necessarily well catered for in school and university curricula. For this reason, Elia has developed a partnership policy with educational establishments to offer significant added value to universities and technical schools and enable students to gain practical experience in the various disciplines associated with operating a transmission system. This is a very valuable learning experience for students and is a chance for Elia to attract young people to the company.

Elia Challenge

Each year, students from a number of technical schools have the chance to complete an end-of-school project on a subject relating to high voltage with the aid of Elia specialists.

The programme includes a visit to a high-voltage substation and completion of a project on technologies used in high-voltage grids and Elia's activities. The schools receive assistance from Elia in the form of financial support. The projects are then presented to members of Elia's management.

¹ These figures include the employees of Elia's 60% subsidiary, Eurogrid International



Elia won the Top Employer title in 2011 for the fourth year in a row - Working with schools in the Elia Challenge.

Technical Education Trophy

In the 2009-2010 academic year, Elia organised a third consecutive Technical Education Trophy, a competition aimed at students in their final year of technical secondary education studying electricity, electrical engineering or electronics.

The process begins with a written questionnaire sent to all schools, designed to select the 10 best classes in each language community. The 10 winning classes from each community then go head to head in a final at the Elia Training Centre, comprising 10 practical and theory tests. First prizes went to the Institut Cardijn de Lorraine in Arlon for the French-speaking Community and to VIT Brugge for the Flemish Community. The two winning teams were rewarded with a trip to the Science Museum in London.

The Trophy was revamped for the 2010-2011 academic year as Elia decided to place the initiative within the broader context of the Young Belgian Scientists initiative. In 2010 students in secondary schools were contacted and invited to work on a scientific or technical project to be presented at the Science Expo on 29 and 30 April 2011 at Tour & Taxis in Brussels. This will enable Elia to help extend the scientific and technical fabric spread the feeling for science and technology to more young people.

Belgian BEST Engineering Competition

Elia supported the Belgian BEST Engineering Competition (BEBEC) for the third year in a row. Organised by the Board of European Students in Technology (BEST), this competition is an initiative by and for students that brings together 83 local groups in 30 European countries. BEBEC brought the winning teams of the local competitions organised in each university to Durbuy on 15 April 2010. Six teams of four engineering students of from six Belgian universities pitted their wits against each other in the final. Elia supplied and supervised a case study on the large-scale integration of wind energy generation units in electricity grids. The six participating teams submitted top-quality work and showed a lot of creativity and a great sense of communication. The winners of the contest (the team from KULeuven) secured a place in the European version of the competition, EBEC.

Student work placements

Elia conducts a policy of student work placements for final-year secondary school, college and university students. Such placements allow students to get to know the company and its activities. By talking to Elia staff and experiencing the working environment, they may discover a real passion for our line of work. Student work placements are also an ideal springboard to subsequent employment with Elia.

Company visits

Elia organises guided visits for interested groups, featuring a presentation of the company followed by a visit to a control centre and a high-voltage substation. These visits allow people to find out about the transmission system operator's activities. They usually take place at Elia's premises on the site at the avenue de Vilvorde in the Brussels port area, which is also home to the Elia Training Centre and the new national control centre.

Skills management

Elia conducts its skills management policy using a skills catalogue which includes five generic skills, defined for all Elia staff in line with the company's values.

For managerial supervisory staff, a further three or four extra specific skills have been defined for each job family. For employees hired after 2002, the skills are supplemented with a description of the tasks specific to each job category.

Elia offers training for young people, placements and career-long training.



These skills are generally analysed at various stages of an employee's career: in the appraisal conducted when an employee is hired or changes jobs, in the development interviews for both managerial supervisory staff (the Midyear Review held each summer) and employees (during the annual Jobdate), as well as in the training provided to develop specific skills, etc.

Both the managerial supervisory staff and employees hired under the new staff rules are subject to a Performance Management process, including an interview at the start of the year to lay down the objectives that have to be met and the activities that have to be carried out, an appraisal interview at the end of the year and a development interview. For employees hired under the old staff rules, there is currently only a development interview.

Various operational divisions also defined specific technical skills.

Training

Elia offers its employees a wide variety of training. Detailed in a mini-catalogue, the courses on offer include training on behavioural skills, such as assertive communication, and training related to Elia's activities, including the Campus Elia training course, the Elia Business Game with its individual versions for specific target groups (middle management, foremen at Grid Services, etc.), the Elia's Activities training course and language classes.

The IT Department also offers specific training on IT and associated tools. In addition, training pathways have been established for certain target groups including junior managers, middle managers, assistants to senior managers and newcomers to particular departments and project managers.

In addition, Elia allows staff to take part in external training programmes (e.g. at the Vlerick Leuven Ghent Management School), subject to certain conditions (completion of an application form, compliance with entry criteria, etc.).

TRAINING IN FIGURES

Average training time per employee in 2010: 54.07 hours.

Learning coverage (at least one day of training) in 2010: 73.43%.

Knowledge Management

The task of the Knowledge Management Department is to anticipate technical knowledge needs and encourage the company to acquire, develop and maintain such knowledge in close cooperation with the Human Resources Department.

It aims to provide the company with the tools it needs to efficiently guide and organise the acquisition, development, enhancement, update and dissemination of technical knowledge.

The objective is to enable all staff members in the Group to perform their tasks and duties in a professional manner and to make improvements by capitalising on the experience of their predecessors and colleagues, whilst preparing for the company's future.

Technical knowledge refers to basic and specific knowledge that is crucial for Elia's lines of business and new developments and challenges.





50Hertz has set up a partnership with the University of Cottbus to introduce young people to its activities.

In Germany

50Hertz Transmission is also keen to create an environment to attract employees with skills in technical fields and also for the functioning of the markets and regulation. In view of the age pyramid, a programme for the succession and transfer of skills and talent management has been implemented.

RECRUTEMENT

On 31 December 2010, 50Hertz had 622 employees and 20 people on an apprenticeship contract. Women account for 21.5% of the workforce, and 4% of the staff have a disability.

The average seniority is 19.9 years and the average age of 43.9 takes account of numerous recent recruitments owing to the separation from the traditional owner and the new areas of activities relating to the integration of renewable energy and the internationalisation of the energy market.

PARTNERSHIP WITH SCHOOLS AND UNIVERSITIES

In the face of the challenges that the Group is facing, 50Hertz has developed a network with the academic world that includes ten partner universities in its geographic area. Professors with extensive expertise in electricity grids, high-voltage engineering and energy legislation can thus attract young talents to 50Hertz Transmission's areas of activity. By way of example, partnerships have been entered into with the Technical Universities of Berlin, Magdeburg and Cottbus.

To strengthen these ties, a chair was created in 2010 at the University of Cottbus, which boasts a leading Research and Development Department. Exchanges between 50Hertz Transmission and the academic teaching staff are stimulated through lectures, visits to research premises and operational sites.

50Hertz also offers students opportunities to deepen their knowledge and acquire professional experience through work placements, seminars and final dissertations.

SKILL AND EXPERTISE MANAGEMENT

In the face of the challenges that the Group is up against, 50Hertz attaches a great deal of importance to training for its employees. Each of them attended on average 1.4 training courses in 2010. A training and development centre was also created in the course of the year.

50Hertz Transmission also plans to increase the number of technical apprenticeship contracts. Such apprentices continue to work for at least one year in the company after they have completed their apprenticeships. Several interns and doctoral candidates were recruited through this channel in 2010.

COMPOSITION OF THE 50HERTZ STAFF, 31/12/2010

	Men	Women	Total	FTE
Management	4	0	4	-
Supervisory staff	54	9	63	62.5
Employees	435	124	559	556.3
Total	489	133	622	618.8

employee safety and welfare

Target of zero injuries

The safety and welfare not only of its employees and the personnel of companies with which it works but also of its customers and the public as a whole are a priority for Elia. The company has made sure that its facilities are as safe and reliable as possible.

It has moreover set a target of zero accidents or incidents.

IN BELGIUM

Safety results over recent years show that Elia is amongst the safest industrial companies, not only in Belgium but also in Europe as a whole. These results vindicate the approach to the intrinsic safety of the facilities as well as to operational safety in the exercise of our activities.

Moreover, these results fully justify Elia's belief that "Any accident is one accident too many", since aiming to prevent even the smallest of accidents is the best way to avoid serious occupational accidents. A minor oversight or an innocent fall can have unfortunate consequences. Our employees have managed to drastically reduce accidents due to slipping and falling by never losing sight of this principle, through concrete action and awareness-raising campaigns about cleanliness in our industrial facilities, workshops and offices.

To excel on the safety front, Elia employees must at all times apply the rules, procedures and instructions in a critical, constructive and open spirit and adapt their behaviour to the actual situation.

To support this ongoing effort, targeted campaigns have been run for a number of years aimed at strengthening the safety mindset of all staff and ensuring that safety becomes second nature.



The safety campaign launched in 2009, and continued in 2010, is based on the four key steps when it comes to safety and the quality of work preparation and execution: STOP – THINK – ACT – REVIEW. An in-depth analysis of incidents that do occur also helps improve work methods and procedures.

Only the systematic continuation of such efforts will enable Elia to guarantee its high level of safety as an intrinsic part of the organisation, whilst reducing the role of chance.

Safety and welfare of subcontractors' personnel

To encourage the safety reflex amongst subcontractors and reward their good safety results, the recommendations of the 'Safety Contractors' project were extended to a wide range of tasks, ranging from electrical assembly activities and civil engineering works to excavation works and the

Staff at the service centres spend a lot of time on the road in company cars. Because safety is its highest priority, including on the road, 50Hertz provides driving safety training for its drivers.



installation of cables, and including paintworks or the maintenance of plants near our facilities.

The original model that was implemented takes into account a series of objective safety and quality parameters, when preparing and executing works on the site, as well as results in the field when selecting contractors and assigning jobs. The results are evaluated and discussed with the subcontractors in a spirit of dialogue. The approach of existing and potential subcontractors to quality and safety is also audited. An action plan is defined as and when necessary to raise the level of their operation and results to that pursued by Elia, which may put an end to their cooperation if they do not subscribe sufficiently to Elia's safety policy or do not attain the required level for safety-related parameters and results.

Basic training modules that Elia offers to contractors have been updated and differentiated according to the needs of the specific target groups. In all, 2,700 people were tested on their knowledge of the risks and dangers during works in our high-voltage facilities.

Wider commitment to safety

It is not just Elia employees and its subcontractors' staff who are required to heed the potential risks of high-voltage infrastructure: the same goes for anybody venturing near our facilities. At the request of various fire brigades, Elia organised sessions dealing with the specific risks and the safety measures to be taken during emergency activities near our facilities.

Elia also regularly makes its facilities available to emergency teams and services so that they can conduct exercises in the most realistic possible context.

IN GERMANY

Occupational health and safety

On the occupational health front, 50Hertz has focused on projects relating to the control centres, the Freiberg/North high-voltage substation and the offshore protection and fire design of the Marzahn substation. The aim was to implement a continuous improvement process based on risk assessments and operating instructions. The results include the implementation of industrial health and safety recommendations and an agreement with staff representative bodies on occupational health protection, workstations and the protection of non-smokers. The project was marked by the certification of the occupational safety management system by the German employer insurers' association.

Accident statistics

Three occupational accidents that led to 90 days of incapacity for work were recorded in 2010, yielding an accident rate of 4.8‰, compared with 6.7‰ in 2009. Three accidents on the way to work resulting in 30 days of incapacity for work were also recorded. Two additional accidents causing 104 days of incapacity for work occurred in sporting activities organised by the company.

FREQUENCY AND SEVERITY RATES

	Frequency rate					Severity rate				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Elia	8.0	2.7	5.1	2.8	1.7	0.18	0.03	0.10	0.14	0.02
Headquarters	2.6	0	2.7	0	0	0.05	0	0.03	0	0
Service Area N	14.6	2.8	5.8	5.8	0	0.26	0.02	0.12	0.02	0
Service Area S	17.5	11.3	14.2	8.7	8.4	0.53	0.15	0.35	0.71	0.07
Engineering	3.3	0	0	0	0	0.01	0	0	0	0

Elia's new campaign focuses on two strategic areas: a commitment to renewable energy and construction of the European electricity market.



A safety permit for contractors is required contractually of all departments for all kinds of services to improve occupational safety on construction sites where 14 accidents occurred involving employees of outside companies. The impact of occupational safety and the environmental protection system on the granting of contracts has moreover been reassessed.

Health management

All 50Hertz employees were examined in accordance with an occupational medical programme to assess personal risks. The occupational welfare programme was continued in 2010. Ergonomic improvement measures were also taken.

50Hertz employees also had the chance to get vaccinated against influenza and to take part in blood donation days. Moreover, they received further information and training on the Health and Safety Day. This event was organised at headquarters and in the regional divisions.

Awareness Branding campaign

The role of transmission system operators for the EU and its Member States, including Belgium and its regions, is more crucial than ever before given the environmental challenges and ambitious policies, if industrialised countries want to meet their targets in terms of the growing share of renewable energy sources and the decarbonisation of electricity generation.

More than ever before, system operators have to explain to the stakeholders the important role they currently play for the economy and the community as well as the role that they will be called to play in the energy landscape of the future. In a qualitative survey conducted in 2008 amongst the different stakeholders in its activities, Elia had detected that said stakeholders expected Elia to take initiatives for communication, explanation and information. The survey had shown that Elia needed to:

- come across as a dynamic employer offering good future prospects in order to attract the new staff it needs to maintain the efficiency and quality of its service ;
- win the trust of local residents and public authorities, sustained by a determination to identify the most appropriate solutions in a spirit of dialogue;
- win the confidence of investors so as to have the capital it needs to safeguard the sustainable development of its activities;
- provide the public with clear and easy-to-understand information about its role as transmission system operator, at federal level and within Belgium's three regions.

The acquisition of 50Hertz Transmission in 2010 moreover marked the beginning of a new era by internationalising the scope of its activities and offering new prospects for its employees, customers, shareholders and the community as a whole.



The Elia Fund supports projects that provide less able people with transparent and non-discriminatory access to leisure activities.

Against this background, Elia launched a new awareness branding campaign in 2010 geared to two main issues: the international opening to serve even better its customers and the community in Belgium; and the preparation of the grids of tomorrow to meet the challenges of renewable energy.

This campaign was deployed in two key moments: in June, at the time of the capital increase to finance the acquisition of 50Hertz Transmission, and in December during the Cancun summit. Elia was able to capitalise on the metaphor of the giant plug as a symbol of electricity transmission on the high-voltage grid, developed for the first campaign in 2008. The 2010 campaign used the same media as in 2009: the print media, radio and the Internet. It was cited as an example by the European Commission at conferences and discussions on the development of the electricity transmission system in Europe.

Corporate social responsibility

Keen to improve its policy and actions, Elia had Business & Society, the Belgian authority in terms of corporate social responsibility, assess its performance on that front.

That assessment confirmed that Elia is a socially responsible company that deploys, through the management committee, a coordinated approach for the entire Group. This global strategy will be finalised in 2011.

THE ELIA FUND: WONDER AND DISCOVERY FOR ALL

Elia has from the outset wanted to see its mission in the service of supply security and the electricity market reflected on the social front.

Working together with specialists from the King Baudouin Foundation – an ideal partner for such a project – Elia came up with a framework for the Elia Fund in 2001. The King Baudouin Foundation is also responsible for managing the fund in complete independence and transparency, in line with the company's values.

The Elia Fund is aimed at less able people in the broad sense of the term (people with a mental, physical or sensory disability, older people, families with young children, and so on) and supports projects that offer these individuals transparent and non-discriminatory access to tourist, cultural and sporting facilities, in the same way as everybody else.

The Fund, which has an annual budget of around €250,000, is not intended as a substitute for state provision, but rather seeks to go beyond the basic obligations discharged by the state. In 2007, the Fund's purpose was modified slightly, to place an emphasis on wonder and discovery.

In 2010, the panel of independent experts selected 19 projects which focused strongly on the integration of disabled people in as broad a context as possible.



For the past few years, Elia staff have taken part in Télévie by helping people to climb an electricity pylon to raise money.

Projects 2010

- Les enfants de Cothan partent à la pêche en mer - Cothan asbl, Charleroi-Gosselies
- Rare snuiters, een inclusief prentenboek voor blinden, slechthziende, goedziende en dyslectische kinderen - Blindenzorg Licht en Liefde, Jabbeke
- Contact Improvisation pour personnes déficientes visuelles - Œuvre Nationale des Aveugles
- Iedereen fietst! - BSBO De Horizon Aalst
- La Troupe des 'Décompressez-nous' en Action ! - Renaissance asbl, Braine-l'Alleud
- Zelfstandig zit skiën op Belgische in-door sneeuwpijsten voor personen met een eenzijdige verlamming of complexe handicap - Anvasport, Melle
- Nous aussi sur la Petite Reine - Asbl La Clairière
- Het Huis van Alijn werkt drempels weg voor personen met een visuele beperking - Het Huis van Alijn, Gent
- Handicyclos - Latitude Junior asbl
- Leren door doen: een traject met gezinsweekends en jongerenavonturen - Nema vzw
- Ein Kreativ Workshop für jedermann - Jugendtreff Inside, Raeren-Eynatten
- Start to Roll - Leuven Bears, Leuven
- Tous artistes - Asbl Badje
- Fietsproject in de noordrand Brussel en Pajottenland - Katholiek Vereniging voor Gehandicapten
- Signes et Repères au Musée des Enfants - Musée des Enfants, Ixelles
- Audioguides voor mensen met een beperking in het Kasteel van Gaasbeek
- Regards croisés sur le art&marges musée - art&marges musée, Bruxelles
- Het uur dat we niets van elkaar wisten - De Kerselaar vzw
- L'exposition 'Quand le corps se fait parure' - Diffusion Culturelle des Musées royaux d'Art et d'Histoire, Bruxelles
- Triatlon voor personen met een beperking, de finale! - Avalympics, Geel

TÉLÉVIE

In 2010, as in previous years, the operational staff managed to get quite a number of people – the inclement weather notwithstanding – to overcome their fears and climb a high-voltage pylon (not connected to conductors of course). The aim of this original idea of theirs is to raise money for cancer research with each climb, as part of Télévie, and in so doing raise money for cancer research as part of the Télévie action. Naturally the safety of participants is key; the event is carefully supervised by both Elia professionals and a group of volunteer para-commandos from the Mons area to guarantee the safety of the participants.

INTERNATIONAL WHEELCHAIR TENNIS TOURNAMENT

For the second year in a row, Elia supported the Belgian Wheelchair Tennis Open. This wheelchair tennis tournament brings together internationally renowned sportsmen and shows how sport contributes to the integration of people with reduced mobility.

In Germany

50Hertz Transmission showed its commitment to the welfare of the community by participating in numerous local and regional projects for the communities in the vicinity of its facilities in 2010. The supported projects are geared chiefly to children and young people and to environmental protection.



stakeholder relations

Elia seeks to engage in open and transparent dialogue with its various stakeholders. This commitment applies to its customers, suppliers, shareholders, potential investors, authorities and the community at large, as well as to Group staff members.

Relations with suppliers

Elia aims to build up a long-term, mutually beneficial relationship with its suppliers. Its procurement policy is therefore based on the following principles:

- an objective selection procedure;
- continuous quality assessment and improvement;
- a constant search for new partners and innovative solutions;
- a preference for suppliers that support our goal of operating, maintaining and developing a safe and reliable electricity system;
- a preference for suppliers that provide the best possible service to both external and internal customers;
- a preference for suppliers that use their knowledge and experience to reduce our costs by minimising the total cost of ownership;
- a preference for contracts and framework agreements in which the purchase of goods is linked to provision of the corresponding services;
- a preference for results-based commitments (or service level agreements) rather than means-based commitments.

Furthermore, safety and the environment are at the core of Elia policy, including its procurement policy. Therefore Elia prefers suppliers that pursue a vigorous safety and environmental policy. Certification (VCA, BeSaCC, ISO9001, ISO14000, etc.) is thus an important criterion when choosing suppliers.

Relations with investors

The task of the Investor Relations Department is to ensure transparent communication with financial analysts and current and potential investors. Two-way communication between investors and management has been established to comment on the company's results, strategy and decisions and to understand the concerns of shareholders and analysts as well as the perception of the market.

Various roadshows were organised aimed at institutional investors in Europe's major financial centres. Elia also took part in the Belgian Excellence Investment Seminar co-organised by NYSE and KBC Securities in New York. In between roadshows, investors and analysts had a chance to talk to the CEO and CFO, either in person or by video conference. In addition, Elia attended many national and international investment conferences. Elia is also committed to private investors and takes part in the annual events organised by the Vlaamse Federatie van Beleggingsclubs en Beleggers (VFB) in Antwerp.

Elia's financial newsletter Investor News provides investors with up-to-date information about the company on a regular basis.

Presentation at the
Mitbestimmung - Customer
Day 2011 - Retail investors'
roadshow in June.

Monthly e-newsletter for
customers.



Relations with employees

INDUSTRIAL RELATIONS

Sectoral agreements

The employers' federation Sofedeg discontinued its activities on 31 December 2009. These activities were transferred to two employers' federations on 1 January 2010: Febeg, for generators and suppliers, and Synergrid, for transmission and distribution system operators, including Elia. To assume its role fully within Joint Committee 326, Synergrid provides various support and consulting services on social issues for its members, including:

- drawing up transitional procedures for collective labour agreements concluded at sectoral and company levels;
- support for employers' organisations to prepare for the social dialogue;
- assistance for members in finding solutions in the event of industrial disputes;
- management of sectoral joint bodies.

Group-level agreements

Company labour agreements were concluded for the transposition of collective labour agreement 90 (bonus linked to achievement of a set of collective results) at Elia and Elia Engineering. The joint works council (Elia System Operator, Elia Asset and Elia Engineering) met regularly in 2010. It was provided with detailed information on the financial and economic situation of Elia System Operator and Elia Asset, and at the annual extraordinary works council meeting.

Elia's three committees for prevention and protection at work and the corresponding Elia Engineering committee met regularly, either together or apart, to discuss in particular the reception of new employees and the annual safety plan for 2011. A joint working group 'collective labour agreement 100 – alcohol and drug abuse prevention policy' was set up at the initiative of the Elia and Elia Engineering committees for prevention and protection at work to produce a prevention policy on the consumption of such substances at work. A number of specific issues were also addressed with the social partners in Elia's three trade union delegations and the Elia Engineering union delegation.

The dialogue with employee representatives was conducted in a constructive spirit, with no social conflicts arising.

50HERTZ TRANSMISSION

50Hertz Transmission maintains close and constructive relations with employee representation bodies through the 'Mitbestimmung' (co-decision) system. The four-yearly elections for the works council and disabled persons' representatives were held in 2010. The composition of the new works council was confirmed on 26 April 2010.

Internal relations within the company

Alongside industrial relations within official staff representative bodies, Elia offers many opportunities for employees to meet, exchange information and engage in dialogue.

These are organised at both company level – for example, the meetings on the ground between the CEO and all Elia and 50Hertz employees – and within specific divisions (decentralised information sessions at Transmission, Grid Services, Engineering, etc.). Departmental and team meetings are also held.

In addition, there are various communication channels providing regular information to Group staff (website, e-newsletters, company magazine, noon meetings, etc.).

Elia also supports staff who take part in sports contests (20 km race through Brussels, amateur versions of the Tour of Flanders and Liège-Bastogne-Liège, etc.) and other types of events (e.g. managers' meetings, supervisory staff day).



