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INTERIM ANNUAL REPORT

Elia's half-year figures positively influenced by results in Germany

- ***Elia publishes strong half-year figures thanks to a robust first half by 50Hertz in Germany; investments go according to plan; net book value per share of €33.64.***
- ***A €700 million long-term credit facility is concluded in Belgium with 4 banks.***
- ***The land-use plan for upgrading the grid for future wind farms in the North Sea is approved in principle by the Flemish government.***
- ***ENTSO-E has published its second ten-year network development plan.***

1. IFRS key figures

Consolidated results of the Elia Group for the first six months of 2012 as per International Financial Reporting Standards:

Consolidated results (in million €)	**30 June 2012**	**30 June 2011**	**Difference (%)**
Revenue	687,3	610,6	12,6%
EBITDA	244,4	216,9	12,7%
Operating profit (EBIT)	164,8	146,5	12,5%
Finance result	(66,4)	(64,8)	2,5%
Income taxes	(24,8)	(21,0)	18,1%
Basic earnings, attributable to the owners of the company	73,1	61,4	19,1%
Basic earnings per share (€)	1,21	1,02	18,6%
Balance sheet (in million €)	**30 June 2012**	**31 December 2011**	**Difference (%)**
Total assets	5.899,1	5.843,8	0,9%
Equity, attributable to the owners of the company	2.030,1	2.046,9	-0,8%
Net financial debt	2.513,0	2.532,9	-0,8%
Equity per share (€)	33,6	33,9	-0,8%
Number of shares (end of period)	60.355.217	60.355.217	0,0%

EBIT = earnings before interest and taxes

EBITDA = EBIT + depreciation/amortisation + changes in provisions

The **consolidated revenue** of the Elia Group at the end of June 2012 has been positively influenced (up 12.6%) by the strong performance of 50Hertz Transmission, mainly due to improvements in the regulatory framework in Germany.

This also yielded a **major upturn in EBITDA, EBIT and net profit** (up 12.7%, 12.5% and 19.1% respectively).

The **financial result is** up 2.5%, mainly due to a number of one-off costs pursuant to the conclusion of a €700 million long-term credit facility by Elia Transmission.

More details about the financial performance of the two underlying transmission system operation activities (Elia Transmission in Belgium and 50Hertz Transmission in Germany) can be found below in the separate segment reporting.

The Group's **shareholder equity** was down slightly by 0.8% compared to 31 December 2011, from €2,046.9 million to €2,030.1 million, mainly due to:

- earnings for the first half of the year (€73.1 million);
- payment of a dividend of €88.7 million for 2011.

Given the number of shares at the end of the period, the book value has remained more or less stable at €33.64 per share.

The Group's **net financial debt** dropped slightly by 0.8% to €2,513.0 million.

1.A. Segment reporting for Elia Transmission (Belgium)

On 1 January 2012 Elia introduced new, CREG-approved transmission tariffs, which are set for a period of four years (2012-2015). Elia's regulated net profit during this tariff period comprises the following:

- the fair profit margin on the regulated assets calculated on the basis of the actual values of the Belgian 10-year interest rate (daily average) and the beta of the Elia share at year-end;
- the decommissioning of fixed assets with an average amount between €15 and 20 million. This part of the net profit is reserved under equity for funding future investments;
- the required savings in operating expenditure of €25 million over a period of four years (2012-2015). If Elia achieves better results, via savings and earnings, the net profit will rise to a maximum of €25 million over a period of four years. If less than €25 million of savings is achieved over a period of four years, then it will be borne by the company.
- the implementation of replacement investments approved by CREG totalling up to 10% of their value with a possible positive net impact of up to €5 million per year.

Results of Elia Transmission for its transmission system operator activities in Belgium in the first six months of 2012 as per International Financial Reporting Standards (IFRS):

Results Elia Transmission (in million €)	**30 June 2012**	**30 June 2011**	**Difference (%)**
Revenue	399,6	399,0	0,2%
EBITDA	166,7	178,0	-6,3%
Operating profit (EBIT)	111,0	126,0	-11,9%
Finance result	(59,5)	(58,4)	1,9%
Income taxes	(10,3)	(15,8)	-34,8%
Basic earnings, attributable to the owners of the company	40,6	52,5	-22,7%
Balance sheet (in million €)	**30 June 2012**	**31 December 2011**	**Difference (%)**
Total assets	4.470,7	4.473,8	-0,1%
Net financial debt	2.419,1	2.448,1	-1,2%

<u>Financial (IFRS)</u>

Elia Transmission's revenue remained stable in the first half of 2012 compared to the same period last year. The table below provides more details of changes in the various revenue components.

Detail revenue (in million €)	**30 June 2012**	**30 June 2011**	**Difference (%)**
Grid connection revenue	18,5	17,3	6,9%
Grid use revenue	316,0	277,3	14,0%
Revenues from the reversal of surpluses from previous years (decision by the regulator)	0,0	11,1	n.r.
Ancillary services revenue	76,7	54,7	40,2%
International revenue	16,9	11,9	42,0%
Other revenue	18,9	20,2	-6,4%
Subtotal revenue	*447,0*	*392,5*	13,9%
Deviations from approved budget (settlement mechanism)	(9,4)	6,5	n.r.
Compensation 4-annual flat tariffs	(38,0)	0,0	n.r.
Total revenue	**399,6**	**399,0**	**0,2%**

Grid connection revenue and **grid use revenue** rose 6.9% and 14% mainly due to the new fixed tariffs that already include the inflation for the next four years. As a result, more is invoiced for each transmitted MWh at the start of the period and less at the end compared to actual costs.

Ancillary services revenue rose 40.2%, chiefly because of higher costs, which have to be passed on.

International revenue rose €5.0 million (up 42.0%), mainly due to high congestion on interconnections with France during the winter months of 2012.

The €1.3 million decrease in **other revenue** (down 6.4%) is primarily the result of the update of IFRS provisions regarding future personnel liabilities

The operating result in the first half of the year was €9.4 million higher than the **budget approved** by CREG as regards non-controllable costs and revenue, mainly because of higher tariff sales (€3.6 million), higher international income (€4.5 million) and lower real average OLOs in the first six months (€4.7 million), offset in part by higher non-controllable costs (down €3.4 million). This discrepancy will change depending on the positive or negative changes in the second half of the year.

The tariff surpluses, totalling €38 million as a result of the fixed four-year tariffs, have been transferred to the period 2013-2015 and therefore offset the increases in other revenue components.

The decrease in **EBITDA** (down 6.3%) and **EBIT** (down 11.9%) compared with the first half of 2011 is mainly the result of lower fair remuneration (down €4.3 million), the drop in interest rates on 10-year Belgian bonds from 4.15% to 3.38% on average and the drop in the risk premium on top of the interest rate from 105 basis points to 70 basis points, fewer decommissionings of fixed assets (down €2.5 million) and a sharp fall in IFRS adjustments (down €7.0 million); this was mainly due to fewer transfers of assets from customers (IFRIC 18) and the periodic recalculation of provisions for future personnel liabilities.

The financial result rose slightly by 1.9%, mainly due to higher financial charges in the first half of 2012 pursuant to a number of one-off remunerations (around €1.0 million) for the conclusion of long-term credit facilities totalling €700 million.

The **consolidated IFRS net profit** of €40.6 million as at 30 June 2012 consists of the following items:

- Fair remuneration on regulated assets €28.3 million
- Decommissioning of fixed assets €6.1 million
- Additional savings €3.3 million
- Incentive for upgrade investments €1.2 million
- Management of unregulated shareholdings €(0.3) million
- IFRS adjustments €2.0 million

Compared to 30 June 2011, consolidated IFRS net profit fell €11.9 million (down 22.7%), mainly for the following reasons:

- Decrease in regulated profit due to lower OLOs €(4.3) million
- Fewer decommissionings of fixed assets €(2.5) million
- More additional savings and revenue €0.5 million
- Incentive for replacement investments €1.2 million
- Management of unregulated shareholdings €0.2 million
- Decrease in IFRS adjustments €(7.0) million

Total assets remained more or less the same at €4,470.1 million, mainly due to the payment of the dividend in May 2012, which was offset by the retained earnings for the first half of 2012.