EMPLOYEE SATISFACTION SURVEY

Elia has an employee satisfaction survey that is conducted every other year by a specialised firm that processes the results in a transparent way while protecting the anonymity of the respondents. The survey measured two main aspects: the involvement of employees in the company and their commitment to the performance of their duties. Results have been improving constantly since the first such survey was conducted in 2004.

	2004	2006	2008	2010
Involvement in the company	71	72	74	77
Commitment to the performance of their duties	79	79	79	80

With these scores Elia ranks as one of the best employers in Belgium.

Relations with customers

The Customer Relations Department and its account managers are the bedrock of Elia's dealings with customers. Elia organises a customer satisfaction survey every other year with the help of an external firm with a view to continuously optimising the services it offers to customers.

The results of the latest such survey, which was launched in 2009, were published in 2010. They show a significant improvement amongst balance responsible parties and distribution system operators. This means that Elia has a reputation as a prominent player on the European utilities scene, with its image being based chiefly on the Group's professionalism, expertise and reliability.

The Users' Group set up by Elia is one of the primary channels for exchanges with grid users. When the satisfaction survey showed an information deficit for this body and its representatives vis-à-vis the grid users, Elia decided to improve communication by publishing all information intended for the Users' Group on its website as of October 2010.



Each year, Elia organises a special day for all its customers. The 2010 programme had a European dimension, featuring such issues as the market coupling mechanism, wind power integration studies, the third package of EU directives and the acquisition of 50Hertz.

Customers receive a monthly e-newsletter and can consult detailed and transparent information published on the Elia website. They can also access relevant applications and information via the extranet in an efficient, user-friendly and secure way.

Relations with the authorities, residents and the general public

Elia takes care to inform the relevant administrative bodies and authorities and the residents living near its facilities about what it is doing (whether it relates to its investment, maintenance or emergency intervention projects) and how this may affect their daily lives, especially during works carried out by subcontractors or maintenance teams.

Information meetings with the public and authorities, a hotline to regional technical secretariats in Brussels, Merksem and Namur and round-the-clock website access at www.elia.be are just a few of the ways Elia caters for individuals and public authorities requiring information.

The regional technical secretariats field around 50,000 questions each year.



04

corporate governance statement

As transmission system operator, Elia has an obligation to be transparent, neutral and non-discriminatory towards all stakeholders involved its activities.





composition of management bodies

Board of Directors¹

As well as abiding by the specific provisions of electricity transmission legislation, Elia System Operator has adopted the Belgian Corporate Governance Code as its reference code.

CHAIRMAN

- **Luc Van Nevel**
Appointed as Chairman on 11 May 2010, independent.
- **Ronnie Belmans**
Chairman, Electrabel until 11 May 2010; Honorary Chairman from 11 May 2010².

VICE-CHAIRMEN

- **Francis Vermeiren**
Appointed as Vice-Chairman on 24 June 2008 for an indefinite period, Publi-T.
- **Thierry Willemarck**
Appointed as Vice-Chairman on 24 June 2008 for an indefinite period, independent.

DIRECTORS

- **Jacqueline Boucher**
Electrabel, until 11 May 2010
- **Jennifer Debatisse**
Publi-T, from 11 May 2010
- **Clement De Meersman**
Independent
- **Johan De Roo**
Publi-T
- **Jacques de Smet**
Independent
- **Sophie Dutordoir**
Electrabel, until 11 May 2010
- **Claude Grégoire**
Publi-T
- **Jean-Marie Laurent Josi**
Independent

- **Ingrid Lieten³**
Independent, until 10 February 2010
- **Jane Murphy**
Independent, from 10 February 2010
- **Dominique Offergeld**
Publi-T, from 11 May 2010
- **Leen Van den Neste**
Publi-T, from 11 May 2010



From left to right:

Luc Van Nevel, Francis Vermeiren, Thierry Willemarck, Jennifer Debatisse, Clement De Meersman, Johan De Roo, Jacques de Smet, Claude Grégoire, Jean-Marie Laurent Josi, Jane Murphy, Dominique Offergeld and Leen Van den Neste

Corporate Governance Committee

- Thierry Willemarck, Chairman
- Ingrid Lieten, until 10 February 2010³
- Jane Murphy, from 25 February 2010
- Luc Van Nevel

Audit Committee

- Clement De Meersman, Chairman
- Jacques de Smet
- Claude Grégoire

Remuneration Committee

- Jean-Marie Laurent Josi, Chairman
- Jacques de Smet
- Sophie Dutordoir, until 11 May 2010
- Francis Vermeiren, from 11 May 2010

Auditors

- Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises, represented by Alexis Palm
- Ernst & Young Réviseurs d'Entreprises, represented by Jacques Vandernoot

¹ The information presented here reflects the composition of the Boards on 31 December 2010. As of 13 January 2011, the Boards of Directors have 14 members. The two new directors appointed on 13 January 2011 are Miriam Maes and Steve Stevaert.

² Without a seat on the Board.

³ Ingrid Lieten tendered her resignation to the Board of Directors on 15 July 2009, to take effect as soon as a replacement was found. This happened on 10 February 2010, when Jane Murphy was co-opted by the Elia Board of Directors.



Management Committee

- Daniel Dobbeni, Chairman and Chief Executive Officer
- Jacques Vandermeiren, Vice-Chairman and Chief Corporate Officer
- Jan Gesquière, Chief Financial Officer
- Hubert Lemmens, Chief Officer Grid Services until 15 November 2010, Chief Innovation Officer from 15 November 2010
- Roel Goethals, Chief Officer Transmission until 15 November 2010, Chief Officer European Activities & Participations from 15 November 2010
- Frank Vandenberghe, Chief Officer Customers & Market until 15 November 2010, Chief Officer Energy & System Management from 15 November 2010
- Markus Berger, Chief Executive Officer Elia Engineering and, from 15 November 2010, Chief Officer Asset Management

SECRETARY-GENERAL

Pierre Bernard

Board of directors

The Boards of Directors of Elia System Operator and Elia Asset each have the same 12 members, none of whom perform a management role within either Elia System Operator or Elia Asset⁴. Half of the members are independent directors, appointed by the general meeting and having received a positive unanimous opinion by CREG on their independence.

In accordance with provisions stipulated by legislation and the articles of association, these Boards of Directors are supported by three committees – a Corporate Governance Committee, an Audit Committee and a Remuneration Committee – whose

efficiency they monitor. In addition, two temporary ad-hoc committees were set up by the Board of Directors in 2010 to support Elia's management in various matters.

The chairmanship and vice-chairmanships of the Boards of Directors were renewed indefinitely by the Boards of Elia System Operator and Elia Asset at their meeting on 24 June 2008. Following the resignation of Ronnie Belmans, Luc van Nevel was appointed as Chairman by the Boards on 11 May 2010, for an indefinite period.

On the same occasion, Ronnie Belmans was appointed as Honorary Chairman for an indefinite period.

APPOINTMENT OF DIRECTORS

The composition of the Board of Directors changed as follows:

- Ingrid Lieten tendered her resignation to the Board of Directors on 15 July 2009, to take effect as soon as a replacement was found. She waived her remuneration and attended no Board meetings in 2010.
- On 10 February, the Elia Board of Directors co-opted Jane Murphy as an independent director to replace Ingrid Lieten. Her appointment was confirmed by the general meeting of 11 May 2010. CREG issued a positive opinion regarding her appointment.
- Ronnie Belmans, Jacqueline Boucher and Sophie Dutordoir tendered their resignations at the end of the Board meeting immediately following the Elia general meeting of shareholders on 11 May 2010. They were replaced by Jennifer Debatisse, Dominique Offergeld and Leen Van den Neste.

The directorships will expire at the end of the 2011 general meeting. The six-year term diverges from the term of four years recommended by the Belgian Corporate Governance Code, a fact justified by the technical, financial and legal specificities and complexities associated with the tasks of the transmission system operator.

It should be remembered that specific corporate governance rules exist regarding the appointment of the independent and non-independent members of the Boards of Directors of Elia System Operator and Elia Asset and their committees, as well



From left to right:
Jan Gesquière, Frank Vandenberghe,
Hubert Lemmens, Markus Berger,
Daniel Dobbeni, Jacques
Vandermeiren, Roel Goethals

as the tasks of the latter. The appointment procedures are laid down in the law of 29 April 1999 on the organisation of the electricity market and in the company's articles of association.

In practice, in the case of independent directors, the Corporate Governance Committee puts forward a list of candidates; for each candidate, the Committee takes into account an up-to-date CV and a signed formal declaration outlining the criteria for independence as stipulated by legislation applying to Elia and the articles of association. The general meeting then appoints the independent directors. These appointments are submitted to CREG for its opinion concerning the independence of each independent director. A similar procedure applies if a director is co-opted onto the Board of Directors. One of the Corporate Governance Committee's tasks is therefore to act as a nomination committee for independent directors.

APPOINTMENT OF COMMITTEE MEMBERS

The chairmanships, vice-chairmanships and memberships of the various committees supporting the Board of Directors were renewed indefinitely by the Board of Directors at its meeting on 24 June 2008.

The Board appointed Jane Murphy as a member of the Corporate Governance Committee on 25 February 2010.

At its meeting on 11 May 2010, the Board appointed Francis Vermeiren as a member of the Remuneration Committee to replace Sophie Dutordoir.



Temporary ad-hoc committees

Pursuant to Article 522 of the Belgian Company Code, the Board of Directors set up a number of temporary ad-hoc committees in 2010 to assist Elia's management in specific matters.

AD-HOC COMMITTEE ON THE CAPITAL INCREASE

This committee was established in order to assist the Management Committee and the Board of Directors, where necessary, in preparing for the capital increase of up to €300 millions (see below for more details). The members of the committee were Clément De Meersman, Jacques de Smet, Jean-Marie Laurent Josi, Jane Murphy, Luc Van Nevel and Thierry Willemarck. The committee met four times.

AD-HOC COMMITTEE ON THE COMPOSITION OF THE BOARD OF DIRECTORS

This committee comprised Clément De Meersman, Jacques de Smet, Jean-Marie Laurent Josi, Jane Murphy, Luc Van Nevel and Thierry Willemarck. It met four times. Its main task was to examine the procedures for amending the articles of association to enable the number of Board members to be increased to 14.

⁴ The information presented here reflects the composition of the Boards on 31 December 2010. As of 13 January 2011, the Boards of Directors have 14 members. The two new directors appointed on 13 January 2011 are Miriam Maes and Steve Stevaert.



AUDITORS

The general meeting of 13 May 2008 appointed Ernst & Young Réviseurs d'Entreprises and Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises as auditors, represented by Jacques Vandernoot and Alexis Palm respectively.

The fees for each auditor were set at €111,250 for each financial year for Elia System Operator, Elia Asset and Elia Engineering, to be indexed annually. The auditors were appointed for a period of three years. Their mandate therefore expires at the end of the ordinary general meeting for the year ending 31 December 2010.

Additional fees of €612,023.38 were requested by the auditors for duties relating to the IFRS accounts, tax advice and other special tasks, most notably in relation to the capital increase.

BOARD OF DIRECTORS' ACTIVITY REPORT

Under the law of 29 April 1999, the Board of Directors:

- defines the company's general policy;
- exercises the powers attributed to it by the Belgian Company Code or in accordance with that Code, with the exception of powers attributed or delegated to the Management Committee;
- exercises general control over the Management Committee in accordance with statutory restrictions regarding access to commercial and other confidential information relating to grid users and the processing thereof;
- exercises the powers attributed to it by the articles of association.

The Board of Directors of Elia System Operator met eight times in 2010. The Board of Directors of Elia Asset met seven times in 2010. The following members were absent on one or more occasions: Jacqueline Boucher (30 March and 11 May), Jennifer Debatisse (26 August), Sophie Dutordoir (11 May), Claude Grégoire (25 March, 11 May and 25 May), Jean-Marie Laurent Josi (25 May and 25 November) and Thierry Willemarck (10 February and 25 November).

Members who are unable to attend usually have a representative. Under the terms of the articles of association, an absent director may authorise another member to represent him or her by giving prior written permission. No member may represent more than two directors.



significant events in 2010

Registration of the capital increase reserved for personnel

The extraordinary general meeting of Elia System Operator on 14 October 2009 approved a dual capital increase reserved for personnel comprising a first capital increase in 2009 ("2009 capital increase") of up to €4,400,000, and a second capital increase in 2010 ("2010 capital increase") of up to €600,000, by issuing new Class B shares, eliminating the preferential right of existing shareholders in favour of personnel of the company or its subsidiaries, where appropriate below the accounting par of existing shares in the same class.

The extraordinary general meeting resolved to set the issue price for the 2009 and 2010 capital increases at a price equal to the average of the closing prices on the 30 calendar days preceding 30 October 2009 and 6 January 2010 respectively, less 16.66%.

The 2010 capital increase was carried out and subscribed up to €317,492.39, with 13,919 shares issued.

The share capital of Elia System Operator increased to €1,206,010,115.13 and the number of shares representing the share capital was raised to 48,284,174.

Consequently, Articles 4.1 and 4.2 of the articles of association were amended before a notary on 19 February 2010, with respect to the share capital and number of shares in particular.

Sale of shares belonging to Electrabel

On 31 March 2010, Publi-T and Electrabel SA announced an agreement regarding the sale to Publi-T of 6,035,522 shares in the company, representing 12.5% of the company's share capital, at a price of €26.5 per share, for a total sum of €159,941,333. The operation took effect on 10 May 2010. Electrabel also converted its 5,670,655 remaining Class A shares into Class B shares with effect from 10 May.

On 18 May 2010, Electrabel sold its remaining shares in the company (representing 11.74% of all the company shares in circulation at that date) on the market through an accelerated book building process, at a price of €27 per share and a total price of €153 million⁵. Following a declaration of transparency on 11 May 2010, Electrabel ceased to act in conjunction with Publi-T, having sold 6,035,522 shares to Publi-T and converted its remaining Class A shares into Class B shares.

⁵ Source: joint GDF SUEZ press release dated 18 May 2010.

Acquisition of German transmission system operator 50Hertz Transmission GmbH and capital increase approved on 11 May 2010

Elia System Operator and Industry Funds Management Pty (IFM) acquired, via subsidiaries, 60% and 40% stakes respectively in the German transmission system operator 50Hertz Transmission GmbH. The acquisition was finalised on 19 May 2010.

To finance this acquisition, Elia launched a capital increase with public offering of 12,071,043 shares worth a total of €299.4 million, which was fully subscribed.

The extraordinary general meeting of 11 May 2010 decided – subject to the suspensive condition of completion (“closing”) of the private placement and/or public offering of the new company shares – to increase the capital by up to €300 million (including a possible issue premium) by issuing new shares, with no statement of nominal value, subscribed in cash and fully paid up, of the same type and carrying the same rights and benefits as the existing Class A, B and C shares, having VPR strips attached (tradable separately), and enabling participation in company profits from the accounting year starting 1 January 2010. The new shares subscribed by holders of A, B or C shares would be A, B and C shares respectively.

The private placement and/or public offering of this capital increase was subject to various conditions regarding the period of the offering, the issue price and the number of shares, the division of the offering into tranches, the possibility of an issue price below the accounting par value, the position of existing shareholders and implementation of the capital increase in the event of a subscribed amount below €300 million. The extraordinary general meeting decided to revoke the preferential right of existing shareholders for this capital increase.

The extraordinary general meeting ordered the Board of Directors, or two of its members acting together, in consultation with the selling syndicate and taking into account the above-mentioned decision, to (i) determine the subscription period (ii) establish the issue price and the number of shares to be issued as part of the capital increase, (iii) determine the structure of the offering and, if necessary, the share allocation rules, (iv) register fulfilment of the suspensive conditions, have the capital increase certified in due legal form and adapt the articles of association accordingly and (v) take the necessary steps to have the new shares admitted to trading on the regulated market of Euronext Brussels.

The extraordinary general assembly of 11 May 2010 also amended the company's articles of association as follows:

- the last sentence of Article 5.3 was amended to specify that the Class A shares and Class C shares transformed into dematerialised shares may be sold on the stock exchange or in the form of one or more block transactions, by a private placement with institutional investors, by a public offering, or otherwise;
- article 13.5 was amended to specify that the presentation rights of holders of A and C shares will be determined proportionately to the number of A or C shares that they hold in relation to the total number of A and C shares;
- article 4.2 was amended to acknowledge the transfer of 1,441,851 Class A shares from Electabel to Publi-T, under an agreement concluded on 29 November 2007, those shares subsequently being converted into Class C shares.

Registration of the capital increase

On 25 June 2010, the share capital and its composition were amended before a notary following registration of the capital increase by public offering of stock. The share capital was increased by €299,361,866.40 (12,071,043 shares with VPR strips at a price of €24.80 per new share, in a proportion of one new share to four preferential rights). It was raised to €1,505,371,981.53. The share capital is now represented by 60,355,217 shares, divided up as follows: 1,526,756 Class A shares, 31,519,954 Class B shares and 27,308,507 Class C shares.

Changes to the articles of association

The articles of association of Elia System Operator were amended on 19 February 2010 to adapt the capital following the 2010 capital increase, as described above. They were also amended by the extraordinary general meeting of 11 May 2010 (see below) and on 25 June 2010 as noted above. The amendment of the articles of association must comply with the rules laid down on this subject in the Belgian Company Code and by the company's articles of association (in particular Articles 28 and 29 of the articles of association of Elia System Operator and Articles 27 and 28 of those of Elia Asset). The full text of the articles of association can be found on the company's website.

Authorised capital

The extraordinary general meeting of 11 May 2010 authorised the Board of Directors to increase the share capital in one or more stages, to the value of €300 million. This authorisation was valid until 31 December 2010 or until the capital increase had been implemented by the general meeting, whichever occurred earlier. The Board of Directors did not make use of this authorised capital.

Application of Article 524 of the Belgian Company Code

The procedure provided for in Article 524 of the Belgian Company Code was implemented early by the Board of Directors on 30 March 2010.

The scenario specified in Article 524 of the Belgian Company Code did not materialise and this article did not need to be applied in concreto.

Entry of new shareholders into Coreso SA

The Italian transmission system operator (TSO) Terna Rete Elettrica Nazionale S.p.a. and 50Hertz Transmission GmbH joined Elia, RTE and National Grid (the Belgian, French and UK TSOs respectively) as new shareholders in Coreso SA, the technical coordination centre shared by multiple TSOs. Elia, RTE, National Grid and Terna each hold a 22.5% stake, with 50Hertz holding 10%.

Transfer of Elia System Operator's shares in the Belpex power exchange to APX

On 19 April 2010, Elia System Operator announced that it was transferring all of its shares in the power exchange Belpex SA – representing 60% of the capital – to APX. At the same time, Elia System Operator announced its acquisition of a 20% stake in APX. The European Commission approved the deal on 15 September 2010. The acquisition operations took effect on 13 October 2010.

Remuneration committee

In addition to its usual support role to the Board of Directors and in accordance with the law of 29 April 1999, the Remuneration Committee is required to make recommendations to the Board of Directors with regard to remuneration policy and remuneration of the Management Committee. The Remuneration Committee met on four occasions and each meeting was attended by all members, except for the meeting on 25 November 2010, which Jean-Marie Laurent Josi was unable to attend.

The company evaluates its supervisory staff on a yearly basis in accordance with its performance management policy. This policy also applies to members of the Management Committee. Accordingly, the Remuneration Committee evaluates the members of the Management Committee on the basis of a series of collective and individual targets, of a quantitative and qualitative nature.

As noted elsewhere, remuneration policy for the variable portion of the Management Committee's remuneration was adapted to take account of the implementation of multi-year tariffs. Consequently, since 2008 the salary scheme for members of the Management Committee has included, among other things, an annual variable remuneration and a long-term incentive (linked to achievement of the Y factor). The variable remuneration has two parts: the attainment of quantitative collective targets and individual performance, including progress on business projects.

The Committee also analysed the new legislation on the remuneration reporting requirements for listed companies.

In addition, the Remuneration Committee commissioned the company HayGroup to re-evaluate five of the seven roles of Management Committee members, taking into account the many changes that have occurred in the company since the first evaluation of Management Committee positions in late 2003. Further details can be found in the Management Committee Remuneration section.

Audit committee

In addition to its usual support role to the Board of Directors and in accordance with the law of 29 April 1999, the Audit Committee examines the accounts, ensures that the budget is controlled, monitors audit activities, evaluates the reliability of financial information, assesses internal control and checks the efficiency of internal risk management systems.

Pursuant to Article 96 of the Belgian Company Code, this report must justify the independence and accounting and auditing competence of at least one member of the Audit Committee.

Clement de Meersman, the Chairman of the Audit Committee, is an independent director and has extensive experience and competence in accounting and auditing. He holds a degree in electromechanical engineering from KU Leuven and a doctorate in applied sciences from the same university. He has completed executive training courses at IMD in Switzerland and the Vlerick Management School. He was a visiting student researcher at MIT (USA) and the Institute of Technology in Tokyo. He began his working life at KU Leuven as an assistant professor before pursuing a career outside academia at a company affiliated to the Michelin Group, active in the development, manufacture and sale of high-resistance tyres. In 1986, he left this job to join the Dutch DSM Group as a business unit director in charge of the development and sale of plastic materials, composites and high-performance products for the transport and automotive industry. In early 1994, he became CEO of Deceuninck SA, a post he retained until 2009. Clement De Meersman is also a board member at Deceuninck, Koramic Industries, ANL, Plasticvision, VKC and Smartroof. He is a member of the advisory board at Verhelst and ING Kortrijk, and used to sit on the board of Roularta.

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

The Audit Committee met on five occasions in 2010 and each meeting was attended by all three directors on the Committee, with the exception of the meeting on 6 May, which Claude Grégoire was unable to attend.

The Committee examined the annual accounts for 2009, drawn up in accordance with both Belgian GAAP and IFRS. It then analysed the quarterly results to 31 March 2010, the half-yearly results to 30 June 2010 and the figures for the first three quarters to 30 September 2010, drawn up in accordance with Belgian GAAP and IFRS.

The Committee took note of the audits and recommendations made. The further expansion of risk management within the company was also approved by the Committee. An action plan was drawn up for each of the audits in order to improve the quality of procedures and of the checks carried out and thereby to reduce the associated risks. The Committee monitored these action plans from multiple perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the internal audit service. The Committee concluded that these action plans were being carried out properly and within the agreed timeframes. The 2011 audit plan was submitted to and approved by the Committee.

Corporate governance committee

In addition to its usual support role to the Board of Directors and in accordance with the law of 29 April 1999, the Corporate Governance Committee puts forward candidates to be appointed as independent directors, gives prior approval for the appointment of members of the Management Committee, and, at the request of any independent director, the Chairman of the Management Committee or CREG, examines all cases of conflicts of interests between the transmission system operator and a dominant shareholder or company associated with a dominant shareholder in order to report to the Board of Directors. This latter task aims to strengthen the directors' independence above and beyond the procedure stipulated under Article 524 of the Belgian Company Code, which the company also applies. The Committee is also expected to give an opinion in cases of incompatibility on the part of members of the management and personnel, to enforce the provisions contained under Articles 9 and 9 ter of the law of 29 April 1999 on the organisation of the electricity market, evaluate how effectively they have been applied in terms of fulfilling the objectives of operating the transmission system in an independent and impartial manner and report annually on this matter to CREG.

The Committee met four times in 2010. All members attended all the meetings.

As far as confidentiality rules permit, the Committee is kept regularly informed on issues of major importance such as the purchase of ancillary services and the content of the infrastructure project portfolio.

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In addition to these ongoing issues, specific matters are dealt with at particular meetings, as priorities dictate.

EVALUATION

In 2007, the Board of Directors of Elia System Operator organised a formal procedure to evaluate its operation in accordance with the provisions (Article 4.11 et seq.) of the corporate governance code for listed companies in Belgium (the Belgian Corporate Governance Code). The next evaluation will take place in 2011, the evaluation scheduled for 2010 having been postponed due to changes in the composition of the Board of Directors.

Management committee

The Management Committee was established on 29 July 2003, pursuant to Article 524 bis of the Belgian Company Code and the law of 29 April 1999 on the organisation of the electricity market.

Under the law of 29 April 1999, the transmission system operator's Management Committee is responsible for transmission system operation and the day-to-day management of the system operator, as well as for exercising the other powers delegated to it by the Board of Directors and the powers assigned to it by the articles of association.

The Management Committee usually meets formally at least once a month. Members also attend informal weekly meetings. Members who are unable to attend usually have a representative. In accordance with the Committee's internal rules of procedure, an absent member may authorise another member to represent him or her by giving prior written permission. No person may represent more than two members. The Management Committee met 14 times in 2010.

Each quarter, the Management Committee reports to the Board of Directors on the company's financial situation (in particular on the balance between the budget and the results stated). It also reports on transmission system operation at each Board meeting.

As regards transmission system operation, the Committee updated the Board on developments in legislation and case law affecting Elia, important decisions by regulators and authorities, grid management, the situation at subsidiaries, the acquisition of German transmission system operator 50Hertz Transmission GmbH, the capital increases, the disposal of Elia System Operator's shares in Belpex, the expansion of Coreso's shareholder base and other significant events, as well as the development of international projects.

CODE OF CONDUCT

Elia has a code of conduct which all persons most likely to have access to privileged information within the Group (i.e. insiders) must comply with. The code of conduct lays down a series of regulations for stock exchange transactions by insiders, in accordance with the provisions of Directive 2003/6/EC on insider trading and market manipulation and the law of 2 August 2002 on monitoring of the financial sector and other financial services. The Board of Directors approved the code of conduct on 22 December 2005. The Secretary-General ensures that the code of conduct is applied correctly and updated.

CORPORATE GOVERNANCE CHARTER AND COMMITTEES' INTERNAL RULES OF PROCEDURE

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, Management Committee, Audit Committee, Remuneration Committee and Corporate Governance Committee were amended by the Board of Directors on 25 May 2010. The Corporate Governance Charter can be found on the company's website (www.elia.be).

TRANSPARENCY RULES - NOTIFICATIONS

In accordance with the law of 2 May 2007 and the Royal Decree of 14 February 2008 on the disclosure of major shareholdings, Elia received the following declarations of transparency in 2010:

- notification by Publi-T CVBA, Electrabel SA, GDF Suez SA, Publipart SA and Publilec SCRL on 21 May 2010;
- notification by Electrabel SA and GDF Suez SA on 21 May 2010;
- notification by the Arco Group (Arcofin SCRL, Arcopar SCRL, Arcoplus SCRL, Auxipar SA, Arcosyn SA, Interfinance SCRL) on 29 June 2010.

The full text of these notifications can be found on the Elia website.



remuneration

of the board of directors and management committee

Remuneration of the Board of Directors and Management Committee Policy on directors' remuneration and the setting of directors' remuneration

DIRECTORS' FEES

The remuneration policy for directors was agreed upon at the general meeting of shareholders, based on a proposal by the Board of Directors, after a draft remuneration policy was drawn up by the Remuneration Committee.

Total remuneration paid to the 12 Elia directors in 2010 was €497,354 (€239,986 for Elia System Operator and €257,368 for Elia Asset), including indexing. The table below lists the individual gross sums paid to each director for Elia System Operator and Elia Asset combined ⁶:

Ronnie Belmans	€ 21.906
Jacqueline Boucher	€ 14.604
Jennifer Debatisse	€ 21.906
Clement De Meersman	€ 41.593 ⁷
Johan De Roo	€ 29.677 ⁸
Jacques de Smet	€ 49.070 ⁹
Sophie Dutordoir	€ 21.614
Claude Grégoire	€ 37.154
Ingrid Lieten	€ 0 ¹⁰
Jean-Marie Laurent Josi	€ 40.659 ¹¹
Jane Murphy	€ 48.136 ¹²
Leen Van den Neste	€ 21.906
Luc Van Nevel	€ 36.979 ¹³
Dominique Offergeld	€ 21.906
Francis Vermeiren	€ 39.118 ¹⁴
Thierry Willemarck	€ 51.126

These figures were calculated on the basis of eight meetings of the Board of Elia System Operator and seven meetings of the Board of Elia Asset in 2010. The Audit and Remuneration Committees met four times. The Corporate Governance Committee met four times. The number of temporary ad-hoc committee meetings is detailed above.

The figures are gross sums, from which social security contributions and other withholding taxes are subsequently deducted.

Directors' remuneration consists of a basic remuneration of €25,000 per year (€12,500 for Elia System Operator and €12,500 for Elia Asset) plus an additional €800 (€400 for Elia System Operator and €400 for Elia Asset) for each meeting after the eighth Board meeting during the year, including meetings with regulators. These two remunerations are supplemented by 50% for the Chairman and 20% for each Vice-Chairman of the Board of Directors.

⁶ Where the amounts for Elia System Operator and Elia Asset are not the same, the figures for each company are indicated separately in a footnote.

⁷ € 23.016 (ELIA SYSTEM OPERATOR) and € 18.577 (ELIA ASSET)

⁸ € 15.072 (ELIA SYSTEM OPERATOR) and € 14.605 (ELIA ASSET)

⁹ € 26.521 (ELIA SYSTEM OPERATOR) and € 22.549 (ELIA ASSET)

¹⁰ Ingrid Lieten tendered her resignation to the Board of Directors on 15 July 2009, to take effect as soon as a replacement was found. This happened on 10 February 2010, when Jane Murphy was co-opted by the Elia Board of Directors. She waived her remuneration and did not participate in any Board meeting in 2010.

¹¹ € 22.082 (ELIA SYSTEM OPERATOR) and € 18.577 (ELIA ASSET)

¹² € 26.054 (ELIA SYSTEM OPERATOR) and € 22.082 (ELIA ASSET)

¹³ € 18.723 (ELIA SYSTEM OPERATOR) and € 18.256 (ELIA ASSET)

¹⁴ € 19.839 (ELIA SYSTEM OPERATOR) and € 19.279 (ELIA ASSET)

An additional fixed remuneration of €6,000 per year per committee (€3,000 for Elia System Operator and €3,000 for Elia Asset) is awarded to directors who sit on a support committee, with an additional remuneration of €800 (€400 for Elia System Operator and €400 for Elia Asset) for each additional committee meeting (i.e. each meeting after the three covered by the basic remuneration), including meetings with regulators.

This remuneration covers all expenses and is included in the company's operating costs. It is indexed annually in accordance with the consumer price index. All remunerations are paid on a pro rata basis during the director's term of office. Directors receive an advance on their annual remuneration at the end of the first, second and third quarters. The advance is calculated on the basis of the basic indexed fee and on a pro rata basis in relation to the duration of the directorship during the quarter in question. A detailed account is prepared during the month of December for the financial year. This account takes into consideration any additional remuneration on top of the basic remuneration.

Directors do not receive any other benefits in kind, stock options, special loans or advances.

Policy on remuneration and the setting of remuneration of the management committee

REMUNERATION

The Remuneration Committee evaluates the members of the Management Committee once a year. The change in the basic remuneration is linked to the position of each member of the Management Committee with respect to a benchmark salary in the general marketplace and the assessment of his/her individual performance. Since 2004, the HayGroup methodology has been used to weight each management position and ensure that remuneration is in line with the going market rate. In addition, the Remuneration Committee evaluates the members of the Management Committee at the end of each year, based on a number of qualitative and quantitative targets. Since 2008, the variable portion of the remuneration has comprised two components. The first is based on the attainment of a number of targets set by the Remuneration Committee at the start of the year, with a maximum of 25% of variable remuneration for the individual targets and 75% for the attainment of six collective targets (short-term incentive plan). The second is based on multiannual criteria covering a period of four years (long-term incentive plan).

In view of the many changes that have taken place since the positions were last weighted, such as the company's listing in 2005, the acquisition of 50Hertz Transmission, the diversification and internationalisation of the company's activities as well as internal operational structural changes, it was decided to re-evaluate five Management Committee positions. The outcome of this exercise was presented to the Remuneration Committee on 22 December 2010. A decision on the subject is expected in early 2011 and will apply to the 2011 remuneration.

Basic remuneration

It should be noted that all members of Elia's Management Committee have employee status. Given general market conditions, it was decided not to increase the recurring remuneration of Management Committee members in 2010, beyond inflation. In 2010, the basic remuneration for the Chairman of the Management Committee totalled €353,894.54. The recurring remuneration paid to the other members of the Management Committee totalled €1,263,297.65 (€660,404.65 for Elia System Operator and €602,893 for Elia Asset). A total basic remuneration of €1,617,192.19 was therefore paid to members of the Management Committee in 2010.

Short-term variable remuneration

In 2010, short-term variable remuneration of €175,601.11 was paid to the Chairman of the Management Committee and €456,092.59 to the other members of the Management Committee (€238,937.50 for Elia System Operator and €217,155.09 for Elia Asset). Part of this amount was paid into a supplementary pension plan.



Total annual remuneration

The conventional annual remuneration of the Chairman of the Management Committee in 2010 was €529,495.65, of which 33.16% was paid as variable remuneration. The total annual remuneration of the other members of the Management Committee was €1,719,390.24 (€899,342.15 for Elia System Operator and €820,048.09 for Elia Asset), of which 26.53% was paid as variable remuneration. Accordingly, total annual remuneration of €2,248,885.89 was paid to the members of the Management Committee in 2010.

Other variable remuneration

The part of the long-term incentive plan relating to the achievement of financial targets for 2008 and 2009 was paid in 2010, as provided for by the plan. The variable component was €136,382 for the Chairman and a total of €486,780 for the other members of the Management Committee (€254,467 for Elia System Operator and €232,313 for Elia Asset).

Following the successful completion of several one-off projects such as the acquisition of 50Hertz Transmission, the capital increase, the sale of the shareholding in the Belgian power exchange Belpex and the subsequent acquisition of a stake in APX-Index, the Remuneration Committee decided to award the members of the Management Committee supplementary remuneration totalling €387,213.68 for this additional work, of which €81,831.47 was paid to the Chairman and €305,382.21 to the other members of the Management Committee (€189,396.38 for Elia System Operator and €115,985.83 for Elia Asset). The remuneration was calculated based on the proportion of additional work performed by each member.

Contributions to the corporate pension scheme

Since 2007, all pension plans for Management Committee members have been 'defined contribution', meaning that the amount paid is calculated on the basis of annual remuneration. In 2010, Elia System Operator paid a total of €94,032.68 for the Chairman of the Management Committee. For the other members of the Management Committee, Elia paid a total of €283,272.07 (€147,750.34 for Elia System Operator and €135,521.73 for Elia Asset).

Other benefits

Other benefits awarded to members of the Management Committee, such as guaranteed income in the event of long-term illness or an accident, health-care and hospitalisation insurance, invalidity insurance, life insurance, tariff benefits, other allowances,

assistance with public transport costs, provision of a company car, employer-borne costs and other small benefits are in line with the regulations applying to all company managers.

The cost of other benefits in 2010 is valued at €31,748.88 for the Chairman and €225,667.16 for the other members of the Management Committee (€104,968.49 for Elia System Operator and €120,699.27 for Elia Asset).

There were no Elia stock options for the Management Committee in 2010.

Provisions of Management Committee employment contracts

The employment contracts concluded with members of the Management Committee, including the Chairman, at the time of their hiring did not contain any specific terms as regards notice of dismissal.

Shares held by members of the Management Committee and directors

The Chairman of the Management Committee of Elia System Operator holds 8,822 shares in Elia System Operator; the other members of the Management Committee hold a total of 18,595 shares.

Elia has yet to implement a long-term share allotment policy.

Information to be communicated under Article 96 of the Belgian Company Code and the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market

This section contains the information required to be disclosed under the aforementioned legislation and not included in other parts of the annual report.

All Elia System Operator and Elia Asset shares have the same rights, regardless of the class to which they belong, except as otherwise stated in the articles of association (most notably Article 28.2 for Elia System Operator and Article 27.2 for Elia Asset).

Disposals of shares are governed by Articles 9 and 10 of the articles of association of Elia System Operator.

The Board of Directors of Elia System Operator may decide on the acquisition by the company of its own shares, without a decision to this effect being required from the company's general meeting, provided that the acquisition is necessary to prevent grave and imminent damage to the company. This authorisation is given for a period of three years from the date of publication of the decision by the extraordinary general meeting of 14 October 2009.

Shareholder structure at the balance sheet date

On 31 December 2010, the shareholder structure of Elia System Operator SA was as follows:

	Shares	% Shares	% Voting rights
Publi-T	27,383,507	45.37	45.37
Publupart	1,526,756	2.53	2.53
Arco Group	5,306,880	8.79	8.79
Other free float	26,138,074	43.31	43.31
Total	60,355,217	100.00	100.00

Process of drafting financial information and communications

Elia has taken all possible and appropriate measures to reasonably assure that the financial information communicated both within and outside the company respect the true and fair view principle, in accordance with the applicable legal and regulatory framework.

The budget process is a key component of the internal control mechanism that was established to assess and verify accounting, financial and economic information and also to determine its regulated tariff. For Elia, it is crucial to be able to draw up reliable budgets in view of the many elements of uncertainty such as wind forecasts and volumes of offtakes from the grids. The process of drawing up budgets involves identifying the roles and responsibilities of the departments involved so as to provide the best possible forecasts on the basis of the information that is available. These budgets are checked by line management and then by the internal monitoring body and ultimately approved by the responsible management bodies. The regulators also play a monitoring role, approving the proposed multi-year tariff. Budget monitoring is a collective objective for the whole of the Elia Group and is carried out on an ongoing basis by budget managers and Controlling using, for example, frequently tested tools.

The monthly, quarterly and annual reporting process is based on procedures relating to the budgeted items and real items. The accounts and consolidated assessment are drafted on the basis of the Group's accounting manual which is regularly updated to take into account internal and external factors. This reporting follows a schedule and checklists that have been drawn up in advance in consultation with various departments

that are involved. The outcome of this process is frequently verified by the Controlling Department and the Internal Audit Department.

The Accounting Department drafts the financial information under the responsibility of the Accounting Manager, based on the reporting process described above. The Group results are discussed on a monthly basis by the Accounting and Controlling Department, which makes analyses of and comparisons between the budget, economic and historical information. The final result is submitted to the Executive Committee for approval and the quarterly results are systematically submitted to the Audit Committee and the Board of Directors for approval.

The actions of the staff and management of the Accounting and Controlling Department are guided by the principles described in Chapter 3 ('Social Report').



description of the main features of the internal control and risk management systems

Background and objective

In an ever-changing environment, Elia must perform its various roles – as market facilitator, grid operator and asset manager – in compliance with laws and regulations and the principles of corporate social responsibility and corporate governance.

In keeping with its missions and the Group's strategy, Elia has defined a set of strategic objectives which are translated into operational objectives at the various levels of its organisation, with varying timeframes.

To ensure that its objectives are met, Elia has put in place a corporate governance structure, and a specially adapted and dynamic internal control and enterprise risk management system.

The governance structure is detailed on page 86. The internal control and risk management system is based on three pillars: the control environment, enterprise risk management, and control activities and monitoring bodies.

The main risks faced by the Elia Group are listed and explained on page 102.

Control environment

Elia's control environment, the bedrock of its internal control and risk management, is based on a number of factors: the company's strategy, its values, corporate culture, staff, organisation and structure.

Through transparent and ongoing communication about its strategy and the associated objectives, Elia endeavours to fully involve its employees in the exercise of its various missions. Moreover, it constantly promotes its values (cf. p.5: entrepreneurial, caring, ethical and responsible) and its corporate image, both internally and externally, in order to continually strengthen its corporate culture.

In the organisation of its activities, Elia strives to achieve clear roles and responsibilities exercised by competent individuals. It has also put in place the necessary reference framework and control structure (supervisory body, rules, code of conduct, staff regulations, internal rules of procedure, etc.) to manage the risks associated with its work.



In an ever-changing environment, Elia must perform its various roles – as market facilitator, grid operator and asset manager – in compliance with laws and regulations and the principles of corporate social responsibility and corporate governance.

Enterprise risk management

Based on COSO II and the ISO31000 standard, the Elia enterprise risk management model (or ERM) aims to *protect company value for its stakeholders and provide reasonable assurance to achieve objectives by developing the risk awareness culture and coordinating means in an efficient, structured and pragmatic way to manage risk.*

ERM sets out a reference framework, roles and responsibilities for the various players within the Elia Group in relation to risk management. The Audit Committee monitors the actual effectiveness of the ERM process and more specifically the measures taken to manage strategic risks. As part of ERM, Elia has set up a risk management unit tasked with coordinating risk management activities, enforcing the risk management process and rules and promoting the risk awareness culture through a series of practical measures.

The ERM process is cyclical and consists of two major steps: risk assessment (identification, analysis and evaluation) and risk treatment (selecting the treatment, implementation and monitoring). The process is also designed to be reviewed periodically, both internally and externally (via peer review and benchmarking).

Control activities and monitoring bodies

Elia's internal control system is primarily implemented and safeguarded by its governance structure, management bodies and line management. To ensure that this control is efficient and effective, a set of rules (see under 'Control environment') has been established, covering such issues as separation of powers, powers of signature, roles and responsibilities and ethical rules. This is supplemented by a series of performance and risk measurements within the organisation, including key indicators monitored by the Executive Committee.

The internal control mechanisms such as safety management (aimed at the safety of individuals), the technical audit (targeting grid security), quality control and the internal audit play an important role by ensuring that the company's core processes are assessed fairly and independently. The internal audit service reports to the Audit Committee and is reviewed by an independent body every five years (quality assurance review).

Last but not least, external control bodies such as the statutory auditors and accreditation and certification bodies provide additional guarantees about the smooth running of the Elia Group and the preservation of its value.



description of the risks and uncertainties facing the company

In 2009, the Internal Audit & Enterprise Risk Management Department put in place a pragmatic and coordinated approach to identify, assess and manage the risks facing Elia. This Elia Risk Management (ERM) approach also aims to develop the corporate culture in relation to risk management.

1. Regulatory and income risks

INTERNATIONAL

Although the transmission system operators in the Elia Group proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German law may lead to uncertainties.

Elia and 50Hertz Transmission are European leaders when it comes to the components of the European Commission's third package of directives aimed at developing a single electricity and gas market, particularly as regards the independence and impartiality of management. Nevertheless, the transposition into Belgian and German law of the provisions of the third package, which must take place before March 2011, creates some uncertainty as to the framework in which Elia and 50Hertz Transmission will operate in the medium term.

Elia and 50Hertz Transmission are also founding members of the European Network of Transmission System Operators for Electricity (ENTSO-E), which was set up in December 2008 and brings together 41 transmission system operators from 34 countries, including the EU Member States. Amongst other things, ENTSO-E will perform the role of the European Network of Transmission System Operators provided for in the third package. The CEO of the Elia Group is serving a two-year term as the president of the association.

NATIONAL

The Belgian legal framework was established when the first EU Directive on the internal electricity market was transposed by the Electricity Act of 29 April 1999. The company's net profit is largely determined by the legally prescribed fair remuneration. As of 1 January 2008, the regulation mechanism applying to Elia contains an 'incentive' component and involves a multi-year tariff. Elia's result will therefore be influenced annually, either positively or negatively, by its ability to achieve and/or exceed the efficiency improvement factor, by changes to Belgian linear bonds (OLOs), and by the analysis of the regulator regarding any cross-subsidising between controllable and non-controllable costs.

On the other hand, Elia's turnover also depends on the energy transmitted on the grid, and is therefore directly affected by the level of business activity of its customers. The decline in residential consumption prompted by the slowdown in economic activity in 2009 has resulted in an income deficit compared with the budget approved by the regulator. Under prevailing legislation, this deficit and the extra cost resulting from the need for additional financing must be offset when the transmission tariffs for the next regulatory period are set. The impact on the electricity consumption of Elia's various customer segments and the uncertainty surrounding an upturn in business amongst industrial customers continue to pose a risk to Elia's income in the short term, which may affect cash flow.

The German regulatory framework in which 50Hertz Transmission operates directly determines the revenue from these activities. This framework is based



on an initial cost assessment and defines a revenue ceiling and efficiency incentives. It fixes the grid tariffs that include the tariff remuneration based on a fixed return on capital invested for a five-year tariff period. Other regulatory periods will have to be confirmed subsequently. The German regulator has also defined a specific remuneration system for investments in the grid called 'investment budgets'. To this end, 50Hertz Transmission files a request for approval of these budgets to ensure appropriate remuneration during the regulatory period. The investment budgets for various projects are currently in the approval process. Specific rules apply to costs and income generated by support programmes for renewable energy sources and cogeneration. The time it takes to offset the costs incurred means that 50Hertz Transmission prefinances its costs, which may have an effect on its cash flow.

REGIONAL

The regulatory framework entails risks at regional level. For instance, contradictions between the various regulations, including the grid codes, can hinder the exercise of the company's activities. The further development of and changes to these regulations may also impact the company'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, including the power to approve transmission tariffs.

2. Operational risks

SECURITY OF SUPPLY

As to power system balancing requirementsIn the criteria for operational and investment planning, Elia factors in an adequate level of reserve capacity for active and reactive energy and always seeks out the most efficient and cost-effective way of contracting the availability of such reserves. In both a national and a European framework, Elia analyses how the growing proportion of intermittent renewable energy generation units can be integrated at a lower cost. The growth across Europe in the number of cogeneration and renewable energy units connected to distribution systems and the future connection of large offshore wind farms create new challenges for operational grid management and require the development of grid infrastructure.

The developments required for existing and future connections, changing trends in offtake and the enhancement of interconnection capacity are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain time-frames represents a risk to the timely implementation of these projects. Moreover, these approvals and permits can be contested in courts with the relevant jurisdiction.

The increase in loop flows through the grids mobilises a substantial proportion of the transmission capacity. Coordination at European level is needed during the planning phase as well as during the phase immediately preceding real time. The reduction of these risks entails a contribution and effective participation from all the players concerned in an international context.

POWER OUTAGES

The reliability of Elia's transmission system has been demonstrated over several years. Nonetheless, as in any other electricity system, incidents may occur on the grid which interrupt the smooth operation of one or more infrastructure components. In most cases, these incidents have no impact on consumers' power supply because the grid's meshed structure means that consumers can be reached via a number of different connections. However, in extreme cases an incident in the electricity system may lead to a local or widespread outage (known as a blackout). Such outages may be caused by natural phenomena, unforeseen incidents or operational problems, either in Belgium or abroad. Elia regularly holds crisis management drills so that it is ready to deal with the most unexpected and extreme situations. The general terms and conditions of its standard contracts limit the company's liability to a reasonable level while its insurance policy is designed to offset the financial repercussions of these risks.

IT RISK

Failures in the IT network and IT systems used to operate the electricity system may harm the latter's performance. Elia takes appropriate measures to back up the IT network and associated systems to the maximum extent allowed by technical and financial considerations. It has drawn up and regularly tests recovery plans for the most critical IT systems. However, component failures in the IT network and IT systems are impossible to rule out. Where systems do fail, Elia will strive to minimise the impact on customers.