The **net financial debt** fell by 1.2% (€29.0 million), primarily as a result of lower provisions for interest payments on €2 billion of Eurobonds at the end of June compared with the end of 2011.

Operational

Consumption on the Elia grid fell 2.6% from 42.7 TWh in the first half of 2011 to 41.7 TWh in the first half of 2012, mainly due to an ongoing gradual downturn in economic activity and the ongoing growth in decentralised and renewable generation in Belgium. At 36,2 TWh, net offtake from the Elia grid was 3.3% lower than in the same period last year (37.4 TWh). This downturn was mainly seen among major industrial customers (down 7.7%), which account for around 25% of turnover. These differences are passed on to the following tariff period and therefore have no impact on the net result.

Belgium's position as a net importer of 3.6 TWh, mainly from the Netherlands, increased during the first half of 2012 compared to last year (2.5 TWh).

Investments

To meet the needs of grid users, Elia invested €53.0 million in the first half of 2012, chiefly to upgrade high-voltage substations and lay high-voltage cables.

1.B. Segment reporting for 50Hertz Transmission (Germany)

The results of 50Hertz Transmission, consolidated at the level of Eurogrid GmbH, were included in the Elia Group's consolidated IFRS figures using the proportional consolidation method (60%).

Results 50Hertz Transmission (Germany) (in million €) 60% proportional consolidation	**30 June 2012**	**30 June 2011**	**Difference (%)**
Revenue	288,1	211,9	36,0%
EBITDA	77,7	39,0	99,2%
Operating profit (EBIT)	53,8	20,5	162,4%
Finance result	(7,0)	(6,3)	11,1%
Income taxes	(14,5)	(5,2)	178,8%
Basic earnings attributable to the owners of the company	32,4	9,0	260,0%
Balance sheet (in million €)	**30 June 2012**	**31 December 2011**	**Difference (%)**
Total assets	1.428,5	1.370,3	4,2%
Net financial debt	93,9	84,8	10,7%

Financial (IFRS)

Revenue rose sharply in the first half of 2012 compared to the same period last year (up 35.9%) as detailed in the table below.

Detail revenue (in million €)	**30 June 2012**	**30 June 2011**	**Difference (%)**
Vertical grid revenues	188,7	182,9	3,2%
Horizontal grid revenues	14,4	8,8	62,8%
Ancillary services revenue	53,5	26,1	104,8%
Other revenue	15,1	5,0	199,1%
Subtotal revenue	*271,6*	*222,9*	21,9%
Deviations from approved budget (settlement mechanism)	16,4	(11,0)	n.r.
Total revenue	**288,1**	**211,9**	**36,0%**

The 3.2% increase in **vertical grid revenue** is a result of positive adjustments to the regulatory framework, offset in part by the refund of past surpluses. Since 1 January 2012, 50Hertz can recover its costs for new investments via the vertical grid revenue from the same year (previously there was a two-year delay). Consequently, in 2012 and 2013 there will be a sharp increase in the EBITDA and EBIT, since 50Hertz will recover costs in accordance with both the old (years 2010 and 2011) and new mechanism.

Horizontal grid revenue rose due to the higher volume of offshore investments, given that all offshore connection investments are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and that it can pass 80% of its own connection costs on to the other three TSOs.

Ancillary services revenue rose mainly due to the rising overload of its grid due to wind power generation.

Other revenue rose significantly due to a larger volume of internally generated assets and higher contributions from customers compared to the same period in 2011.

The **significant increase in EBITDA, EBIT and net profit** (99.2%, 162.4% and 260.0% respectively) is mainly the result of the positive changes to the regulatory framework (€12.9 million), the increase in internally generated assets (€4.7 million) as a result of a more accurate calculation method, higher customer contributions (€5.3 million), lower costs for general services and maintenance costs (€9.1 million) and one-off costs in 2011 pertaining to the old support mechanism for renewable energy (EEG: €2.1 million). However, the net profit for the first half of 2012 may not be extrapolated across all of 2012.