ENVIRONMENTAL RISK

Elia's results may be affected by outgoings needed to keep up with environmental legislation, including costs associated with implementing preventive or corrective measures or settling third-party claims. The company's environmental policy is developed and monitored in such a way as to manage these risks. Where Elia is in any way liable for decontamination, the appropriate provisions are set aside. Additional analyses are in progress and could lead to a revision of existing – or the adoption of new – provisions.

RISK OF LEGAL DISPUTES

Although the company operates in such a way as to minimise the risk of legal disputes, it may nonetheless become involved in such disputes. Where necessary, the appropriate provisions are laid aside for this.

SAFETY AND WELFARE

Elia operates facilities that may cause harm to the natural or human environment or for which accidents or external attacks may have serious repercussions. Persons working in or near electricity transmission facilities may be exposed, in the event of an accident, error or negligence, to the risk of electrocution. The safety and welfare of individuals (both Elia personnel and third parties) is a daily priority for Elia's management, supervisory staff and personnel, and substantial resources are invested in safeguarding them. Each year, an action plan is approved and implemented based on developments in safety figures.

RISKS ASSOCIATED WITH INEFFICIENT INTERNAL CONTROL MECHANISMS

All internal processes can have an impact on the company's results in some way. The multi-year tariff mechanism increases the need for year-on-year increases in the company's overall efficiency. To this end, the efficiency of internal processes is monitored regularly, using performance indicators and/or audits, to ensure they are kept under proper control. This is overseen by the Audit Committee, which controls and monitors the work of the Internal Audit & Enterprise Risk Management Department.

3. Financial risks

The Group is exposed to various financial risks: market risk (namely interest rate risk, inflation risk and limited exchange risk), liquidity risk and credit risk.

The Group has defined the responsibilities and operating procedures for financial risk management as a matter of policy, specifically as regards the instruments to be used and the precise operating limits in managing them.

The Group's risk management policies seek to identify and analyse the risks the company faces, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies 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 and 50Hertz are operating under the Belgian or German regulatory framework. See the 'Regulatory framework' section.

To finance its investments and to achieve its short- and long-term strategic goals, Elia and 50Hertz need access to capital markets. Given the current credit and capital market conditions, in particular the increased credit spread on the domestic and international debt and equity markets generally and the adverse and continued constraints on the availability of funding, such financing may not be available at attractive terms or may not be available at all. This could have an adverse effect on Elia's and 50Hertz's future growth and on the pursuit of their objectives. Elia is partly financed with floating rate debt. Although a financing policy has been approved that strives to achieve an optimal ratio between fixed and variable interest rates and appropriate financial instruments are used to mitigate the financial risk, a change in interest rates can have an impact on financial charges passed on in a subsequent regulatory tariff period (or in the same period in the event of an exceptional change in charges). Financial charges are also related to the credit rating of the company. Elia cannot guarantee total protection in the event of significant movements in interest rates or in the event of a downgrading of its rating, or Eurogrid GmbH's rating.

For more information, see the section on 'Financial risk and financial derivatives' in the annual report.



Elia holds 60% of the 50Hertz Transmission shares; the other 40% are held by IFM. Important matters relating to the activities of 50Hertz Transmission are checked jointly by Elia and IFM.



4A. New business developments

Elia strives to anticipate new opportunities relating to its core business, both inside and outside the Belgian regulated framework. The launch of international projects abroad may create risks associated with foreign regulations or uncertainties regarding the business plans to be drawn up.

4B. Specific risks relating to Elia's acquisition of 50Hertz Transmission

As regards the acquisition of 50Hertz Transmission by Elia and IFM (through Eurogrid International CBVA SCRL and Eurogrid GmbH), the possibility of a limited or non-existing recourse to Vattenfall concerning certain risks relating to the activities of 50Hertz cannot be excluded, nor can it be excluded that certain risks are not covered by representations and guarantees or allowances provided by Vattenfall. 50Hertz Transmission operates within the German legal and regulatory framework and may be subject to other constraints than Elia. Elia holds only 60% of the 50Hertz Transmission shares; the other 40% are held by IFM. Important matters relating to the activities of 50Hertz Transmission are checked jointly by Elia and IFM.

5. Contextual factors

MACRO-ECONOMIC RISKS

The effects of the financial crisis increase the (upward and downward) volatility of factors that influence financial results, such as Belgian linear bonds. Elia strives to achieve optimum control of the operational risks linked to the fact that the Belgian and German grids are increasingly open to electricity flows generated and consumed in EU Member States, and to the growth in renewable energy generation.

HR RISK

Elia pursues an active image and recruitment policy to maintain an appropriate level of expertise and know-how in a tight labour market. This is an ongoing challenge, bearing in mind the highly specialised nature of the business.

IMAGE RISK

Generally speaking, circumstances may arise that have a negative impact on the company's image. Elia has an internal control mechanism to guarantee the confidentiality of data. Despite this, external parties may pass on information in their possession that could have an impact on the company's share price.

MISCELLANEOUS

Elia realises that there might be other risks of which the company is not yet aware. Some risks may seem limited today but increase in the future. The subdivisions used give no indication of the potential consequences of the listed risks.



05

financial report

The results of the year 2010 in details.



consolidated financial statements ifrs

Consolidated income statement (31.12.2010 – 31.12.2009)

(in million €)	Notes	31.12.2010	31.12.2009
CONTINUING OPERATIONS			
Revenue	(3.1)	939.5	733.7
Cost of sales	(3.2.1)	(5.9)	(5.6)
Gross profit	-	933.6	728.1
Other income	(3.1)	98.0	37.6
Services and other goods	(3.2.1)	(457.2)	(303.5)
Personnel expenses	(3.2.2)	(133.9)	(124.4)
Depreciation, amortization, impairment and changes in provisions	(3.2.3)	(127.5)	(102.1)
Other expenses	(3.2.4)	(31.1)	(9.9)
Results from operating activities, before non-recurring items (REBIT)		281.9	225.8
Gain on bargain purchase	(5.1)	286.5	0.0
Non-recurring services and other goods	(3.2.1)	(8.0)	0.0
RESULTS FROM OPERATING ACTIVITIES (EBIT)	-	560.4	225.8
NET FINANCE COSTS	(3.3)	(123.2)	(120.5)
Finance income	-	21.8	12.8
Finance costs	-	(145.0)	(133.2)
Share of profit of equity accounted investees (net income tax)	(3.5)	(1.2)	(1.0)
Profit before income tax		436.0	104.3
Income tax expense	(3.4)	(34.0)	(20.0)
Profit from continuing operations	-	402.0	84.3
Profit for the period	-	402.0	84.3
Profit attributable to:			
Owners of the Company	-	401.7	84.0
Non-controlling interest	-	0.3	0.3
PROFIT FOR THE PERIOD	-	402.0	84.3
Earnings per share (in €)			
	Notes	31.12.2010	31.12.2009
Basic earnings per share	(3.6)	7.364	1.746
Diluted earnings per share	(3.6)	7.364	1.746

Consolidated statement of comprehensive income

(in million €)	Notes	31.12.2010	31.12.2009
PROFIT FOR THE PERIOD	-	402.0	84.3
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	(5.4)	(3.1)	(4.0)
Tax on effective portion of changes in fair value of cash flow hedges	(5.4)	1.1	1.4
Defined benefit plan actuarial gains and losses	(4.12)	25.9	(5.2)
Tax on defined benefit plan actuarial gains and losses	(4.12)	(8.8)	1.8
Other comprehensive income for the period, net of income tax		15.1	(6.0)
Total comprehensive income for the period	-	417.1	78.3
Profit attributable to:			
Owners of the Company	-	416.8	78.0
Non-controlling interest	-	0.3	0.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	417.1	78.3

Consolidated statement of financial position

(31.12.2010 – 31.12.2009)

ASSETS (in million €)	Notes	31.12.2010	31.12.2009
NON-CURRENT ASSETS	-	4,994.1	4,044.8
Property, plant and equipment	(4.1)	3,010.9	2,089.6
Intangible assets	(4.2)	1,751.1	1,730.1
Trade and other receivables	(4.3)	114.7	105.8
Investments in equity-accounted investees	(4.4)	29.2	9.4
Other financial assets (including derivatives)	(4.5)*	79.5	84.9
Deferred tax assets	(4.6)	8.7	25.0
CURRENT ASSETS	-	909.9	407.1
Inventories	(4.7)	14.5	13.7
Trade and other receivables	(4.8)*	513.8	214.9
Income tax receivable	-	6.3	0.7
Cash and cash equivalents	(4.9)	366.0	174.6
Deferred charges and accrued revenues	(4.8)*	9.3	3.2
TOTAL ASSETS	-	5,904.0	4,451.9
EQUITY AND LIABILITIES (in million €)	Notes	31.12.2010	31.12.2009
EQUITY		2,007.2	1,367.1
Equity attributable to owners of the Company	(4.10)	2,007.2	1,365.4
Share capital	-	1,500.6	1,207.3
Share premium	-	8.5	8.5
Reserves	-	51.4	36.0
Hedging reserve	-	(20.7)	(18.7)
Retained earnings	-	467.4	132.2
Non-controlling interest	-	0.0	1.7
Non-controlling interest	-	0.0	1.7
NON-CURRENT LIABILITIES	-	3,211.0	2,804.7
Loans and borrowings	(4.11)	2,917.3	2,618.9
Employee benefits	(4.12)	103.8	142.9
Derivatives	(5.4)	31.4	28.2
Provisions	(4.13)	44.6	4.8
Deferred tax liabilities	(4.6)	93.3	6.8
Other liabilities	-	20.6	3.1
CURRENT LIABILITIES	-	685.8	280.1
Loans and borrowings	(4.11)	0.1	0.1
Provisions	(4.13)	43.6	13.9
Trade and other payables	(4.14)*	448.8	233.9
Income tax payables	-	14.0	0.2
Accruals and deferred income	(4.15)*	179.3	31.9
TOTAL EQUITY AND LIABILITIES	-	5,904.0	4,451.9

* These captions include reclassifications of the figures as at 31/12/2009 for the reason of comparison.

Consolidated statement of changes in equity

(in million €)	Share capital	Share premium	Hedging reserve	Retained earnings	Total	Non controlling interests	Total equity
BALANCE AT 01.01.2009	1,202.1	8.5	(16.1)	153.5	1,348.1	1.6	1,349.7
Total comprehensive income for the period							
Profit or loss	-	-	-	84.0	84.0	0.1	84.1
Increase in reserves	-	-	-	-	-	-	-
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(2.6)	-	(2.6)	-	(2.6)
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	(3.4)	(3.4)	-	(3.4)
Total other comprehensive income	0.0	0.0	(2.6)	(3.4)	(6.0)	0.0	(6.0)
Total comprehensive income for the period	-	-	(2.6)	80.6	78.0	0.1	78.1
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Shares issued	5.2	0.0	0.0	0.0	5.2	0.0	5.2
Dividends to owners of the Company	-	-	-	(65.9)	(65.9)	-	(65.9)
Total transactions with owners	5.2	0.0	0.0	(65.9)	(60.7)	0.0	(60.7)
BALANCE AT 31.12.2009	1,207.3	8.5	(18.7)	168.2	1,365.4	1.7	1,367.1
BALANCE AT 01.01.2010	1,207.3	8.5	(18.7)	168.2	1,365.4	1.7	1,367.1
Total comprehensive income for the period							
Profit or loss	-	-	-	401.7	401.7	0.3	402.0
Increase in reserves	-	-	-	-	-	-	-
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(2.0)	-	(2.0)	-	(2.0)
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	17.1	17.1	-	17.1
Total other comprehensive income	0.0	0.0	(2.0)	17.1	15.1	0.0	15.1
Total comprehensive income for the period	-	-	(2.0)	418.8	416.8	0.3	417.1
Transactions with owners, recognised directly in equity							
Retained earnings Eurogrid GmbH at acquisition date	-	-	-	(1.6)	(1.6)	-	(1.6)
Contributions by and distributions to owners							
Shares issued	299.7	0.0	0.0	0.0	299.7	0.0	299.7
Costs of shares issued	(6.4)	-	-	-	(6.4)	-	(6.4)
Deconsolidation non controlling interest	-	-	-	-	-	(2.0)	(2.0)
Dividends to owners of the Company	-	-	-	(66.6)	(66.6)	-	(66.6)
Total transactions with owners	293.3	0.0	0.0	(68.2)	225.1	(2.0)	223.1
BALANCE AT 31.12.2010	1,500.6	8.5	(20.7)	518.8	2,007.3	0.0	2,007.3

Consolidated statement of cash flows

as at 31.12.2010 and 31.12.2009

(in million €)	Notes	31.12.2010	31.12.2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	-	402.0	84.3
Adjustments for:			
Net finance costs	(3.3)	124.0	124.1
Income tax expense	(3.4)	16.6	17.3
Share of profit of equity accounted investees, net of tax	(3.5)	1.2	1.0
Depreciation of property, plant and equipment and amortisation of intangible assets	4.1 - 4.2)	114.5	97.7
Disposal/sale of property, plant and equipment	(4.1 - 4.2)	7.6	3.5
Impairment losses of current assets	(3.2.4)	1.0	0.7
Change in provisions	(3.2.3)	-2.6	-1.3
Change in fair value of derivatives	(5.4)	0.9	-2.4
Change in deferred taxes	(4.6)	17.4	2.6
Changes in fair value of financial assets through income	-	3.3	0.5
Change in non-cash items	-	0.0	0.9
Gain on bargain purchase	(5.1)	-286.5	0.0
Cash flow from operating activities	-	399.4	328.9
Change in inventories	(4.7)	0.3	-0.7
Change in trade and other receivables	(4.8)	-43.0	-14.9
Other current assets	(4.8)	-12.7	0.0
Change in trade and other payables	(4.14)	119.2	-47.8
Change in other current liabilities	(4.15)	60.1	-7.1
Changes in working capital	-	123.9	-70.5
Interest paid	(3.3)	-135.7	-102.0
Income tax paid	(3.4)	-19.9	-15.9
Net cash from operating activities	-	367.7	140.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	(4.1 - 4.2)	-199.5	-133.7
Acquisition of subsidiary net of cash acquired	(5.1)	-278.8	0.0
Investments in equity accounted investees	(4.4)	-21.2	0.0
Proceeds from sales of investments	(5.2)	8.6	0.2
Interest received	(3.3)	2.3	6.1
Net cash used in investing activities	-	-488.6	-127.4
Proceeds from issue share capital	(4.10)	299.7	4.4
Expenses related to issue share capital	(4.10)	-6.5	-0.1
Dividends paid (-)	(4.10)	-66.6	-66.0
Repayment of borrowings (-)	-	-210.0	-927.9
Gain on withdrawal borrowings (+)	(4.11)	297.6	1,123.8
Non controlling interest	(5.7)	-2.0	0.0
Net cash flow from (used in) financing activities	-	312.2	134.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	191.3	147.3
Cash & Cash equivalents at 1 January	-	174.6	27.3
Cash & Cash equivalents at 31 Dec	-	365.9	174.6
Net variations in cash & cash equivalents	-	191.3	147.3

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1. General information and accounting policies

1.1. Reporting entity

Established in Belgium, Elia System Operator SA (the 'company' 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The company's consolidated financial statements for the 2010 financial year include those of the company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint ventures and associates accounted for using the equity method.

Elia's core business is the operation, maintenance and development of the very-high-voltage (380 kV, 220 kV and 150 kV) and high-voltage (70 kV, 36 kV and 30 kV) networks in such a way that electricity reliably flows from electricity producers, whether located in Belgium or Germany or elsewhere in Europe, to distributors and large corporate customers.

1.2. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of IFRS that are established by the International Accounting Standards Board (IASB), as adopted for use in the European Union. The Group has applied all new and revised standards and interpretations published by IASB and applicable to the Group's activities which are in force for financial years starting on 1 January 2010.

1.3. Functional & presentation currency

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

1.4. Uses of estimates and judgements

The financial statements have been prepared on a historical-cost basis, except for the derivative financial instruments, which are estimated at fair value. Non-current assets and assets groups held for sale are valued at the lowest of the carrying amount and the fair value less cost to sell, and employee benefits are valued at actuarial value.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the

circumstances, the results of which form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects this period, or in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities.
Tax receivable: recovery of the tax receivables of Elia System Operator is deemed highly probable based on the report of the external council see note 3.4- 4.6).
- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (cf. note 4.8).
- Employee benefit obligations: the defined-benefit obligations are based on actuarial assumptions such as discount rate and expected rate of return on plan assets, which are extensively detailed in note 4.12.
- Provisions for environmental issues: at each year-end an estimate is made of future expenses in respect of soil pollution, based on the advice of an external expert.
Provisions for 'litigation' and for 'rights to use land' are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and the duration of the associated process/procedures (cf. note 4.13).
- Impairment: the Group performs annual impairment tests on goodwill and on cash-generating units for which there are indicators that the carrying amount might be higher than the recoverable amount. This analysis is based upon assumptions such as market evolution, market share, margin evolution and discount rates (see note 4.2).
- Fair value adjustments for business combinations: in accordance with IFRS 3 'Business Combinations', the Group re-measures the assets, liabilities and contingent liabilities acquired through a business combination to fair value. Where

possible, fair value adjustments are based on external appraisals or valuation models, e.g. for contingent liabilities and intangible assets which were not recognized by the acquiree. Internal benchmarks are often used for valuing specific production equipment. All of these valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life etc. (see note 5.1).

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

1.5. Approval by the Board of Directors

These consolidated financial statements were authorised for issue by the Board of Directors on 24 February 2011.

1.6. Significant accounting policies

1.6.1. CHANGES IN ACCOUNTING POLICIES

- **Basis for consolidation – Associates (Joint ventures)**

The definition of 'Joint ventures' is explained in section 1.6.3. The requirements are laid down in **IFRS 3** Business Combinations (applicable to business combinations taken over on or after the start of the first financial year as from 1 July 2009). The effect of the acquisition of 50Hertz, pursuant to IFRS 3, is explained in section 5.1.

- **Segment reporting**

Due to the acquisition of 50Hertz, the main operating activities and economic sector in which the Group is active has changed. Pursuant to **IFRS 8**, the Group has from this financial year implemented segment reporting. A detailed description of the segment reporting can be found in section 2.

The Group has applied the following interpretations and amendments:

- Revised **IFRS 3** Business Combinations (effective 1 July 2009).
- **IFRIC 18** Transfers of Assets from Customers (effective 1 November 2009, the Group implemented this standard as of 1 July 2009).

The following new standards, amendments and interpretations will come into force for the financial year starting 1 January 2010 for entities whose reporting period is a calendar year:

- Amendment to **IAS 7** Statement of Cash Flows (amendments applicable to financial years as from 1 January 2010). The amendment to IAS 7 explains the breakdown of cash generated from operating, investing and financing activities. The Group has presented the interest included in the acquisition of assets, pursuant to IAS 23, as operating activity instead of part of an investing activity.

- Amendment to **IAS 36** Impairment of Assets (improvements to standard effective as from 1 July 2009, applicable to financial years as from 1 January 2010).

None of the above amendments to the policies for financial reporting had a significant impact on the consolidated financial statements.

The following amended and new standards are effective but are not applicable to the Group:

- Amendment to **IFRS 5** Non-current Assets Held for Sale and Discontinued Operations (amendments applicable to financial years as from 1 January 2010).
- Amendment to **IAS 17** Leases (amendments applicable to financial years as from 1 January 2010).
- Amendment to **IFRS 2** Share-based Payment (amendments applicable to financial years as from 1 January 2010).
- **IAS 39** Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective 1 July 2009).
- **IFRIC 12** Service Concession Arrangements (effective 1 April 2009).
- **IFRIC 15** Agreements for the Construction of Real Estate (effective 1 January 2010).
- **IFRIC 16** Hedges of a Net Investment in a Foreign Operation (effective 1 July 2009).
- **IFRIC 17** Distributions on Non-cash Assets to Owners (effective 1 November 2009).
- Improvements to IFRSs (issued April 2009) (applicable to financial years as from 1 January 2010).

The standards and interpretations listed hereafter are published on the date of approval of these consolidated financial statements but are not yet effective, and the Group did not opt for early adoption. The Group does not expect any major impact on its financial statements in the period of their initial application:

- Amendment to **IAS 32** Financial Instruments: Presentation — Classification of Rights Issues (applicable to financial years as from 1 February 2010).
- **IFRIC 19** Extinguishing Financial Liabilities with Equity Instruments (applicable to financial years as from 1 July 2010).
- Amendment to **IAS 24** Related Party Disclosures (applicable to financial years as from 1 January 2011). Said standard replaces the version of IAS 24 Related Party Disclosures published in 2003.
- Amendment to **IFRIC 14** **IAS 19** — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction — Prepayments of a Minimum Funding Requirement (applicable to financial years as from 1 January 2011).
- **IFRS 9** Financial Instruments (applicable to financial years as from 1 January 2013).
- Amendment to **IFRIC 13** Loyalty Programmes (applicable to financial years as from 1 January 2011).

- Amendment to **IAS 27** Consolidated and Separate Financial Statements (amendments applicable to financial years beginning on or after 1 July 2010).
- Amendment to **IFRS 1** First-time Adoption of International Financial Reporting Standards — Accounting policy changes in the year of adoption / Revaluation basis as deemed cost / Use of deemed cost for operations subject to rate regulation (applicable to financial years as from 1 January 2011).
- Amendment to **IFRS 7** Financial Instruments: Disclosures – Transfer of Financial Assets (applicable to financial years as from 1 July 2011).
- Amendment to **IAS 12** Income Taxes (amendments applicable to financial years as from 1 January 2012).
- Improvements to IFRSs (issued May 2010) (applicable to financial years as from 1 January 2011).

1.6.2. BASIS FOR CONSOLIDATION

1. Subsidiaries

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

2. Associated companies

Associated companies are those companies in which the company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised profits and losses of associated companies on the basis of the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of the losses exceeds its interest in an associated company, the Group's carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of an associated company.

3. Joint ventures

'Joint ventures' refers to jointly controlled entities, established pursuant to a contractual agreement and subject to the required approval for strategic, financial and operating decisions. Investments in joint ventures are consolidated proportionally: a proportionate part of the assets, equities & liabilities and income and expenditure statements must be in accordance with IFRS as applied by Elia, but exclusive of any purchase price allocation,

with similar items in the consolidated figures grouped into the same category. The gain or loss realised via the acquisition will be recognised as a surplus or as gain on bargain purchase. If, following integration, the joint venture takes over a controlled entity (authorised to manage, either directly or indirectly, the financial and operating activities of the subsidiary in question to derive benefit from those activities), the requirements laid down in IFRS 3 Business Combinations must be applied.

4. Loss of control

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

5. Elimination of intra-Group transactions

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

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

1.6.3. FOREIGN CURRENCIES

Transactions in foreign currencies are converted into euro at the foreign exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the balance sheet date are converted into euro at the foreign exchange rate prevailing 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 prevailing on the date of the transaction.

1.6.4. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are recognised initially at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the income statement. Where, however, derivative financial instruments qualify for hedge accounting, the reflection of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy 1.6.5).

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.

1.6.5. DERIVATIVES USED AS HEDGING INSTRUMENTS

Cash-flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

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

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

Hedging of monetary assets and liabilities

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

1.6.6. PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost price (including the directly allocated costs such as finance costs) less accumulated depreciation and impairment losses (see accounting policy: 1.6.12). The cost price of self-produced assets comprises the cost of materials, of direct labour and, where relevant, of the initial estimate of the costs of dismantling and removing

the assets and restoring the site where the assets were located. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases under the terms of which the Group assumes virtually all the risks and rewards of ownership are classified as finance leases. Fixed assets used via a finance lease are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the start of the lease, less accumulated depreciation (see hereafter) and impairment losses (see accounting policy: 1.6.12). Lease payments are accounted for as described in the accounting policy (1.6.20).

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost price of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Group and the cost price of the item can be assessed reliably. All other 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 are as follows:

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

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

Derecognition

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

1.6.7. INTANGIBLE ASSETS

Business combinations and goodwill

Goodwill is determined as the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets and (contingent) liabilities of the acquired subsidiary or associate at the date of acquisition.

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of subsidiaries and associated companies.

Goodwill represents the difference between the cost of the acquisition and the net fair value of the acquired identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is stated at cost price less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment (see accounting policy: 1.6.12). In the case of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associated company.

Negative goodwill (gain on bargain purchase) arising on an acquisition is recognised directly in profit or loss.

Computer software

Software licences acquired by the Group are stated at cost price less accumulated amortisation (see below) and impairment losses (see accounting policy: 1.6.12).

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

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

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

Licences, patents and similar rights

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

Subsequent expenditure

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

Amortisation

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

Licences	contractual period
Computer software and licences	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.

1.6.8. INVESTMENTS

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

Investments in equity securities

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

Investments in debt instruments

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

Other investments

Other investments held by the Group are classified as available-for-sale and are measured at fair value, with any resulting gain or loss recognised directly in equity. Impairment charges are recognised in profit or loss (see accounting policy: 1.6.12).

1.6.9. TRADE AND OTHER RECEIVABLES**Construction work in progress**

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

Lease receivables

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

Trade and other receivables

Trade receivables and other receivables are measured at nominal value, less the appropriate provisions for amounts regarded as unrecoverable.

1.6.10. INVENTORIES

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

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

1.6.11. CASH AND CASH EQUIVALENTS

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

1.6.12. IMPAIRMENT

The carrying amount of the Group's assets, excluding inventories (see accounting policy 1.6.10) and deferred taxes (see accounting policy: 1.6.21), are reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.

After recognition of impairment losses, the depreciation costs for the asset will be adjusted for the future with a view to posting the revised carrying amount of the asset throughout its remaining useful life.

Calculation of the recoverable amount

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

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

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

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

1.6.13. SHARE CAPITAL**Transaction costs**

Transaction costs in respect of the issuing of capital are deducted from the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

1.6.14. INTEREST-BEARING LOANS

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

1.6.15. EMPLOYEE BENEFITS

Defined-contribution plans

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

Defined-benefit plans

For defined-benefit plans, the pension expenses are assessed on an annual basis by accredited actuaries separately for each plan by using the projected unit credit method. The estimated future benefit that employees have earned in return for their service in the current and prior periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate as at the end of the reporting period on high-quality bonds which have maturity dates that approximate to the terms of the Group's obligations. 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 on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised in the opening reserves. Actuarial gains and losses are immediately recognised as liabilities and do not affect the income statement, but are immediately recognised in equity. The amount charged in profit or loss consists of current service cost, interest costs, the expected return on any plan assets and the past service cost.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the balance of past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Other long-term employee benefits

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

Short-term employee benefits

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

1.6.16. PROVISIONS

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

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

The total estimated cost of dismantling and disposal of an asset are, if applicable, recognised as property, plant and equipment and depreciated over the asset's entire useful life. The total estimated cost of dismantling and of disposal of the asset, is posted as provisions for the discounted current value. If the amount is discounted, the increase of the provision due to the lapse of time is classified as finance expenses.

1.6.17. TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost price.

1.6.18. CAPITAL GRANTS

Capital grants are related to property, plant and equipment and are presented under other liabilities. The grants are only recognised in the balance sheet when there is a reasonable assurance that the amounts will be received and are expensed on a systematic basis over the expected useful life of the underlying asset.

1.6.19. REVENUE

Revenue is recognised when it is probable that the company will enjoy the economic benefits associated with the transaction and the income can be measured reliably and recovery of the compensation due is likely.

Goods sold and services rendered

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

Construction work in progress

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

Transfer of assets from customers

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

1.6.20. EXPENSES**Operating lease payments**

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

Finance lease payments

Payments made under finance lease payments are apportioned between the financing charges and the reduction of the outstanding liability. The financing charges are allocated to each period of the total lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

Finance income and expenses

Finance expenses comprise interest payable on borrowings, calculated using the effective interest rate method, foreign exchange losses, gains on currency hedging instruments offsetting currency losses, results on interest rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as for trading purposes and impairment losses on available-for-sale financial assets as well as any losses from hedge ineffectiveness. All interest and other costs incurred in connection with borrowings or financial transactions are expensed as incurred as part of finance expenses. Net finance expenses comprise interest on loans, calculated using the effective interest rate method and foreign exchange gains and losses.

Interest income is recognised in profit or loss as it accrues using the effective interest rate method. The interest expense component of the finance lease payments is recognised in profit or loss using the effective interest rate method.

1.6.21. INCOME TAXES

Income taxes comprise current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on taxable income of the year, using tax rates enacted or substantially 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, providing for temporary differences 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 investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

2. Segment reporting

Pursuant to IFRS 8 and as a consequence of the acquisition of 50Hertz, the designation of segments to be reported on by the Group has changed; segment reporting is now based on the company's main operating activities and the economic sector in which it is active.

This segmentation forms the basis of Company's internal management reporting and as such the decision-making body is best placed to assess and understand the type and financial profile of its activities in a transparent way.

The Group has identified the following operating segments based on the aforementioned criteria:

- **Elia Transmission (Belgium)**, which comprises Elia System Operator and the companies whose activities are directly linked to the role of Belgian transmission system operator (i.e. group before the acquisition of 50Hertz);
- **50Hertz Transmission (Germany)**, which comprises Eurogrid International CVBA and companies whose activities are directly linked to the role of transmission system operator in Germany.

2.1. Segment Elia Transmission (Belgium)

KEY FIGURES

(in millions €)

	31.12.2010	31.12.2009
CONSOLIDATED RESULTS 2010		
Revenue	763.3	771.3
Depreciation, amortization, impairment and changes in provisions	(107.1)	(102.1)
EBITDA*	336.8	327.9
Operating profit (REBIT)	229.6	225.8
Finance income	17.0	12.7
Finance costs	(129.7)	(133.2)
Income taxes	(20.8)	(20.0)
Basic earnings, attributable to the Owners of the Company	94.6	84.0
BALANCE SHEET		
Total assets	4,796.8	4,451.9
Capital expenditures	113.9	121.5
Net financial debt	2,385.2	2,444.4

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

Elia Transmission's revenue in Belgium remained in line with those observed during the same period in 2009. The following table provides more details of changes in the various revenue components.

(in millions €)

	31.12.2010	31.12.2009
DETAIL REVENUE		
Grid connection revenue	33.6	32.8
Grid use revenue	539.2	509.9
Revenues from the reversal of surpluses from previous years (decision by the regulator)	34.1	22.8
Ancillary services revenue	115.2	108.0
International revenue	28.0	28.7
Other revenue	50.3	37.6
Subtotal revenue	800.4	739.8
Deviations from approved budget (settlement mechanism)	(37.1)	31.5
TOTAL REVENUE	763.3	771.3

Grid connection revenue rose 2.4%, mainly due to an increase in the number of new connections for industrial customers in 2010 compared with 2009.

The 5.7% increase in **grid use revenue** is a result of the continuation in 2010 of the general recovery in the Belgian economy that started in late 2009.

Ancillary services revenue rose 6.7% due to the increased activity, resulting in an increase in transmitted volumes.

International revenue fell by 2.4% in regard to 2009, mainly as a result of further optimisation of the utilisation of border capacity by Elia and all market parties.

The strong growth in **other revenue** (up 33.8%) is mainly due to a rise in technical services and expertise to third parties (up € 1.3 million), to IAS 19¹ (up € 1.6 million) and IFRIC 18² (up € 9.2 million).

The operating result for the year was € 41.9 million (= budget surplus) more than the budget approved in 2007 by CREG for 2010 as regards non-controllable costs and revenue, principally because of less corporate income tax (€ 19.5 million), less outlay for ancillary services (€ 9.4 million), lower financial charges (€ 0.9 million), the HGRT dividend (€ 0.5 million), capital gains on the sale of Belpex, Coreso and CASC (€ 9.7 million), and a lower-than-budgeted price index (€ 4.3 million) plus higher revenue mainly from imbalance tariffs (€ 12.4 million), with these items being partially offset by lower auction revenue from international transmission capacity (down € 18.3 million).

The **EBITDA** (up 2.7%) and **EBIT** (up 1.7%) also remained stable compared with 2009.

Net finance expenses (down 6.4%) benefited from the capital gains on the sale of Belpex (€ 8.4 million), the moratorium interest on the tax receivable of € 93.8 million since 2008 (€ 6.6 million) and a € 59.2 million drop in the net financial debt.

Income tax expense rose less rapidly than the net profit, as the capital gains on financial fixed assets (Belpex, Coreso, CASC) are non taxable gains.

The **consolidated IFRS net profit** rose 12.6%, from € 84 million in 2009 to € 94.6 million in 2010 as a result of the following items³:

1. **a drop in regulated profit due to lower OLOs** (down € 5.1 million);
2. **offsetting in tariffs of the surplus arising from decommissioning of fixed assets** (up € 0.8 million);
3. **increased additional savings and revenue** (up € 1.4 million);
4. **CREG decision regarding 2009**⁴ (down € 3.2 million, as opposed to up € 0.3 million in 2009);

5. **costs of capital increase and acquisition of 50Hertz** (down € 7.0 million);

6. **capital gains from the sale of Belpex and the HGRT dividend** (two financial shareholdings that are part of the RAB); 60% of these were paid to Elia (up € 5.4 million compared with € 0.7 million in 2007);

7. **increase in IFRS adjustments during 2010** (up € 19.9 million): this increase is due mainly to the capitalisation of the costs for the capital increase of (up € 6.4 million), the full additional entry in the proceeds from customer contributions (up € 9.3 million), withdrawal of pension obligations through annual recalculation and additional payments (€ 17.2 million), less the net effect of deferred taxes on all IFRS entries (down € 7.3 million), less activated software (down € 2 million) and Elia Re consolidation (down € 2.4 million).

Total assets increased by 7.7% to € 4,796.8 million, mainly due to the capital increase of € 293.3 million in June 2010.

The net financial debt fell 2.4% or € 59.2 million, primarily as a result of the unused part of the aforementioned capital increase and a decrease in working capital.

2.2. Segment 50Hertz Transmission (Germany)

The table below shows the results of 50Hertz Transmission's transmission system operator activities in Germany in accordance with the International Financial Reporting Standards (IFRS).

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

For the sake of transparency, the figures for the 12 months of 2010 (at 60%) are also reported using the International Financial Reporting Standards (IFRS) as a basis. A comparison with 2009 is not relevant both because of the significant beneficial regulatory changes that were introduced on 1 January 2010 and because 50Hertz Transmission was still part of the Vattenfall Group in 2009.

¹ IAS 19 : Annual recalculation of recoverable costs in relation to future pension obligations.

² IFRIC 18: Transfer of assets from customers; customer contributions in grid connections are fully recognized in revenue under IFRS and are no longer deducted from investments as previously.

³ Items 1-6 concern the regulatory context in Belgium.

⁴ In a decision of 25 June 2010 relating to 2009, CREG indicated that it did not agree with certain aspects of the results (additional savings in particular are gross rather than net, according to CREG, and the application procedures for black-start contracts were questioned). Elia contests several provisions of this decision and has lodged an appeal.

(in million €)	31.12.2010	Non-audited proforma
		12 months 2010
	60% proportionate consolidation	60% proportionate consolidation
RESULTS 50HERTZ TRANSMISSION (GERMANY)		
Revenue	275.0	475.0
Depreciation, amortization, impairment and changes in provisions	(20.3)	(38.9)
REBITDA	72.6	124.1
EBITDA	351.2	402.6
Operating profit (REBIT)	52.3	85.2
Operating profit, including non-recurring items (EBIT)	330.8	363.7
Finance income	4.8	1.3
Finance costs	(15.3)	(17.7)
Income taxes	(13.2)	(23.7)
Basic earnings, including non-recurrent items, attributable to the Owners of the Company	307.1	323.6
Basic earnings, excluding non-recurrent items, attributable to the Owners of the Company	28.6	45.0
BALANCE SHEET		
Total assets	1,386.8	-
Capital expenditures	107.5	-
Net financial debt	166.3	-

50Hertz Transmission's revenue is described in more detail in the table below.

(in million €)	Non-audited proforma
	60% of 12 months 2010
DETAIL REVENUE	
Detail revenue	
Vertical grid revenues	384.0
Horizontal grid revenues	17.3
Ancillary services revenues	76.4
Other revenue	28.4
Subtotal revenue	506.1
Deviations from approved budget (settlement mechanism)	(31.1)
TOTAL REVENUE	475.0

Vertical grid revenue pertains to revenue for the use of the 50Hertz net.

Horizontal grid revenue pertains to revenue for the use of the sea cable between Germany and Denmark (Kontek cable) as well as all auction revenue from the transmission capacity on the border with the Czech Republic and which connects the 50Hertz grid with TenneT GmbH Germany.

Ancillary services revenue is comparable with that of Elia and concerns mainly passing on the grid users costs (reservation and balancing costs) that 50Hertz has to incur in order to be able to provide a continuous balance on the grid.

Other revenue pertains primarily to telecom revenue, subsidies, activated costs of own works, technical services and expertise to third parties and contributions from customers.

Owing to the acquisition of 50Hertz Transmission, the corresponding purchase price has to be recorded in the financial statement. Under IFRS an allocation of acquired goodwill or a gain on bargain purchase needs to be made by executing a Purchase Price Allocation or 'PPA'. In a PPA, all separately identifiable assets and (contingent) liabilities are measured at fair value. This PPA exercise was carried out for Eurogrid GmbH (German financing and acquisition structure above 50Hertz Transmission), whereby Eurogrid GmbH delivered a once-only non-cash and definite income (gain on bargain purchase) of €477.5 million (see note 5.1).

The net financial debt consists of a 10-year Eurobond for €500 million issued in October 2010 and a liquidity position of €219 million. 60% of these sums were then consolidated.

2.3. Reconciliation of segments with total of group

(millions €)	Elia Transmission (Belgium)	50Hertz Transmission (Germany)	Intersegment entries	Elia Group
	31.12.2010	31.12.2010	31.12.2010	31.12.2010
CONSOLIDATED RESULTS 2010				
Revenue	763.3	275.0	(0.8)	1,037.5
Depreciation, amortization, impairment and changes in provisions	(107.1)	(20.3)	(0.1)	(127.5)
REBITDA	336.8	72.6	0.0	409.4
EBITDA	336.8	351.2	(0.1)	687.9
Operating profit (REBIT)	229.6	52.3	(0.1)	281.8
Operating profit, including non-recurring items (EBIT)	229.6	330.8	(0.1)	560.4
Finance income	17.0	4.8	0.0	21.8
Finance costs	(129.7)	(15.3)	0.0	(145.0)
Income taxes	(20.8)	(13.2)	0.0	(34.0)
Basic earnings, including non recurrent items, attributable to the Owners of the Company	94.6	307.1	0.0	401.7
Basic earnings, excluding non recurrent items, attributable to the Owners of the Company	94.6	28.6	0.0	123.2
BALANCE SHEET				
Total assets	4,796.8	1,386.8	(279.7)	5,904.0
Capital expenditures	113.9	107.5	0.0	221.4
Net financial debt	2,385.2	166.3	(0.1)	2,551.4

More details related to gain on bargain purchase see note 5.1.

3. Items of the consolidated income statement and other comprehensive income

The 2009 figures are related to the activities of Elia Transmission Belgium, as the 2010 results include the 50Hertz German segment for the period from May to December.

3.1. Revenue and other income

Detail revenue (in million €)	2010	2009
Revenue	939.5	733.7
Other income	98.0	37.6
Total revenue and other income	1,037.5	771.3

The following table summarizes 'Other income':

(in million €)	2010	2009
Own production	13.4	13.2
Bonus from previous year	0.0	0.0
Optimal use of assets	11.6	10.0
Services and technical expertise	5.7	3.2
Changes in financial assets related to application of IAS 19	(2.8)	(4.4)
Transfers of assets from customers	14.4	2.7
Subsidies and grants	1.8	0.0
Offshore revenue (horizontal)	4.0	0.0
Revenue from penalty	3.7	0.0
Belpex activities	2.9	4.2
Other	43.3	8.7
Total other income	98.0	37.6

The other income, section Other, mainly consists of proceeds from sale of tangible assets, recoverable amounts of claims paid by insurance companies etc.

3.2. Operating expenses

3.2.1. COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million €)	2010	2009
Purchase of ancillary services	267.3	155.6
Raw materials, consumables and goods for resale	5.9	5.6
Recurrent services and other goods (excl. purchase of ancillary services)	189.9	147.9
Non-recurrent services and other goods	8.0	0.0
Total	471.1	309.1

The item purchase of ancillary services includes the costs for services that enable the Group to maintain the grid's frequency and voltage and to manage balance and congestion.

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

The non-recurrent services and other goods are related to one off costs regarding the acquisition of 50Hertz. See note 5.1.1.

3.2.2. PERSONNEL EXPENSES

(in million €)	2010	2009
Wages	94.1	79.3
Social security contributions	26.8	22.9
Contribution to defined-benefit plans and other liabilities	8.0	19.2
Other personnel liabilities	1.6	(1.5)
Share-based payment with reduction	0.1	0.9
Other personnel cost	3.4	3.5
Total	134.0	124.3

3.2.3. DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million €)	2010	2009
Depreciation of property, plant and equipment	113.6	91.7
Depreciation of intangible assets	8.5	6.1
Total of depreciation	122.1	97.8
Impairment of inventories and trade receivables	1.0	0.7
Total of impairment	1.0	0.7
Provisions for litigation	2.7	0.1
Environmental provisions	3.3	3.5
Other provisions	(1.7)	0.0
Total of provisions	4.3	3.6
Total	127.4	102.1

A detailed description of provisions is provided in Note 4.13.

3.2.4. OTHER EXPENSES

(in million €)	2010	2009
Taxes other than income tax	12.1	6.4
Net loss on disposal/sale of property, plant and equipment	2.7	3.3
Other	16.3	0.2
Total	31.1	9.9

The expenses classified as 'Other' consist mainly of a settlement of a claim of € 11.4 million and the result of the decision of the CREG regarding the settlement mechanism of 2009 (€ 4.9 million) (see note 4.15).

3.3. Finance income and expenses

(in million €)	2010	2009
Finance income	21.8	12.8
Interest income on investment trust, bank deposits, cash and cash equivalents	6.0	3.0
Net change in fair value of investment trust	0.0	0.7
Other financial income	15.8	9.1
Finance costs	145.0	133.2
Interest expense	120.0	116.3
Interest expense on derivatives	13.4	11.2
Other financial costs	11.6	5.7
Net finance expense recognised in profit or loss	(123.2)	(120.4)

Finance income increased by €9.0 million mainly due to the gain on disposal of the stake in Belpex in October 2010 (see Note 2.1, 5.2).

The finance costs rose by 3.75% mainly because of the interest costs incurred by 50Hertz Transmission during the period from June to December 2010.

For more details on net debt and loans, see Note 4.11.

3.4. Income taxes

RECOGNISED IN PROFIT AND LOSS

The consolidated income statement includes the following taxes:

(in million €)	2010	2009
Current year	16.5	17.5
Adjustments prior years	0.1	(0.1)
Total income tax expenses	16.6	17.4
Origination and settlement of temporary differences	17.4	2.6
Total deferred tax	17.4	2.6
Total income tax recognised in profit or loss	34.0	20.0

RECONCILIATION OF THE EFFECTIVE TAX RATE

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

(in million €)	2010	2009
Profit for the period	402.0	84.3
Income tax expenses	34.0	20.0
Profit before tax	436.0	104.3
Income tax using the domestic corporation tax rate 33.99%	148.2	35.4
Effect of the foreign tax rate	(14.6)	0.0
Non-deductible expenses	1.9	1.7
Gain on disposal of shares	(2.5)	0.0
Other tax-free income	(102.1)	0.6
Adjustments prior years	0.1	(0.1)
Use of notional interest deduction	(16.9)	(18.0)
Other	19.9	0.4
Total income tax expenses in profit or loss	34.0	20.0

The item 'Gain on disposal of shares' is mainly related to sale of the stake in Belpex to APX-ENDEX, and 'Other tax-free income' includes the tax impact on the gain from bargain purchase (see Note 5.1 and 5.2).

Elia received a tax assessment in early 2008 in view of taxation of the remaining tariff surpluses as at 31 December 2004. The income taxes paid total € 85.3 million, plus an administrative charge of 10%. Having consulted its tax advisor and CREG and given that similar tariff surpluses accounted for by other companies in the sector were not taxed, Elia management decided to file a complaint, but it was rejected by the tax authorities. Elia is now using judicial channels to claim back the full amount, including moratorium interest. In 2009, the tax authorities made a similar decision on the increase of tariff surpluses in 2006. Elia received a tax assessment of € 22.7 million, plus a 10% administrative increase, and decided to file a complaint about this in line with the case of 2004.

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

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

Deferred income taxes are discussed in Note 4.6 ("Changes in deferred tax assets and liabilities resulting from movements in temporary differences during the financial year").

3.5. Share in the results of associates

(in million €)	2010	2009
H.G.R.T. S.A.S.	(1.3)	(1.0)
APX-ENDEX	0.1	0.0
Coreso	0.0	0.0
Total	(1.2)	(1.0)

3.6. Basic earnings per share

The basic earnings per share (EPS) are calculated by dividing the net profit attributable to the shareholders of the company (€ 401.7 million) by the weighted average number of ordinary shares outstanding during the year (54,549,957).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2010	2009
Issued ordinary shares on 1 January	48,270,255	48,076,949
Impact of the shares issued in December 2009	-	5,825
Impact of the shares issued in January 2010	12,045	-
Impact of the shares issued in June 2010	6,267,657	-
Weighted average number of shares on 31 December	54,549,957	48,082,774

DILUTED EARNINGS PER SHARE

Diluted earnings per share (EPS) is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

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

SHARE CAPITAL AND RESERVES PER SHARE

Share capital and reserves per share totalled € 36.80 per share on 31 December 2010, compared with a value of € 28.40 per share at the end of 2009.

3.7. Other comprehensive income

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

The following table analyses the deferred taxes and the changes in fair value booked in equity by item of other comprehensive income:

(in million €)	2010	2009
Derivatives	1.0	1.4
Actuarial gains (losses) on employee benefits	(8.8)	1.8
Total deferred taxes	(7.8)	3.2

(in million €)	2010	2009
Net changes in fair value of interest-rate swaps	3.1	3.9
Total	3.1	3.9
Recognised in: Hedging reserve	3.1	3.9

The hedging reserve is discussed in detail in Note 5.4.