Net financial debt decreased with stable long-term debts as a result of monthly changes to the EEG mechanism. The total cash position at the end of June 2012 was €284.4 million, including pre-financing of €32.8 million for the EEG activity. 60% of these amounts is consolidated. It is expected that the pre-financing of the EEG cash position in the second half of the year will rise, resulting in the requirement for short-term financing.

Operational

In the first half of 2012, net offtake from the 50Hertz Transmission grid fell 2.8% (0.8 TWh) to 28.6 TWh. 50Hertz imported 8.0 TWh of electricity in the first half of 2012, compared to 8.3 TWh in the first half of 2011, mainly from Denmark and TenneT Germany. Total exports were 19.1 TWh, compared to 16.3 TWh in 2011, mainly to Poland.

Investments

To meet the requirements of grid users, 50Hertz Transmission invested €88.4 million in the first half of the year. Investments were mainly made in the connection of the Baltic 2 offshore wind farm in the Baltic Sea (€44.9 million) and the following onshore projects: South-West, North Line and Uckermark high-voltage connection (€14.2 million). Various measures were approved by the German government to ensure that the permitting process is accelerated in the future.

2. Significant events in the first half of 2012

Handover from Daniel Dobbeni to Jacques Vandermeiren and appointment of Catherine Vandenborre as new CCO
Daniel Dobbeni, CEO and Chairman of the Executive Committee, officially handed over the torch to Jacques Vandermeiren on 1 July 2012. The Executive Committee also welcomes Catherine Vandenborre as the new Chief Corporate Officer. She previously held the position of CEO of Belpex, the Belgian power exchange. When Belpex was included in the APX-Endex-Belpex group in 2011, she joined the Management Board of the APX-Endex group, in which Elia has a 20% shareholding.

Stevin: agreement of GRUP by the Flemish government
The Stevin project to expand the 380 kV grid up to the coast took an important turn on 1 June with the Flemish government’s agreement to the GRUP (regional land-use plan). The matter has now been submitted to the Council of State for its opinion. The grid expansion will enable the connection of the future offshore wind farms, of the subsea interconnection with the United Kingdom (Nemo) and later of the future grids in the North Sea. Grid expansion will also improve security of supply in West Flanders and in the port of Zeebrugge and will enable more decentralised generating facilities to be connected.

Security of supply
Given the current uncertainty regarding the future availability of the Doel 3 and/or Tihange 2 nuclear power plants, Elia is currently carrying out calculations and simulations regarding security of supply for winter 2012-2013 and the years ahead. The calculations and simulations are based on new scenarios regarding the availability of generating facilities. These figures will initially be submitted to the Minister for Energy, who is responsible for Belgium’s security of supply.

Conclusion of long-term credit facilities totalling €700 million
In June and July, Elia Transmission concluded four bilateral long-term credit facilities with the banks BNP Paribas Fortis, JP Morgan, KBC and Rabobank. These credit facilities (term: three years) are part of the refinancing of two €500 million bond loans due in April 2013 and May 2014. These credit facilities also contribute to the A- rating with stable outlook recently confirmed by S&P.

Construction activities begin in Schleswig-Holstein for the Northern line and planning approval for a section of the South-West line
50Hertz started construction work on the remaining section of the Northern line in Schleswig-Holstein. The line between Schwerin and Hamburg should be completed before winter; it is very important for the integration of renewable energies into the grid and for supplying Hamburg. In addition, the South-West Interconnector plays a key role in integrating renewable energy, especially when it comes to transmitting renewable electricity generated in the northeast of Germany to consumption centres in the southwest of Germany.

First German 10-year development plan
The first German 10-year development plan for deploying the "Energiewende" was submitted by the four German transmission system operators (Amprion, Transnet BW, TenneT and 50Hertz) in May to the Chancellor and the press. Some 3,800 km of new connections, the upgrading of 4,000 km of existing AC connections and four high-voltage DC corridors are necessary in order to, among other things, enable the transmission of renewable energy (wind and solar) from northern Germany to consumption centres in the south.