4. Items of the consolidated statement of financial position

4.1. Property, plant and equipment

(in million €)	2010	2009
High-voltage substations and transformers	1,515.8	1,167.2
Lines and cables	1,202.6	760.9
Land on which substations, lines and cables are located	93.0	70.9
Facilities used for network operation	130.7	31.4
Administrative buildings, furnishings and vehicles	68.9	59.2
Total property, plant and equipment	3,011.0	2,089.6

(in million €)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
ACQUISITION VALUE						
Balance at 1 January 2009	132.1	3,878.5	121.2	10.6	149.3	4,291.7
Acquired by business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Other acquisition	7.0	50.6	2.6	0.3	67.2	127.7
Disposals	(0.1)	(33.5)	(0.4)	0.0	0.0	(34.0)
Transfers from one heading to another	4.1	87.7	0.0	0.3	(95.3)	(3.2)
BALANCE AT 31 DECEMBER 2009	143.1	3,983.3	123.4	11.2	121.2	4,382.2
Balance at 1 January 2010	143.1	3,983.3	123.4	11.2	121.2	4,382.2
Acquired by business combinations	48.0	703.1	9.9	0.0	86.9	847.9
Other acquisition	5.5	70.6	3.4	0.1	113.6	193.2
Disposals	(3.1)	(25.1)	(14.7)	0.0	0.0	(42.9)
Transfers from one heading to another	1.2	76.6	2.7	(2.4)	(78.1)	0.0
Deconsolidation business combinations	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2010	194.7	4,808.5	124.7	8.9	243.6	5,380.4
DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2009	(20.7)	(2,088.4)	(112.6)	(9.6)	0.0	(2,231.3)
Depreciation of the period	(1.2)	(86.8)	(3.4)	(0.3)	0.0	(91.7)
Acquisitions from third parties	0.0	0.0	0.0	0.0	0.0	0.0
Written down and disposals	0.0	30.2	0.4	0.0	0.0	30.5
Transfers from one heading to another	0.0	0.2		(0.2)	0.0	0.0
BALANCE AT 31 DECEMBER 2009	(21.9)	(2,144.8)	(115.6)	(10.1)	0.0	(2,292.5)
Balance at 1 January 2010	(21.9)	(2,144.8)	(115.6)	(10.1)	0.0	(2,292.5)
Depreciation of the period	(2.0)	(107.0)	(4.4)	(0.2)	0.0	(113.6)
Deconsolidation business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions from third parties	0.0	0.0	0.0	0.0	0.0	0.0
Written down and disposals	2.4	19.7	14.6	0.0	0.0	36.7
Transfers from one heading to another	0.0	0.1	(3.0)	2.9	0.0	0.0
BALANCE AT 31 DECEMBER 2010	(21.5)	(2,232.0)	(108.4)	(7.4)	0.0	(2,369.4)
BOOK VALUE						
At 1 January 2009	111.4	1,790.1	8.6	1.0	149.3	2,060.4
At 31 December 2009	121.2	1,838.5	7.8	1.1	121.2	2,089.7
At 1 January 2010	121.2	1,838.5	7.8	1.1	121.2	2,089.7
At 31 December 2010	173.1	2,576.5	16.2	1.4	243.6	3,010.9

The most important projects in Belgium are the upgrading and/or extension of substations: Ixelles (36 kV), Bruegel (380 kV), Monceau (150 kV) Zandvliet (380 kV), Seraing (220 kV) and Berneau (220 kV), the replacement of overhead lines (Harmignies – Monceau (70 kV)) and the construction of underground cables between Monceau and Marcinelle (150 kV) and between Beerse and Koekhoven (70 kV).

The important projects in Germany are related to development of the grid onshore and consist of building overhead lines/underground cables for the Southwest Coupling Line and North Line connections, the interconnection between Germany and Poland, the completion of the new control centre and the extension of the 380/110 kV North Freiberg and South Dresden substations.

The offshore capital expenditure in Germany includes the underground cable for connection with the offshore wind farms, especially Baltic 1 and the start-up of Baltic II.

Application of the IAS 23 Borrowing Costs standard had an impact of €0.6 million on the acquisition price of the assets using an average interest rate of 2.01%

Other liabilities relating to new investments are described in Note 5.5.

4.2. Intangible fixed assets

(in million €)	Goodwill	Software	Total
ACQUISITION VALUE			
Balance at 1 January 2009	1,707.8	29.6	1,737.4
Obtained by business combinations	0.0	0.0	0.0
Acquired, others - own construction capitalised	0.0	9.2	9.2
Disposals	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2009	1,707.8	38.8	1,746.6
Balance at 1 January 2010	1,707.8	38.8	1,746.6
Obtained by business combinations	0.0	19.4	19.4
Acquired, others - own construction capitalised	0.0	10.9	10.9
Deconsolidation business combinations	0.0	(2.7)	(2.7)
Disposals	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2010	1,707.8	66.4	1,774.2
DEPRECIATION AND AMOUNTS WRITTEN OFF			
Balance at 1 January 2009	0.0	(10.4)	(10.4)
Depreciations	0.0	(6.1)	(6.1)
BALANCE AT 31 DECEMBER 2009	0.0	(16.5)	(16.5)
Balance at 1 January 2010	0.0	(16.5)	(16.5)
Deconsolidation business combinations	0.0	1.4	1.4
Depreciations	0.0	(8.1)	(8.1)
BALANCE AT 31 DECEMBER 2010	0.0	(23.2)	(23.2)
BOOK VALUE			
At 1 January 2009	1,707.8	19.2	1,727.0
At 31 December 2009	1,707.8	22.3	1,730.1
At 1 January 2010	1,707.8	22.3	1,730.1
At 31 December 2010	1,707.8	43.3	1,751.1

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

See Note 3.2.3 for the impact of depreciations in intangible assets on profit or loss.

The goodwill, amounting to €1,707.8 million, relates to the following past transactions:

(in million €)	2010	2009
Acquisition of participations in Elia Asset by Elia System Operator - 2002	1,700.1	1,700.1
Acquisition of participations in Elia Engineering by Elia Asset - 2004	7.7	7.7
Total	1,707.8	1,707.8

IMPAIRMENT TEST FOR CASH-GENERATING UNIT CONTAINING GOODWILL

In 2002, the acquisition of Elia Asset by the company for an amount of EUR 3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference is the result of the difference between acquisition value of this economic entity and historical net book value of the assets of Elia Asset. This difference consists of different elements such as the fact that (i) Elia was appointed as a TSO for a period of 20 years, (ii) Elia has unique resources in Belgium as Elia is the owner of the whole very-high-voltage network and is the owner of (or has the right to use) 94% of the high-voltage network, and hence only Elia is entitled to propose a development plan, and (iii) Elia has the TSO know-how. At the date of acquisition, the qualification or the quantification in euro of these elements could not be performed on an objective, transparent and reliable basis and therefore, the difference could not be allocated to specific assets and was considered unallocated. Consequently, this difference has been recognised as goodwill since the first adoption of IFRS at 31 December 2004. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable as from 2008 onwards, did not have an impact on this accounting treatment.

The goodwill, as described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically the 'regulated activity in Belgium', which will also be considered as one cash-generating unit. As a result, the company assigned the carrying amount of the goodwill to one unit, the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and did not result in recognition of any impairment losses. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually as the higher of their fair value less cost to sell or value in use, applying the following assumptions and using the valuation methods described hereafter.

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

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

The future cash flows and future dividends methods are based on the latest long-term budgeting exercise of 2007 applying the current multi-annual tariffs mechanism for the period 2008-2015 as described under section 13.6 which has been extrapolated to 2018 using the following assumptions

- period 2008-2011: the return for the fair remuneration of the company (4.6% to 4.9%), the offsetting in tariffs of the decommissioning of fixed assets (€14.2 million), a potential profit from controllable costs incentive;
- period 2012-2015: assumptions identical to 2008-2011, but no recognition of the potential profit from controllable costs incentive and including an increase as result of the accelerated depreciations (€8.2 million);
- period 2015-2018: a perpetual growth ratio of 1.5% on the revenues is applied to the 2015 figures. Management believes that extrapolating its budget from 2015 through 2018 is appropriate due to the regulated drivers of its business as well as the fact that Belgian regulatory environment has a historic track record of being consistent.

The discount rates used are 4.49% (a cost of equity of 7.55% and a cost of debt of 4.5%), based on the Belgian 10 year bond rates for the cost of equity, the 10-year euro swap rate for the cost of debt and a tax rate of 33.99%.

The valuation exercise is limited to the activities of Elia, the acquisition of 60% of 50Hertz and the rights issues of €299.3 million in June 2010 to fund the acquisition are not taken into account in this exercise.

The independent analyses did not result in accounting an impairment loss on goodwill in 2010. Based on current knowledge, reasonable changes in key assumptions (including discount rate and OLO) would not generate material impairments for the cash-generating unit.

4.3. Non-current trade and other receivables

(in million €)	2010	2009
Tax receivables	111.9	105.3
Other amounts receivable	2.8	0.4
Total	114.7	105.7

Long-term receivables consist of the basic amount of tax receivable (€93.8 million) and the cumulative moratorium interest that the company could recover in the future. These amounts only relate to the tax audit of 2004 and since the dispute will only be brought before a court for the first time in 2011, they have been qualified as a long-term receivable. A detailed description can be found in Note 3.4.

4.5. Other financial assets

(in million €)	2010	2009
Immediately claimable deposits	13.4	16.7
Others	66.1	68.2
Total	79.5	84.9

'Immediately claimable deposits' classified at fair value for which the changes in fair value are recognised in profit or loss. In 2010, a portion of investments, good for €3.3 million, was sold. The risk profile of these investments is discussed in Note 5.4.

The item 'Others' is mainly related to a recoverable amount of a portion of the pension liability - see Note 4.12.

4.4. Equity-accounted investees

INVESTMENTS IN ASSOCIATED COMPANIES

(in million €)	2010	2009
At 1 January	9.4	10.1
Acquisition of subsidiary	21.1	0.3
Disposal of subsidiary	-0.1	0.0
Share of (loss)/profit	-1.2	-1.0
At 31 December	29.2	9.4

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

Name	Assets	Liabilities	Revenues	Profit/(loss)	% interest held
2009					
H.G.R.T. S.A.S.	31.1	0.1	7.1	1.7	24.5%
Coreso	2.4	1.3	3.4	0.1	33.3%
TOTAL	33.5	1.4	10.5	1.8	
2010					
H.G.R.T. S.A.S.	31.8	0.1	0.0	2.6	24.5%
APX-ENDEX	937.0	902.7	30.7	2.7	20.0%
Coreso	2.8	1.5	3.5	0.1	28.5%
TOTAL	971.6	904.3	34.2	5.4	

4.6. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million €)	Assets		Liabilities	
	2010	2009	2010	2009
Tangible fixed assets	(2.9)	0.5	(61.1)	0.0
Intangible fixed assets	(7.4)	(7.1)	0.0	0.0
Inventories	(1.1)	(1.0)	0.0	0.0
Interest-bearing loans and other long-term financial liabilities	9.8	8.6	0.0	0.0
Employee benefits	32.5	47.7	0.9	0.0
Provisions	0.1	0.1	(2.1)	0.0
Other items	(22.3)	(23.8)	(31.0)	(6.8)
Net tax asset (-) / liability	8.7	25.0	(93.3)	(6.8)

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

(en millions €)	1 january	Recognised in income statement	Recognised in other comprehensive income	Acquired by business combinations	31 december
2009					
Tangible fixed assets	0.4	0.1	-	-	0.5
Intangible fixed assets	(6.1)	(1.0)	-	-	(7.1)
Other financial assets	0.0	0.0	-	-	0.0
Inventories	(0.9)	(0.1)	-	-	(1.0)
Interest-bearing loans and other long-term financial liabilities	7.9	(0.6)	1.3	-	8.6
Employee benefits	46.9	(1.0)	1.8	-	47.7
Provisions	0.3	(0.2)	-	-	0.1
Other items	(30.8)	0.2	-	-	(30.6)
TOTAL	17.7	(2.6)	3.1	0.0	18.2
2010					
Tangible fixed assets	0.5	(9.6)	0.0	(55.0)	(64.1)
Intangible fixed assets	(7.1)	(0.3)	0.0	0.0	(7.4)
Other financial assets	0.0	0.0	0.0	0.0	0.0
Inventories	(1.0)	(0.1)	0.0	0.0	(1.1)
Interest-bearing loans and other long-term financial liabilities	8.6	0.2	1.1	0.0	9.9
Employee benefits	47.7	(6.3)	(8.9)	0.8	33.3
Provisions	0.1	(0.6)	0.0	(1.5)	(2.0)
Other items	(30.6)	(0.7)	0.0	(21.9)	(53.2)
TOTAL	18.2	(17.4)	(7.8)	(77.6)	(84.6)

EFFECT OF CHANGES IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

Changes in temporary differences during the year are reflected in profit or loss as income tax expense (also see Note 3.4).

UNRECOGNISED DEFERRED TAX ASSETS

For the following items no deferred income taxes are recognised in the balance sheet:

(in € million)	2010	2009
Notional interest deduction	122.3	111.4
Not recognised tax asset (-) / liability	122.3	111.4

The notional interest deduction, if not used, expires after seven years. For these differences no tax assets were recognised because it is unlikely that in the future there will be taxable profit that the Group can use for realising these assets.

4.7. Inventories

(in € million)	2010	2009
Raw materials and consumables	25.9	24.3
Impairment	(11.4)	(10.6)
Total	14.5	13.7

The warehouse primarily stores replacement and spare parts for maintenance and repair work on the Group's high-voltage substations, overhead lines and underground cables.

4.8. Current trade and other receivables

(in million €)	2010	2009
Projects for third parties	4.0	3.8
Other trade receivables and advance payments	287.2	201.7
VAT and other taxes	125.2	6.7
Other	97.3	2.7
Deferred charges and accrued income	9.4	3.2
Total	523.1	218.1

The increase is due to integration of 50Hertz Transmission and is mainly related to VAT on EEG activities to be recovered from the tax authorities.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is shown in Note 5.4.

DOUBTFUL DEBTORS

(in million €)	2010	2009
Not past due	254.0	172.6
Past due 0-30 days	11.9	32.9
Past due 31-60 days	(5.8)	(4.1)
Past due 61 days to one year	26.1	0.0
More than one year	0.6	0.0
Total (excl. impairment)	286.8	201.4
Doubtful debtors	15.2	3.7
Impairment losses	(14.9)	(3.4)
Total	287.1	201.7

4.9. Cash and cash equivalents

(in million €)	2010	2009
Balance at bank	128.7	60.6
Immediately claimable deposits	237.2	114.0
Total	365.9	174.6

Short-term deposits are invested for periods that vary from a few days and a few weeks to several months, depending on immediate cash requirements, and report interest in accordance with the interest rates for the short-term deposits. The interest rate of interest-bearing investments at the end of the reporting period varies from 0.15% to 1.70%. An amount of €30 millions is limited in use as result of contractual conditions related to a subsidy granted by the European community.

Bank-account balances earn interest in line with the variable rates of interest on the basis of daily bank deposit interest. The Group's interest rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 5.4.

4.10. Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	Ordinary shares	
	2010	2009
Outstanding on 1 January	48,270,255	48,076,949
Issued against cash payment	12,084,962	193,306
Outstanding on 31 December - paid	60,355,217	48,270,255

In January 2010 the Elia Group gave its personnel the opportunity to subscribe to an Elia System Operator SA capital increase (tax tranche) which resulted in a €0.3 million increase in the share capital and the number of shares outstanding rose by 13,919 shares without nominal value.

Elia launched a second capital increase for a nominal amount of €299.4 million, between 8 and 18 June 2010, with a view to financing the acquisition of a 60% stake in German grid operator 50Hertz Transmission, which was fully subscribed. During the subscription period with preferential rights for existing shareholders, whereby for every four preferential rights they could take up one new share at a price of €24.80, 91.84% of the shares available (11,085,617 of the 12,071,043 new shares on offer) were subscribed. On 22 June 2010, the other 3,941,704 rights were offered to institutional investors in a private placement. All remaining preferential rights were sold as scrips for €0.20 per scrip, bringing the share purchase price to €25.60. The new shares were listed for the first time on 25 June 2010.

The capital of Elia System Operator SA increased from €1,207.3 million to €1,500.6 million, taking into account the costs for capital increases.

RESERVES

In accordance with Belgian legislation, 5% of the parent company's statutory net profit must be transferred to a legal reserve each year until the legal reserve represents 10% of the capital. Within the tariff mechanism, Elia must reserve in shareholders' equity the realised surplus passed on in the tariffs as a result of decommissioning of fixed assets (decrease in Regulated Asset Base).

In 2009, this amounted to €15.4 million. The General Meeting of 11 May 2010 decided to include that amount in the legal reserve.

On 31 December 2010 the Group's legal reserve was €51.4 million. This reserve can only be paid to shareholders in the event of liquidation.

The Board of Directors can propose the payment of a dividend to shareholders up to a maximum of the available reserves and

the profit carried forward from previous financial years of the parent company, including the profit of the financial year ended 31 December 2010. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash-flow hedging instruments in respect of hedged transactions that have not yet occurred.

Dividend

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

(in €)	2010	2009
Per ordinary share entitled to dividend	1.40	1.38

At the General Meeting of Shareholders on 11 May 2010, the Board of Directors approved payment of a gross dividend of €1.38 per share, which yields a net dividend of €1.035 per share or a net dividend of €1.173 per share with a VPR strip, yielding a total amount of €66.6 million.

The Board of Directors' meeting of 24 February 2011 will propose a gross dividend of €1.40 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 10 May 2011 and was not included as a liability in the consolidated financial statements for the Group.

The total dividend will be calculated on the number of shares outstanding on 24 February 2011 which corresponds to a total of €84.5 million.

The net profit also includes the realised surplus as a result of decommissioning of fixed assets of €16.2 million to be booked in equity. The Board of Directors' meeting of 24 February 2011 decided to suggest to the Annual General Meeting that this amount be allocated to the legal reserve. The amount had not yet been posted in the reserve on 31 December 2010.

4.11. Interest-bearing loans and borrowings

A general overview of loans and accrued interest is given below:

(in million €)	2010	2009
Long-term borrowings	2,848.9	2,550.5
Accrued interest	68.4	68.4
Subtotal non-current borrowings	2,917.3	2,618.9
Short-term borrowings	0.1	0.0
Accrued interest	0.0	0.1
Subtotal current borrowings	0.1	0.1
Total	2,917.4	2,619.0

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

(in million €)	Maturity	Amount	Interest rate before hedging	Interest rate after hedging	Current proportion of the interest	
					Fixed	Variable
Shareholders Loan tranche A	2022	495.8	2.19%	4.90%	79.83%	20.17%
Eurobond issues 2004 / 10 years	2014	499.1	4.75%	4.75%	100.00%	0.00%
Eurobond issues 2004 / 15 years	2019	498.7	5.25%	5.25%	100.00%	0.00%
Eurobond issues 2009 / 7 years	2016	498.4	5.63%	5.63%	100.00%	0.00%
Eurobond issues 2009 / 4 years	2013	499.3	4.50%	4.50%	100.00%	0.00%
Eurobond issues 2010 / 10 years	2020	297.6	3.88%	3.88%	100.00%	0.00%
European Investment Bank	2016	40.0	4.27%	4.27%	100.00%	0.00%
European Investment Bank	2017	20.0	4.79%	4.79%	100.00%	0.00%
TOTAL		2,848.9			96.72%	3.28%

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

(in million €)	Face value	Less than 1 year	1-2 years	3-5 years	More than 5 years
Shareholders' loan tranche A	495.8	0.0	0.0	0.0	495.8
Eurobond issues	2,300.0	0.0	0.0	1,000.0	1,300.0
European Investment Bank	40.0	0.0	0.0	0.0	40.0
European Investment Bank	20.0	0.0	0.0	0.0	20.0
Total	2,855.8	0.0	0.0	1,000.0	1,855.8

Eurogrid GmbH has successfully issued an inaugural € 500m tranche ⁵ (10-year tranche) from its € 2.5 billion EMTN Eurobond programme. The proceeds from the issue will be used for general corporate purposes, including the capital expenditure programme of its subsidiary, the German transmission system operator 50Hertz Transmission GmbH.

The high level of interest of the investors in the Eurogrid credit allowed bookrunners to price the 10-year bonds at mid-swap +127 bp (good for a yield of 3.93%).

4.12. Employee benefits

In Belgium collective agreements regulate the rights of company employees in the electricity and gas industries.

These agreements provides so called 'pension supplements' based on the annual salary and the career within the company of the employee. If the employee dies, the supplements are partially revertible to the heritor (wife/orphan). The benefits granted are linked to Elia's operating result. There is neither an external pension fund nor group insurance for these liabilities, which

means that no reserves are constituted with third parties. The obligations are qualified as a defined benefit.

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

'Salary scale' personnel recruited after 1 June 2002 and management staff recruited after 1 May 1999 are covered by defined-contribution pension plans. For payments made after 1 January 2004, the law requires an average annual return over the career of at least 3.25% for the employer's contributions and at least 3.75% for employees' contributions, with any deficit being covered by the employer. Given that the actual return on plan assets has been above the guaranteed minimum return, no provision has been established to cover any deficit.

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

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

⁵ € 500 million total amount; after the application of the proportionate consolidation, the amount comes to € 300 million.

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

(in million €)	2010	2009
Defined-benefit plans	52.6	85.9
Early-retirement plan	8.8	13.9
Other employee benefits	41.4	41.9
Subtotal	102.8	141.7
Others (restructuring)	1.0	1.2
Total provisions for employee benefits	103.8	142.9

(in million €)	2010	2009
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MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS

Defined benefit obligation at the beginning of the period	(236.9)	(240.0)
Acquired by business combinations	(17.0)	0.0
Service cost	(5.8)	(5.8)
Interest cost	(9.9)	(11.9)
Contributions from plan participants	(0.6)	(0.6)
Gains (losses) on changes of plans	0.0	0.9
Gains (losses) on curtailments or settlements of plans	0.0	0.0
Special termination benefits	1.5	(5.5)
Actuarial gains (losses)	22.3	(5.5)
Benefits paid	19.3	31.5

DEFINED BENEFIT OBLIGATION AT THE END OF THE PERIOD	(227.1)	(236.9)
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MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

Fair value of plan assets at beginning of the period	95.2	98.5
Acquired by business combinations	10.4	0.0
Expected (not actual) return on plan assets	5.1	5.5
Company contributions	23.6	21.9
Contributions from plan participants	1.1	0.6
Gains (losses) on curtailments or settlements	0.0	0.0
Actuarial gains (losses)	7.3	0.3
Benefits paid	(18.5)	(31.5)

FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	124.2	95.3
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FUNDED STATUS

FUNDED STATUS OF THE PLAN	(102.9)	(141.6)
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EXPENSE RECOGNISED IN PROFIT OR LOSS

Service cost	(5.8)	(5.8)
Interest cost	(9.9)	(11.9)
Contributions from plan participants	0.0	(0.6)
Expected return on plan assets	5.1	5.5
Actuarial gains (losses)	0.1	0.0
Special termination benefits	1.5	(4.6)

TOTAL NET PERIODIC BENEFIT COST	(9.0)	(17.3)
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Actuarial assumptions	2010	2009
Inflation rate	2.00%	2.00%
Discount rate at 31 December (not including inflation)	2.36%	2.60%
Future salary increases (not including inflation)	2.00%	2.00%
Expected return on plan assets (not including inflation)	5.25%	4.00%
Medical cost trend rate	1.00%	1.00%

The expected return on plan assets is determined by asset category, with each asset category having its own estimated rate of return.