Luxembourg system operator, CREOS, shows confidence in Elia
As part of the interconnection project between the Belgian and Luxembourg high-voltage grids, Creos decided to make preparations to build a 400MW phase-shifter on the Schifflange site on the Belgian border. The phase-shifter will guide power flows, thus optimising safe grid operation. Creos recently entrusted an initial expertise assignment to Elia in the 2012 contracting phase. Elia's experience with the installation and management of four phase-shifters on Belgian territory is unique in Europe.

Cooperation in the Gulf
The 400 kV interconnection connecting the electricity grids of Saudi Arabia, Qatar, Kuwait, the United Arab Emirates, Bahrain and Oman recently became fully operational.
Elia is part of the consultancy consortium which carried out the operational studies (planning, stability, protection, etc.) for GCCIA (Gulf Cooperation Council Interconnection Authority, the operator of the interconnector connecting the six Gulf states to each other) in order to be able to guarantee the safe commissioning and operation of this new grid.
Elia also provides GCCIA with expertise in cooperation with other partners and on other subjects.

Atlantic Wind Connection takes a major step forward
The Atlantic Wind Connection project (the first offshore HVDC grid off the east coast of the United States) – in which, next to Elia via its subsidiary Eurogrid International, companies such as Google and Marubeni take part – has taken another important step forward. Following a detailed investigation and a public consultation, the US Department of the Interior declared that there are no competing projects in the areas put forward for the construction of the offshore grid off the Atlantic coast. Approval by the independent system operator, PJM – which means inclusion in the tariffs – is expected in 2013.

ENTSO-E presents its second Ten-year European Network Development Plan (TYNDP)
On 8 May, Daniel Dobbeni was a guest speaker at the European Parliament where he presented ENTSO-E's 2012 ten-year development plan that had recently been submitted for consultation. The study published in June reveals the need to upgrade or install some 51,500 km of high-voltage lines. This new infrastructure (up 1.3% per year) will, among other things, yield 125 GW of additional connection capacity for renewable energy sources. The future European grid will deliver high quality and security of supply for a very slight increase in grid tariffs (less than 2%).

3. Outlook – main risks and uncertainties for the next six months

No specific profit forecasts for the entire year can be given since the result for 2012 depends on parameters that will not be known (such as the inflation figure for December 2012) or calculated (such as the average Belgian 10-year interest rate, the beta of the Elia share and the total amount invested by Eurogrid/50Hertz) until the end of 2012.

Pursuant to Article 13 of the Royal Decree of 14 November 2007, the Elia Group confirms that the underlying risks facing the Company are the same as those described in the sections "Descriptions of the risks and uncertainties facing the company" and "Regulatory framework and tariffs" of the Group's consolidated annual report for 2011.

There are no significant events to report since 30 June 2012.

4. Declarations by responsible persons

Jacques Vandermeiren, Chief Executive Officer and Chairman of the Executive Committee, and Jan Gesquière, Chief Financial Officer and Vice-Chairman of the Executive Committee, declare that to the best of their knowledge:

- the interim condensed consolidated financial statements, prepared in accordance with IAS 34, faithfully reflect the assets, financial situation and results of the Elia Group and the consolidated companies;

- the interim report gives, in all material aspects, a true and fair view of the development of activities, the results and the position of the Elia Group and its consolidated subsidiaries, as well as the main transactions involving related parties and a description of the main risks and uncertainties facing the Elia Group for the rest of the financial year.

5. Auditors' Report

The full report is annexed in section 3.

6. Financial calendar

Interim information Q3 2012	*15 November 2012*
Publication of the 2012 annual results	*28 February 2013*
Availability of the 2012 Annual Report	*early April 2013*
General Meeting of Shareholders	*21 May 2013*
Interim information Q1 2013	*mid-May 2013*
Payment of the dividend for 2012	*early June 2013*

About Elia:

The Elia Group is organised around two electricity transmission system operators: Elia Transmission in Belgium and (in cooperation with Industry Funds Management) 50Hertz Transmission, one of the four German transmission system operators, active in the north and east of Germany. With more than 1,700 employees and a transmission grid comprising some 13,400 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top 5 TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources.

In addition to its system operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering services.

The Group operates under the legal entity Elia System Operator, a listed company whose reference shareholder is municipal holding company Publi-T.

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Annexes:

Condensed interim financial statements:
- Condensed consolidated statement of financial position
- Condensed consolidated income statement
- Condensed consolidated statement of comprehensive income
- Condensed consolidated statement of changes in equity
- Condensed consolidated statement of cash flows
- Notes on the interim financial information

ANNEXES

1. Condensed interim financial statements

1.1. Condensed consolidated statement of financial position (30 June 2012 – 31 December 2011)

(in million €)	30 June 2012	31 December 2011
Assets		
Non-current assets	5.186,2	5.145,1
Property, plant and equipment	3.191,8	3.150,5
Intangible assets	1.754,7	1.753,6
Trade and other receivables	123,1	120,3
Investments in equity-accounted investees	30,1	30,6
Other financial assets (including derivatives)	82,9	84,9
Deferred tax assets	3,6	5,2
Current assets	712,9	698,7
Inventories	15,1	16,3
Trade and other receivables	302,9	281,6
Income tax receivable	9,8	10,0
Cash and cash equivalents	354,2	385,6
Deferred charges and accrued revenues	30,9	5,2
Total assets	**5.899,1**	**5.843,8**
Equity and liabilities		
Equity	2.030,1	2.046,9
Equity attributable to owners of the Company	2.030,1	2.046,9
Share capital	1.500,6	1.500,6
Share premium	8,5	8,5
Reserves	83,7	67,6
Hedging reserve	(24,1)	(23,3)
Retained earnings	461,4	493,5
Non-controlling interest	0,0	0,0
Non-controlling interest	0,0	0,0
Non-current liabilities	3.160,7	3.203,5
Loans and borrowings	2.867,2	2.918,5
Employee benefits	106,0	108,1
Derivatives	36,5	35,2
Provisions	59,5	53,7
Deferred tax liabilities	71,9	67,6
Other liabilities	19,6	20,4
Current liabilities	708,3	593,4
Loans and borrowings	0,0	0,0
Provisions	26,4	24,5
Trade and other payables	446,0	366,1
Income tax payables	26,5	26,0
Accruals and deferred income	209,4	176,8
Total equity and liabilities	**5.899,1**	**5.843,8**

1.2. Condensed consolidated income statement (30 June 2012 – 30 June 2011)

(in million €)	30/06/2012	30/06/2011
Continuing operations		
Revenue	658,4	558,8
Raw materials, consumables and goods for resale	(3,2)	(3,5)
Gross profit	**655,2**	**555,3**
Other income	28,9	51,8
Services and other goods	(346,9)	(302,5)
Personnel expenses	(83,6)	(79,4)
Depreciation, amortization, impairment and changes in provisions	(79,6)	(70,4)
Other expenses	(9,2)	(8,3)
Results from operating activities (EBIT)	**164,8**	**146,5**
Net finance costs	(66,4)	(64,8)
Finance income	6,0	7,0
Finance costs	(72,4)	(71,8)
Share of profit of equity accounted investees (net of income tax)	(0,6)	0,7
Profit before income tax	**97,8**	**82,4**
Income tax expense	(24,8)	(21,0)
Profit from continuing operations	**73,0**	**61,4**
Profit for the period	**73,0**	**61,4**
Profit attributable to:		
Owners of the company	73,1	61,4
Non-controlling interest	0,0	0,0
Profit for the period	**73,1**	**61,4**

Earnings per share (€)		
Basic earnings per share	1,21	1,02
Diluted earnings per share	1,21	1,02

1.3. Condensed consolidated statement of comprehensive income (30 June 2012 – 30 June 2011)

(in million €)	**30/06/2012**	**30/06/2011**
Profit for the period	**73,1**	**61,4**
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges[1]	(1,2)	7,5
Tax on effective portion of changes in fair value of cash flow hedges	0,4	(2,5)
Defined benefit plan actuarial gains and losses[2]	(0,5)	(7,1)
Tax on defined benefit plan actuarial gains and losses	0,2	2,4
Exchange differences on translation of foreign operations	0,0	0,0
Other comprehensive income for the period, net of income tax	**(1,1)**	**0,3**
Total comprehensive income for the period	**72,0**	**61,7**
Profit attributable to:		
Owners of the company	72,0	61,7
Non-controlling interest	0,0	0,0
Total comprehensive income for the period	**72,0**	**61,7**

[1] The difference compared with 2011 can be explained by the fluctuation in the revaluation of derivatives.
[2] The difference compared with 2011 can be explained to a large extent by the change in the number of employees.