SENSITIVITY ANALYSIS

The impact of a change of 1% on medical costs is as follows:

(in million €)	Increase of 1%	Decrease of 1%
Aggregate of the service and interest costs	(1.9)	2.2
Defined benefit obligation	(0.2)	0.1

The impact of increase of 1% on discount rate and inflation medical costs is as follows:

(in million €)	Discount rate	Inflation
Defined benefit obligation	15.9	(16.5)

DETAILED SUMMARY OF PLAN ASSETS

	2010	2009
Equity securities	23.78%	21.76%
Bonds	54.34%	55.23%
Property	5.54%	7.83%
Other (cash included)	16.34%	15.18%
Total plan assets	100.00%	100.00%

ACTUARIAL GAINS AND LOSSES RECOGNISED IN OTHER COMPREHENSIVE INCOME

(in million €)	2010	2009
Cumulative amount at 1 January	(15.7)	(10.5)
Recognised in the period	26.1	(5.2)
Cumulative amount at 31 December	10.4	(15.7)

The following table presents the historical overview of the key indicators of the last five years

(in million €)	2010	2009	2008	2007	2006
Defined benefit obligation	(227.1)	(236.9)	(240.0)	(258.9)	(322.5)
Fair value of plan assets	124.3	95.2	98.5	116.9	143.1
Surplus/(deficit) in the plan	(102.8)	(141.7)	(141.5)	(142.0)	(179.4)

RECOVERABLE AMOUNT IN FUTURE TARIFFS

In accordance with a study report issued by CREG, it is virtually certain that some of the liability related to the pension scheme total of €65.4 million will be accepted by CREG as reasonable expenses and will therefore be passed on in future tariffs. Since this amount can be recovered by Elia from third parties, in accordance with IFRS principles (IAS 19), it will be classified as an asset item. The amount is included under other financial assets (see Note 4.5).

4.13. Provisions

(in million €)	Environment	Litigation	Rights of use of lines	Total
BALANCE AT 1 JANUARY 2009	10.3	4.7	-	15.0
During financial year: increase in provisions	9.6	0.4	-	10.0
During financial year: usage of provisions	(0.2)	0.0	-	(0.2)
During financial year: reversals of provisions	(5.8)	(0.3)	-	(6.1)
Unwind of discount	0.0	0.0	-	0.0
BALANCE AT 31 DECEMBER 2009	13.9	4.8	0.0	18.7
Long-term portion	0.0	4.8	0.0	4.8
Short-term portion	13.9	0.0	0.0	13.9

4.13. Provisions (continued)

(in million €)	Environment	Litigation	Rights of use of lines	Total
BALANCE AT 1 JANUARY 2010	13.9	4.8	0.0	18.7
Acquired by business combinations	2.1	8.3	39.8	50.2
During financial year: increase in provisions	3.8	20.4	1.5	25.7
During financial year: usage of provisions	(0.4)	(2.2)	(0.4)	(3.0)
During financial year: reversals of provisions	0.0	(3.4)	0.0	(3.4)
Unwind of discount	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2010	19.4	27.9	40.9	88.2
Long-term portion	1.9	7.3	35.4	44.6
Short-term portion	17.5	20.6	5.5	43.6

The change in provisions for **environment** is mainly related to further soil research and remediation on certain sites in Flanders and to the initial results of the preventive screening of sites in the Brussels-Capital Region and the Walloon Region. The estimates are based on the appraisal of an external expert bearing in mind the BATNEEC (Best Available Techniques Not Entailing Excessive Costs) principle (see 'Pollution' chapter for more details).

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

The provision '**Rights of use of land**' consists of potential payment to landowners for easement rights related to overhead lines built in the past by the former owners of 50Hertz Transmission.

These estimates are based on the value of claims filed or on the estimated amount of the risk exposure.

The expected timing of the related cash outflow depends on the progress and duration of the associated procedures.

The changes in provisions are discussed in Note 3.2.3.

As described in the introduction, comparing 2009 to 2010 is not relevant, but the major increase of the trade and other payables is mainly due to 'unpaid invoices to suppliers' and an increase in levies is primarily related to new levies implemented in 2010 by the government agencies.

4.15. Accruals and deferred income

(in million €)	2010	2009
Accruals and deferred income	61.1	0.0
Balance settlement mechanism Belgium	49.9	31.9
Balance settlement mechanism Germany	68.3	0.0
Total other current liabilities	179.3	31.9

The following table presents an overview of 2010.

(in million €)	Belgium	Germany
To be refunded to the tariffs of current period	(46,0)	(29,6)
Balance period prior years to be refunded into the tariffs - period to be determined	14,2	(38,7)
Discount future tariffs	(31,8)	(68,3)
Moratorium interest on income tax - period 2008	(18,1)	0,0
Balance settlement mechanism	(49,9)	(68,3)

4.14. Trade and other payables

(in million €)	2010	2009
Trade debts	298.1	126.3
VAT and other taxes	12.7	5.5
Remuneration and social security	24.3	24.4
Dividend	3.1	1.3
Levies	75.3	55.7
Other	35.2	10.1
Total	448.7	223.3

5. Miscellaneous

5.1. Effect of new business combinations

5.1.1. ACQUISITION IN 2010

Description of the deal

On 12 March 2010, Elia and IFM announced the acquisition of 50Hertz from the Vattenfall Group. This was completed on 19 May 2010.

It comprised all shares held by 50Hertz Transmission, including the wholly owned subsidiary 50Hertz Offshore and its two minority shareholdings EMCC (20.0%) and CAO (12.5%).

With a view to this acquisition, Elia and IFM set up the holding company Eurogrid International SCRL. In total, 60% of Eurogrid International's shares are owned by Elia System Operator SA

and Elia Asset SA (the latter holding a single share), and 40% of them are held by IFM Luxembourg.

The shares held by 50Hertz Transmission were acquired via Eurogrid GmbH, a private German limited-liability company established on 2 March 2010. Eurogrid GmbH is a wholly owned subsidiary of Eurogrid International.

The acquisition price for all shares held by 50Hertz was €464.6 million. Via Eurogrid GmbH, Elia paid €278.8 million for a 60% stake.

Following the shareholders' agreement with IFM, the 50Hertz figures are included in the Elia figures at a rate of 60% using the proportionate consolidation method.

Total (in million €)	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Intangible assets	32.4	0.0	32.4
Property, plant and equipment	1,413.8	(8.6)	1,405.2
Other financial assets	0.3	0.0	0.3
Inventories	2.9	0.0	2.9
Trade and other receivables	222.6	0.0	222.6
Deferred tax assets	0.0	2.5	2.5
Cash and cash equivalents	0.0	0.0	0.0
Other current assets	88.2	0.0	88.2
Employee benefits	(10.8)	0.0	(10.8)
Provisions	(84.0)	0.0	(84.0)
Loans and borrowings	0.0	0.0	0.0
Trade and other payables	(402.6)	0.0	(402.6)
Deferred tax liabilities	(131.8)	0.0	(131.8)
Other current liabilities	(182.8)	0.0	(182.8)
Net identifiable assets	948.2	(6.1)	942.1
Gain on bargain purchase	-	-	(477.5)
Consideration paid	-	-	464.6
Cash acquired	-	-	0.0
NEW BUSINESS COMBINATION	-	-	464.6

Gain on bargain purchase

Owing to the acquisition of 50Hertz Transmission, the corresponding purchase price has to be recorded in the financial statement.

Under IFRS an allocation of acquired goodwill or a gain on bargain purchase needs to be made by executing a Purchase Price Allocation or 'PPA'. In a PPA, all separately identifiable assets and (contingent) liabilities are measured at fair value. This PPA exercise was carried out for Eurogrid GmbH (German financing and acquisition structure above 50Hertz Transmission), whereby the value of the equity of 50Hertz was determined to €942,1 million, and finally resulted in a gain on bargain purchase of €477.5 million of which 60% is reflected in the income statement of the Group.

Gain on bargain purchase (in million €)	100%	60%
Parent's company value of investment (1)	464.6	278.8
Equity 50Hertz per 31.05.2010 (2)	942.1	565.3
Gain on bargain purchase at 31.12.2010 = [(2)-(1)]	477.5	286.5
Acquisition costs 50Hertz	-13.3	-8.0
Total non-recurring items	464.2	278.5

This amount is compliant with the estimation of the fair value of the net assets of 50Hertz to be within a range of € 890.3 million and € 984.1 million. This fair value exercise was performed with the assistance of an independent valuation expert based on three methodologies and applying the following assumptions:

- discounting of future free cash flows ("FCF") using the "Regulated Asset Base" or "RAB" as basis for the estimation of the terminal value FCF ("DCF method"); due to the nature of the business the net cash flow can be negative due to expected investment plans.
- discounting of future expected dividends as estimated by the Company ("DDM method").

These analyses are based on financial prospects (business plan) prepared by management (not certified by the independent expert) for the period 2010-2028 taking into account the current regulatory framework as described under chapter 'Regulatory framework and tariffs'

The business plan takes into account the expected positive impact of

- the implementation and entry into force as of 1 January 2010 of the AusgleichMechV compensation mechanism for the compensation of public services obligations in respect of the promotion of renewable energy sources (EEG), which allows to treat certain costs related to this mechanism as pass through costs and to include those costs in the tariffs;
- an expected positive impact of the implementation of the "Korridor model" as of 1 January 2010, providing for a new treatment of the major part of system services (regulating power, compensation of network losses, re-dispatch), which allows to include most of these costs in the revenue cap;
- a further optimisation of the costs relating to various support services (IT, insurance, cash pooling, consulting and various support services).

The future cash flows and future dividends are based on the business plan prepared by the management during the first quarter of 2010 applying the current German tariff mechanism for the period 2010-2028 as and using the following assumptions:

- period 2010-2018 mainly driven the management's investment schedule which includes relatively higher capital expenditures than in the past;
- for the period 2019 -2028 also driven by Elia's and IFM's investment schedule although at a level which is closer to or even below the operating cash flow. The net RAB is nearly on a constant level in the years after 2021. The terminal value is based on the net RAB value which is assumed to be in a steady state in 2028. Basic assumptions are therefore that depreciation expenses balance capital expenditure and that there is no change in working capital.

As the activity as 'TSO' is an activity with a long term perspective, the cash flows have been projected over the period 2010-2028. The applied discount rate of 5.7% (cost of equity 7.2% and the cost of debt of 5.1%) is in line with the WACC that results from applying the after-tax cost of equity and cost of debt rates set by the regulator BNetzA to 50Hertz (which amounts to 5.8%) and also with the WACC (weighted costs of capital) used by financial analysts for peer group companies. For purposes of the DDM method a pay-out ratio of 100% of the profit under German GAAP was assumed (which is not binding for the actual future pay-out ratio). Market approach on the basis of prospective EBIT and EBITDA multiples ("Market approach") and those used by some comparable West European listed companies, such as Red Electrica corporation SA, Enagas, Terna, Fluxys, Snam Rete Gas, National Grid and Redes Energéticas Nacionais S.A.

- The market approach method was primarily used to validate the results of the DCF and DDM valuation methods.

The Company agrees with the conclusions of its independent expert to consider that the DCF method better reflects the steady state of the asset base with regard to terminal value. In particular, the P/E multiple was not retained due to a lack of comparability to peers as a result of (amongst other things) different regulatory regimes, depreciation methods and non-regulated income. In addition, due to 50Hertz' investment schedule and one-off costs, forecasted net income, EBIT and EBITDA differ significantly and especially net income shows a high fluctuation from year to year, resulting in a wide overall value range which limits the relevance of the market approach method. As such, the preliminary range of fair value of the net assets is consistent with the valuation range resulting from the DCF method. The purchase price paid for the acquisition of 50Hertz results from negotiations between the parties following a competitive sale process. Vattenfall has released no information as to the reasons why 50Hertz has been sold with a bargain on purchase price. However, as stated in its annual report 2009, Vattenfall's debt position has increased over the past few years, while its cash flow decreased, and Vattenfall AB announced in that context that it intended to improve profitability through concrete measures, amongst other things by reprioritising and reducing its investments and divesting non-core assets. In addition, Vattenfall is subject to certain unbundling requirements under the Third Energy Package.

Acquisition costs

The group incurred acquisition related costs of €8 million consisting of the legal fees and due diligence costs. These costs are presented as non-recurring expenses (see note 3.2.1).

Contribution to the result of the group

The contribution of Eurogrid GMBH (and affiliates) to the net profit before taxes is described in note 2.2.

5.2. Deconsolidation of Belpex sa

In October 2010 Elia sold its whole participation of 60% in its subsidiary Belpex SA, the Belgian power exchange. The figures of Belpex SA were fully consolidated in the figures at 31 December 2009.

Elia and the Dutch transmission system operator TenneT BV both sold their shares in Belpex to APX-ENDEX Holding BV, the Dutch power exchange, as part of the integration of power exchanges in the North-Western Europe region.

EFFECT OF DISPOSAL OF BELPEX SA ON THE FINANCIAL POSITION OF THE GROUP

Total (in million €)	2010
Intangible assets	(1.3)
Trade and other receivables	(9.3)
Cash and cash equivalents	(0.1)
Non controlling interests	2.0
Loans and borrowings	5.0
Trade and other payables	1.9
Other current liabilities	0.1
Net identifiable assets and liabilities	(1.7)
Consideration received	11.4
Cash and cash equivalents disposed of	(0.1)
Net cash inflow	11.3

5.3. Share-based payments

DISCOUNTED SHARE PURCHASE PLANS

The Group offered its staff discounted share purchase plans in 2010. This operation was underwritten to the tune of €0.3 million. The average price over one month before the decision was taken as a basis for determining the subscription price basis. This came to €27.37 per share. After applying a 16.7% discount, the price amounted to €22.81 (see Note 4.10).

5.4. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and set out strategies to control the economic impact on the Group's results.

The Internal Audit & Risk Management Department defines the risk management strategy, monitors the risk analysis and reports to the management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures.

Selected derivative hedging instruments are used depending on the assessment of risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates considerably restricts their effects on profit or loss (see the 'Regulatory framework and tariffs' chapter). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the company in relation to lending, hedging, settlement and other financial activities. The company is exposed to credit risk from its operating activities and treasury activities. In respect of its operating activities, the Group has a credit policy in place, which takes into account the risk profiles of the customers. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to deliver bank guarantees from the 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 of each financial asset, including derivative financial instruments.

(in million €)	2010	2009
Loans and receivables	287.0	201.7
Cash and cash equivalents	366.0	174.6
Investments available for sale	13.4	16.7
Interest rate swaps used for hedging		
Assets	0.0	0.0
Liabilities	(31.4)	(28.2)
Total	635.0	364.8

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

(in million €)	Doubtful debtors	Impairment losses	Remaining balance
BALANCE AT 1 JANUARY 2009	4.1	(3.4)	0.7
Changes during the year	(0.4)	0.0	(0.4)
BALANCE AT 31 DECEMBER 2009	3.7	(3.4)	0.3
BALANCE AT 1 JANUARY 2010	3.7	(3.4)	0.3
Acquired by business combinations	0.0	0.0	0.0
Changes during the year	11.5	(11.5)	0.0
BALANCE AT 31 DECEMBER 2010	15.2	(14.9)	0.3

Trade and other receivables are recorded without taking into account receivables which have been impaired. The impairment loss recognised in 2010 is mainly related to a settlement of a receivable, which finally could be recovered in the future tariffs.

CURRENCY RISK

The Group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no foreign investments or activities and less than 1% of its costs are expressed in currencies other than the euro.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet its financial obligations. The Group limits this risk by constantly monitoring cash flows and ensuring that there are always sufficient credit line facilities available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, confirmed and unconfirmed credit facilities, commercial paper program, etc. For medium- to long-term funding, the Group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Referring to the bond issue in 2009, and the recent issue in September 2010 (see Note 1.6.14), access to sources of funding should sufficiently be available.

(in million €)	Carrying amount	Expected cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities							
Unsecured bond issues	1,994.7	(2,601.4)	(100.3)	0.0	(100.6)	(1,249.0)	(1,151.5)
Unsecured financial bank loans and other loans	555.8	(742.2)	(8.0)	(6.7)	(16.0)	(48.0)	(663.5)
Trade and other payables	224.5	(224.5)	(224.5)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	28.3	(64.8)	(6.6)	(5.8)	(11.4)	(23.2)	(17.7)
Of which cash-flow hedges	28.3	(64.8)	(6.6)	(5.8)	(11.4)	(23.2)	(17.7)
BALANCE AT 31 DECEMBER 2009	2,803.3	(3,632.9)	(339.4)	(12.5)	(128.0)	(1,320.2)	(1,832.7)
Non-derivative financial liabilities							
Unsecured bond issues	2,293.1	(2,916.0)	(106.1)	(5.8)	(112.4)	(1,237.0)	(1,454.7)
Unsecured financial bank loans and other loans	555.8	(726.8)	(8.6)	(6.7)	(16.0)	(48.0)	(647.5)
Trade and other payables	509.8	(510.2)	(509.8)	0.0	0.0	0.0	0.0
Derivative financial liabilities							
Interest rate swaps used for hedging	31.4	(49.9)	(6.2)	(5.6)	(8.7)	(17.7)	(11.8)
Of which cash-flow hedges	31.4	(49.9)	(6.2)	(5.6)	(8.7)	(17.7)	(11.8)
BALANCE AT 31 DECEMBER 2010	3,390.1	(4,202.9)	(630.7)	(18.1)	(137.1)	(1,302.7)	(2,114.0)

Details of the used and unused available credit facilities are given below:

Credit line facilities (in million €)	Maturity	Available amount	Average basic interest	Amount	
				used	not used
Confirmed credit line	13.01.2011	125.0	Euribor + margin when concluding the deal	0.0	125.0
Confirmed credit line	31.05.2013	60.0	Euribor + 1.50%	0.0	60.0
Confirmed credit line	31.05.2013	210.0	Euribor + 1.20%	0.0	210.0
Uncommitted credit line facility	-	70.0	Euribor + margin when concluding the deal	0.0	70.0
Uncommitted credit line facility	-	100.0	Euribor + margin when concluding the deal	0.0	100.0
Uncommitted credit line facility	31.05.2013	30.0	Euribor + 1.20%	0.0	30.0
European Investment Bank	-	125.0	Euribor + 0.05%	60.0	65.0
Belgian dematerialised treasury notes	-	250.0	Euribor + margin when concluding the deal	0.0	250.0
TOTAL	-	970.0	-	60.0	910.0

INTEREST-RATE RISK

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To man-

age this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The table (see Note 4.11) shows the average interest rate at the balance sheet date.

SENSITIVITY ANALYSIS

Changes in the interest rates will not affect the consolidated result in the short and long term as the Group operates within a regulatory framework where the consequences of fluctuations in financial expenses are mainly recovered in tariffs.

HEDGING

All financial derivatives the Group enters into relate to an underlying transaction or forecasted exposure, depending on the expected impact on the income statement, and if the stringent IAS 39 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied. The following sections describe the transactions whereby hedge accounting is applied. At 31 December 2010 the Group has no transactions which do not qualify for hedge accounting.

Fair value

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

Interest-rate swaps have an interest rate varying from 4.23% to 4.41%. As at 31 December 2010, the Group held hedging instruments with a contracted reference value of €395.8 million. The net fair value of the swaps as at 31 December 2010 totalled €31.4 million and was entirely composed of liabilities. The amounts are included as derivatives at fair value.

As at 31 December 2010, no financial expenses resulting from ineffective cash-flow hedges are included in profit or loss.

The overview below shows the fair values and carrying amounts of derivative financial instruments. As the loan has a variable interest rate, the carrying amount of the loan is equal to the fair value.

(in million €)	Carrying amount	Fair value	Carrying amount	Fair value
	2010	2010	2009	2009
Sicav	13.4	13.4	16.7	16.7
Interest rate swaps	-	-	0	0.0
Assets	0.0	0.0	-	-
Liabilities	31.4	31.4	28.2	28.2
Loans	395.8	395.8	395.8	395.8
Total	440.6	440.6	440.7	440.7

Fair-value hierarchy

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

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

Estimate of fair value**Derivatives**

Brokers' statements are used for interest-rate swaps. The statements are controlled using valuation models or techniques based on discounted cash flows.

Interest-bearing loans

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

Financial lease obligations

The fair value is estimated at the present value of future cash flows, discounted against the interest rate for uniform lease contracts. The estimated fair value reflects interest-rate changes.

CAPITAL RISK MANAGEMENT

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

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

The company offers the employees the opportunity to subscribe to capital increases that are exclusively reserved for them. For more details on the capital increase, see Note 4.10.

5.5. Commitment and contingencies

OPERATING LEASE COMMITMENTS – GROUP AS A LESSEE

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

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

(in million €)	<1 year	1–5 years	>5 years
Buildings	3.7	15.6	8.2
Cars, IT equipment and others	4.9	6.9	0.0
Total at 31 December 2009	8.6	22.5	8.2
Buildings	5.2	21.1	2.8
Cars, IT equipment and others	6.2	6.2	0.0
Total at 31 December 2010	11.4	27.3	2.8

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

(in million €)	2010	2009
Buildings	4.7	3.6
Cars, IT equipment and others	6.9	4.1
Total	11.6	7.7

OPERATING LEASE COMMITMENTS – GROUP AS A LESSOR

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

Future minimum rentals receivable are as follows:

(in million €)	<1 year	1–5 years	>5 years
Telecom	9.8	32.3	51.3
Total at 31 December 2009	9.8	32.3	51.3
Telecom	9.8	32.9	56.9
Buildings	0.2	0.1	0.1
Total at 31 December 2010	10.0	33.0	57.0

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

(in million €)	2010	2009
Telecom	10.0	10.1
Buildings	0.4	0.0
Total	10.4	10.1

CAPITAL COMMITMENT

As at 31 December 2010, the Group has a commitment of € 472,5 million relating to the purchase and installation of property, plant and equipment for further grid extensions.

CONTINGENCIES

Settlement mechanism

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

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

1. a reasonable return on invested capital;
2. all costs that are not unreasonable that are incurred by the group.

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

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers / the general public could have been respectively lower or higher (and vice versa). The group is convinced that a surplus or deficit arising from the settlement mechanism must not be classified as revenue or an expense, or as an item under equity.

On a cumulative basis, it could be argued that the public has made an advance payment for its future use of the network. As such, the surplus (deficit) is not a commission for a future loss (recovery) of income but instead a liability (receivable) to (with regard to) consumers. On the basis of the Regulatory framework, the group believes that the surplus (deficit) does not represent an item of revenue (cost). Consequently, the group booked this amount under section 'Accruals and deferred income' 'see note 4.15). This reflects the reduction in future tariffs that must be approved by the regulator.

At present, there are no definitive IFRS guidelines on the calculation of the settlement mechanism in a regulated context.

5.6. Disclosure about related parties

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

Total key management remuneration

(in million €)	2010	2009
Short term employee benefits		
Basic remuneration	1.6	1.7
Variable remuneration	0.6	0.5
Post-employment benefits	0.4	0.4
Other variable remuneration	0.9	0.0
Total gross remuneration	3.5	2.6
Number of persons	7	7
Average gross remuneration per person	0.5	0.4
Number of shares	27,487	23,989

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

TRANSACTIONS WITH ASSOCIATED COMPANIES

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

In the 2010 and 2009 financial years, there were no transactions between Elia and HGRT or APX-ENDEX.

Details of transactions with other related parties are explained below.

(in million €)	2010	2009
Transactions with joint venture and associated companies		
Sales of goods	3.7	1.3
Purchases of goods	1.6	1.4
Interest and similar revenue	0.0	0.0
Outstanding balances with joint ventures and associated companies		
Long-term debtors	0.0	0.0
Trade debtors	1.7	0.3
Trade debts	1.6	0.1

5.7. Subsidiaries, joint ventures and associates

SUBSIDIARIES

Elia System Operator SA has direct and indirect control of the subsidiaries listed below:

Name	Country of establishment	Headquarters	Company number	Stake %	
				2010	2009
Elia Asset SA	Belgium	Bd de l'Empereur 20 1000 Brussels	475.028.202	99.99	99.99
Elia Engineering SA	Belgium	Bd de l'Empereur 20 1000 Brussels	471.869.861	100.00	100.00
Belpex SA	Belgium	Bd de l'Impératrice 66 1000 Brussels	0874.978.602	-	60.00
Elia Re SA	Luxembourg	Rue de Merl 65 2146 Luxembourg	-	100.00	100.00

All the entities keep their accounts in euro and have the same reporting date as Elia System Operator SA.

Name	Country of establishment	Headquarters	Company number	Stake %	
				2010	2009
JOINT VENTURES					
Eurogrid International SCRL	Belgium	Bd de l'Empereur 20 1000 Brussels	0823.637.886	60.00	
Eurogrid GmbH	Germany	Eichenstraße 3a 12435 Berlin	HRB 68646	60.00	-
50Hertz Transmission GmbH	Germany	Eichenstraße 3a 12435 Berlin	HRB 84446	60.00	-
50Hertz Offshore GmbH	Germany	Eichenstraße 3a 12435 Berlin	HRB 108780 B	60.00	-
Gridlab GmbH	Germany	Sielowerstraße 5 03044 Cottbus	HRB 8821 CB	60.00	-
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD					
H.G.R.T S.A.S. (Holding de Gestionnaires de Réseaux de Transport)	France	1 Terrasse Bellini F-92919 La Défense Cedex	438.262.800 RCS Nanterre	24.50	24.50
Coreso SA	Belgium	Avenue de Cortenberg 71 B-1000 Brussels	808.569.630	28.49	33.3
APX-ENDEX Holding BV	Netherlands	Strawinskylaan 729 NL-1077 XX Amsterdam	34.153.887	20.00	-
OTHER PARTICIPATIONS					
CASC-CWE SA	Luxembourg	2 Rue de Bitbourg 1273 Luxembourg-Hamm	B142.282 Luxembourg	9.46	14.29
EMCC European Market Coupling	Germany	Hopfenmarkt 31 20457 Hamburg	HRB 106468	12.00	-
CAO Central Allocation Office GmbH	Germany	Gute Änger 15 85356 Freising	HRB 174719		

5.8. Subsequent events

There were no significant events subsequent to 31 December 2010, which would require adjustment to or disclosure in the accounting data included in this Annual Report.

5.9. Non-audits tasks carried out by the joint auditors

The General Meeting of Shareholders appointed the joint auditors Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren (represented by Alexis Palm KPMG Bedrijfsrevisoren CVBA) and Ernst & Young Bedrijfsrevisoren BCVBA (represented by Jacques Vandernoot) for the audit of the consolidated financial state-

ments of Elia System Operator SA and the audit of the statutory financial statements of Elia System Operator SA, Elia Asset SA and Elia Engineering SA.

Fees paid to joint auditors for other commitments prescribed by Belgian company law amounted to €10,975 for the year ended.

The fees paid to the joint auditors for engagements other than those described above amounted to € 569,182.38 for the year ended 31 December 2010. These services related mainly to the capital increase, the integration of 50Hertz Transmission and tax advice.

The activities were approved by the Audit Committee.

joint auditors' report on the consolidated financial statements

KPMG Bedrijfsrevisoren CVBA
Bourgetlaan 40
1130 Brussels
Belgium

Ernst & Young Bedrijfsrevisoren BCVBA
De Kleetlaan 2
1831 Diegem
Belgium

**Joint statutory auditor's report to the general meeting of shareholders
of Elia System Operator NV/SA on the consolidated financial statements
for the year ended December 31, 2010**

In accordance with legal requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements, with emphasis of matter paragraph

We have audited the consolidated financial statements of Elia System Operator NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated statement of financial position as of December 31, 2010 and the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory information. The total of the consolidated balance sheet amounts to € 5.904,0 million and the consolidated income statement shows a profit for the year, share of the group, of € 401,7 million.

Responsibility of the board of directors for the preparation and fair presentation of the consolidated financial statements

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the joint statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors ("Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have also evaluated the appropriateness of the accounting policies used and the

KPMG Bedrijfsrevisoren CVBA
Ernst & Young Bedrijfsrevisoren BCVBA

*Joint statutory auditor's report to the general meeting of shareholders
of Elia System Operator NV/SA on the consolidated financial statements
for the year ended December 31, 2010*

basis of consolidation, the reasonableness of accounting estimates made by the board of directors as well as the overall presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of December 31, 2010 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Without qualifying our opinion, the joint statutory auditors draw attention to the information included in the Board of Directors' Report and in the consolidated financial statements where the specificities of the regulatory framework and tariffs, the accounting treatment and the uncertainties related to the final balances resulting from the tariff settlement mechanisms that have yet to be approved by the competent authorities as well as uncertainties arising from the outcome of the tax audit are disclosed.

Additional comment

The preparation of the board of directors' report on the consolidated financial statements and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comment, which do not modify our audit opinion on the financial statements:

- The board of directors' report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

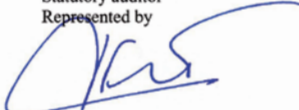
Brussels, March 31, 2011

KPMG Bedrijfsrevisoren CVBA
Statutory auditor
Represented by



Alexis Palm
Venoot

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
Represented by



Jacques Vandernoot
Venoot

regulatory framework and tariffs

1. Regulatory framework – Belgium

1.1 Federal legislation

The Electricity Law, as amended from time to time, forms the overall basis of and contains the main principles applicable to the regulatory framework, such as unbundling of the transmission activities, operation of and access to the transmission network, tariff setting and creation of a regulatory authority. Several royal decrees contain more detailed elements of the regulatory framework.

1.2 Regional legislation

The three Belgian regions are responsible for the distribution and local transmission of electricity on networks with a voltage equal to or lower than 70 kV in their respective territories, save for tariff setting which is within the federal jurisdiction. Their impact on the liberalisation process is similar to the impact of the Electricity Law at the federal level. The regional decrees have been complemented by several other rules on matters such as public services, renewable energy, network operators and authorisation procedures for suppliers.

1.3 Regulatory agencies

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

1.3.1 FEDERAL REGULATOR

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

- approval of the standard terms of the three main contracts used by the Company at the federal level: connection, access and ARP;
- approval of the capacity allocation system at the borders between Belgium and neighbouring countries;
- approval of the appointment of the independent members of the Board of Directors; and
- approval of the tariffs for connection and access to, and use of Elia's network.

1.3.2 REGIONAL REGULATORS

Operation of electricity networks of voltages equal to or below 70 kV falls within the jurisdiction of the respective regional regulators. Each of them may require any operator (including the Company when it operates such networks), to abide by any specific provision of the regional electricity rules under the threat of administrative fines or other sanctions. Currently, the regional regulators have no authority with regard to tariff setting, which falls under the sole jurisdiction of the CREG.

1.4 Tariff Setting

TARIFF REGULATIONS

Most of Elia's income is generated from the regulated tariffs charged for use of the transmission system (tariff income), which are approved in advance by CREG. A tariff regulation mechanism took effect on 1 January 2008 whereby the approved tariffs apply for a four-year period, barring exceptional circumstances. CREG approved the tariffs for the period 2008-2011 in December 2007.

The tariff mechanism is based on accounts stated in accordance with Belgian accounting regulations (Be GAAP).

The tariffs are based on budgeted costs, less a number of sources of non-tariff income, and on the estimated volumes of electricity taken off the grid.

The costs taken into account include the forecast value of the authorised fair remuneration, as well as the predicted values of various cost categories, including those over which Elia has direct control ('controllable costs') and those over which it has no direct control ('uncontrollable costs').

FAIR REMUNERATION

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

In that context, which has not changed since 2008, the following formula is used to calculate the fair remuneration, when consolidated capital and reserves account for more than 33% of the average regulated asset base, as is the case at present:

- A: $[33\% \times \text{average RAB} \times ((\text{OLO } n) + (\text{Beta} \times \text{risk premium}))]$
plus
- B: $[(S - 33\%) \times \text{average RAB} \times (\text{OLO } n + 70 \text{ base points})]$
minus
- C: adjustment of excessive depreciation rates in the past, where
 - OLO n is the interest rate for Belgian 10-year linear bonds for the year in question;
 - S = consolidated capital and reserves/RAB, in accordance with Belgian accounting standards (Be GAAP);
 - Beta will eventually be calculated based on Elia share prices, compared with the Bel20 index, over a seven-year period. In a transitional phase, the tariff regulations stipulate using Electrabel's beta for the period preceding Elia's flotation on the stock exchange. The value of beta cannot be lower than 0.3.

Part A

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

The tariff regulations set the risk premium at 3.5%. For 2009, the applicable beta factor is calculated based on the historic beta factor for Electrabel, compared with the Bel20 index, over a seven-year period.

CREG recommends that Elia's solvency ratio (average capital and reserves/average regulated assets) should be as close to 33% as possible. This ratio (33%) is applied to Elia's average regulated asset base (RAB) to calculate Elia's reference capital and reserves.

Part B

If 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: $[(\text{OLO } n + 70 \text{ base points})]$.

Part C

CREG also decided that the annual fair remuneration margin should be reduced by €12.4 million (before taxes) up to and including 2012, due to overly rapid depreciations before Elia System Operator NV/SA was appointed system operator, which it considers to be excessive.

The tariff regulations also provide for the possibility of setting higher remuneration rates for capital that is invested to finance projects of national or European importance. In the absence of a decree implementing this provision of the Electricity Act, this measure was not carried out in 2010.

UNCONTROLLABLE COSTS

The costs over which Elia has no direct control ('uncontrollable costs') are an integral part of the costs used to determine the tariffs. The tariffs are set based on forecasted values for these costs.

The balances of such uncontrollable costs (whether positive or negative), i.e. the difference between the actual and forecast costs, will be established ex-post and their allocation will be the subject of a royal decree debated in the Belgian Federal Council of Ministers.

CONTROLLABLE COSTS

The costs over which Elia has direct control ('controllable costs') are subject to an incentive regulation mechanism: in other words, they are subject to application of a productivity and efficiency improvement factor. This factor indicates the efforts that Elia must make to control such costs: the authorised costs used to determine the tariffs are established following application of this factor. The productivity improvement required of Elia over the period 2008-2011 is stipulated in the Royal Decree of 18 December 2007. The amount for 2010 was € 7 million. The balances of such controllable costs (whether positive or negative), i.e. the difference — established ex-post — between the actual and authorised costs, are in principle either added to or deducted from the fair remuneration.

2. Regulatory Framework in Germany

2.1 Relevant Legislation

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

- The Ordinance on Electricity Network tariffs 2005 (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung* — “**StromNEV**”)), as amended from time to time, which establishes, inter alia, principles (*Grundsätze*) and methods for the network tariff calculations and further obligations of network operators.
- The Ordinance on Electricity Network Access 2005 (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzzugangsverordnung* — “**StromNZV**”)), as amended from time to time, most recently by Article 2, first paragraph of the Ordinance of 17 October 2008, which, inter alia, sets out the further detail on how to grant access to the transmission systems grids (and other types of grids) by way of establishing the balancing amount system (*Bilanzkreissystem*), scheduling of electricity deliveries, control energy and further general obligations, e.g. capacity shortage (*Engpaßmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain network operators to manage the Bilanzkreissystem for renewable energy.
- The Ordinance on Incentive Regulation 2007 (*Verordnung über die Anreizregulierung der Energieversorgungsnetze* (*Anreizregulierungsverordnung* — “**ARegV**”)), as amended from time to time, which sets out the basic rules for incentive regulation of TSOs and other network operators (as further described below in “*Tariff Setting in Germany*”). It also describes in general terms how to benchmark efficiency, which costs enter the efficiency benchmarking, the method of determining inefficiency and how this translates into yearly targets for efficiency growth.

2.2 Regulatory agencies in Germany

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

2.3 Tariff Setting in Germany

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

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

- permanently non-influenceable costs (“**PNIC**”): these costs are fully integrated into the “revenue cap” and are fully recovered by the network tariffs, albeit with a two year time lag. PNIC includes return on equity, imputed trade tax, cost of debt, depreciation and operational costs (currently at a fixed rate of 0.8 percent of the capitalised investment costs of the respective investments). The cost of debt related to investment budgets is currently capped at the lower of the actual cost of debt or cost of debt as calculated in accordance with a published BNetzA guideline. In addition, PNIC includes costs relating to ancillary services, grid losses and re-dispatch costs. These costs are included in the revenue cap based on a procedural regulation mechanism set by the BNetzA in accordance with

§ 11 Abs. 2 ARegV (FSV) that provides an incentive to a network operator to outperform the planned costs with a bonus and penalty mechanism. The system services costs are based on planned costs (taking into account the evolution of volumes needs and evolution of prices) instead of incurred costs in the base year and, as such, only the productivity factor is applicable to such costs. While the mechanism for the current regulatory period is fixed for ancillary services and grid losses, for redispatch costs it is still subject to approval from 2011 onwards. Furthermore, this model is subject to approval or change in the second regulatory period starting 2014;

- temporary non-influenceable costs (“**TNIC**”) and influenceable costs (“**IC**”): these costs include return on equity depreciation, cost of debt and imputed trade tax and are subject to an incentive mechanism as set by the BNetzA, which contains an efficiency factor (only applicable to IC), a productivity factor improvement and an inflation factor (applicable to both TNIC and IC) over a five year period. In addition the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for such a factor is yet to be described by the BNetzA. The various defined factors give the TSOs a medium-term objective to eliminate what are deemed to be inefficient costs. With respect to the cost of debt, the allowed cost of debt related to influenceable costs is capped at the lower of the actual cost of debt in the base year or the implied cost of debt based on the 10-year average of the *Umlaufrenditen festverzinslicher Wertpapiere inländischer Emittenten* (10-year average yield of the domestic fixed income securities as published by the Bundesbank) in the base year.

With regard to return on equity, the relevant laws and regulations set out the provisions relating to the allowed return on equity, which is included in the TNIC/IC for assets belonging to the regulatory asset base and the PNIC for assets approved in investment budgets. For the first regulatory period (2009-2013), the return on equity is set at 7.56 per cent for investments made before 2006 and 9.29 per cent for investments made since 2006, based on 40 per cent of the total asset value regarded as “financed by equity” with the remainder treated as “quasi-debt”. The return on equity is calculated before corporate tax and after imputed trade tax.

In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations, subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income

information about the parent company

Extracts from the statutory annual accounts of Elia System Operator SA, drawn up in accordance with Belgian accounting standards, are given hereafter in abbreviated form.

Pursuant to Belgian company legislation, the full financial statements, the annual report and the joint auditors' report are filed with the National Bank of Belgium.

These documents will also be published on the Elia website www.elia.be and can be obtained on request from Elia System Operator SA, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors made an unreserved statement with an explanatory paragraph in the statutory financial statements.

1. Statement of position after distribution of profits

ASSETS	2010	2009
		(in million €)
FIXED ASSETS	3,612.7	3,314.4
Financial fixed asset	3,612.7	3,314.4
Affiliated companies	3,583.0	3,306.0
Participating interests	3,583.0	3,306.0
Other enterprises linked by participating interests	29.4	8.4
Participating interests	29.4	8.4
Other participating interests	0.3	0.0
CURRENT ASSETS	942.3	896.6
Amounts receivable after more than one year	93.8	94.2
Other amounts receivable	93.8	94.2
Inventories and contracts in progress	4.7	4.7
Contracts in progress	4.7	4.7
Amounts receivable within one year	602.1	627.4
Trade debtors	165.4	198.1
Other amounts receivable	436.7	429.3
Investments	120.0	103.3
Other term deposits	120.0	103.3
Cash at bank and in hand	99.3	55.9
Deferred charges and accrued income	22.4	11.1
TOTAL ASSETS	4,555.0	4,211.0

EQUITY AND LIABILITIES**2010****2009****(in million €)****CAPITAL AND RESERVES****1,586.8****1,298.0**

Capital

1,505.4

1,205.7

Issued capital

1,505.4

1,205.7

Share premium account

8.5

8.5

Reserves

67.6

51.4

Legal reserve

67.6

51.4

Profit carried forward

5.3

32.4

PROVISIONS, DEFERRED TAXES**3.0****3.5**

Provisions for risks and charges

3.0

3.5

Other risks and charges

3.0

3.5

LIABILITIES**2,965.2****2,909.5**

Amounts payable after one year

2,553.8

2,553.4

Financial debts

2,553.8

2,553.4

Unsubordinated debentures

1,998.0

1,997.6

Credit institutions

60.0

60.0

Other loans

495.8

495.8

Amounts payable within one year

309.5

266.3

Current portion of amounts payable after more than one year

0.0

0.0

Financial debts

0.0

0.0

Credit institutions

0.0

0.0

Trade debts

128.4

117.3

Suppliers

128.4

117.3

Advances received on contracts in progress

8.9

7.1

Amounts payable regarding taxes, remuneration and social security costs

7.3

7.0

Taxes

0.2

0.2

Remuneration and social security

7.1

6.8

Other amounts payable

164.9

134.9

Accrued charges and deferred income

101.9

89.8

TOTAL EQUITY AND LIABILITIES**4,555.0****4,211.0**

2. Income statement

(in million €)	2010	2009
OPERATING INCOME	723.2	744.4
Turnover	718.7	737.0
Increase (+), decrease (-) in inventories of finished goods, works and contracts in progress	0.0	2.1
Other operating income	4.5	5.3
OPERATING CHARGES	(563.6)	(578.6)
Services and other goods	(531.1)	(549.3)
Remuneration, social security costs and pensions	(32.8)	(29.7)
Provisions for liabilities and charges	0.3	0.4
OPERATING INCOME	159.6	165.8
Financial income	53.6	70.1
Income from financial fixed assets	46.7	55.5
Income from current assets	6.9	14.6
Financial charges	(133.7)	(135.3)
Interest and other debt charges	(132.0)	(132.4)
Other financial charges	(1.7)	(2.9)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	79.5	100.6
Extraordinary income	9.7	0.4
Proceeds from sale of investments	9.7	0.0
Other extraordinary income	0.0	0.4
Extraordinary charges	(4.8)	0.0
Other extraordinary charges	(4.8)	0.0
PROFIT FOR THE FINANCIAL PERIOD BEFORE TAXATION	84.4	101.0
Income taxes	(10.9)	(16.7)
Income taxes	(10.9)	(16.7)
Adjustments of income taxes and write-back of provisions	0.0	0.0
PROFIT FOR THE FINANCIAL PERIOD	73.5	84.3

index GRI

PROFILE

Indicator	Description	Page
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reporting parameters

Head office

This report is limited to Elia System Operator and Elia Asset, which operate as a unique economic entity under the name Elia, and 50Hertz Transmission.

The registered office of
Elia System Operator and Elia Asset is located at
Boulevard de l'Empereur, 20
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12435 Berlin, Germany

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1000 Brussels, Belgium

Reporting period

This annual report covers the period from 1 January 2010 to 31 December 2010.

It incorporates the principles from the sustainable development report as required by the GRI.

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notes

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Legend

Switching Station (in large part with transition to distribution system operators)

220 kV

380 kV

380 kV planned / under construction

380 / 220 kV

Other companies

line 380 kV

line planned / under construction 380 kV

line 220 kV

Operating voltage (kV) 110

Other companies 380 / 220 kV

HVDC/DC link 400 kV

Grid connection offshore under construction 150 kV

System users:

Our customers include the regional distribution system operators as well as power plants, pump storage plants, wind farms and big industry connected to the transmission system.

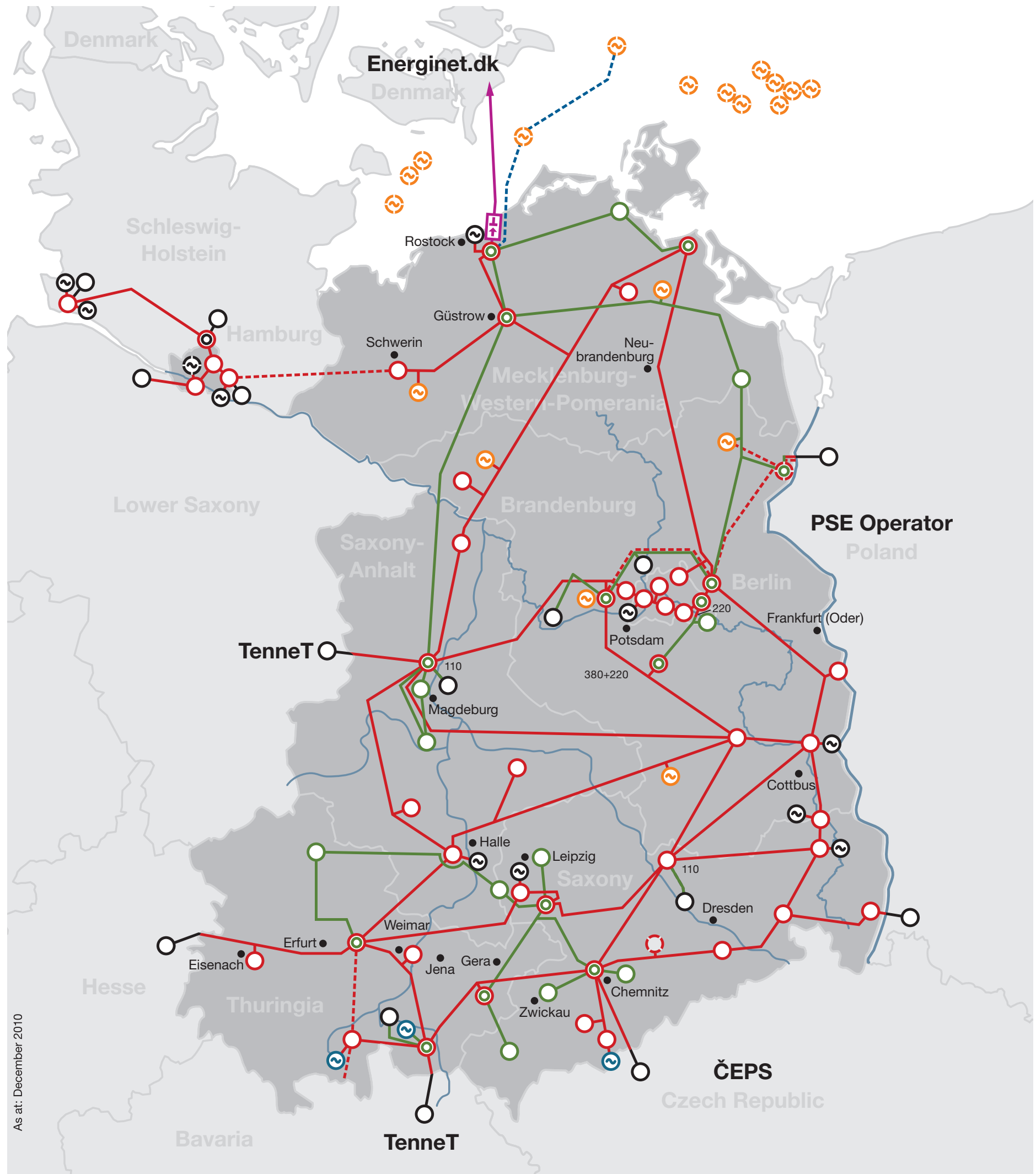
Conventional power plant (lignite- or hard-coal fired, nuclear or gas turbine power plant)

under construction

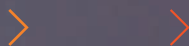
Pump storage plant

Wind power plant onshore/offshore

planned / under construction



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Ce document est également disponible en français.
Dit document is ook beschikbaar in het Nederlands.
Dieses Dokument ist auch auf Deutsch verfügbar.

April 2011