1.4. Condensed consolidated statement of change in equity (30 June 2012 – 30 June 2011)

(in million €)		**Share capital**	**Share premium**	**Hedging reserve**	**Foreign currency translation**	**Retained earnings**	**Total**	**Non controlling interests**	**Total equity**
Balance at 1 January 2011		1.500,6	8,5	(20,7)		518,8	2.007,2		2.007,2
Profit for the period						61,4	61,4		61,4
OCI: cash-flow hedges				5,0			5,0		5,0
OCI: exchange differences						(4,7)	(4,7)		(4,7)
Total comprehensive income for the period				5,0		56,7	61,7		61,7
Dividends						(84,5)	(84,5)		(84,5)
Balance at 30 June 2011		**1.500,6**	**8,5**	**(15,7)**		**491,0**	**1.984,5**		**1.984,5**
Balance at 1 January 2012		1.500,6	8,5	(23,3)	0,1	561,0	2.046,9		2.046,9
Profit for the period						73,1	73,1		73,1
OCI: cash-flow hedges				(0,8)			(0,8)		(0,8)
OCI: actuarial gain/(loss)						(0,3)	(0,3)		(0,3)
OCI: exchange differences									
Total comprehensive income for the period				(0,8)		72,8	72,0		72,0
Dividends						(88,7)	(88,7)		(88,7)
Balance at 30 June 2012		**1.500,6**	**8,5**	**(24,1)**	**0,1**	**545,1**	**2.030,2**		**2.030,2**

1.5. Condensed consolidated statement of cash flows (30 June 2012– 30 June 2011)

(in million €)	30 June 2012	30 June 2011
Cash flows from operating activities		
Profit for the period	73,0	61,4
Adjustments for:		
Net finance costs	68,2	67,7
Income tax expense	18,3	15,2
Profit or loss of equity accounted investees, net of tax	0,5	(0,7)
Depreciation of property, plant and equipment and amortisation of intangible assets	72,0	69,1
Gain on sale of property, plant and equipment and intangible assets	2,7	10,1
Impairment losses of current assets	0,4	7,1
Change in provisions	4,0	(4,4)
Change in fair value of derivatives	0,3	0,4
Change in deferred taxes	6,4	5,8
Changes in fair value of financial assets through profit or loss	0,0	(0,1)
Change in non-cash items	0,0	0,0
Gain on bargain purchase	0,0	0,0
Cash flow from operating activities	**245,8**	**231,6**
Change in inventories	0,9	(0,7)
Change in trade and other receivables	(24,2)	92,5
Change in other current assets	(25,7)	0,7
Change in trade and other payables	82,0	73,3
Change in other current liabilities	31,3	0,1
Changes in working capital	**64,3**	**165,9**
Interest paid	(122,0)	(122,7)
Income tax paid	(17,6)	(20,2)
Net cash from operating activities	**170,6**	**254,7**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(115,8)	(96,3)
Acquisition of subsidiary net of cash acquired	0,0	0,0
Acquisition of equity accounted investees	0,0	0,0
Acquisition of investment	(0,2)	0,0
Proceeds from sales of investments	0,0	0,1
Interest received	2,7	3,5
Net cash used in investing activities	**(113,3)**	**(92,7)**
Cash flow from financing activities		
Proceeds from issue share capital	0,0	0,0
Expenses related to issue share capital	0,0	0,0
Dividends paid (-)	(88,7)	(84,5)
Repayment of borrowings (-)	0,0	0,0
Proceeds from withdrawal borrowings (+)	0,0	0,0
Non-controlling interest	0,0	0,0
Net cash used in financing activities	**(88,7)**	**(84,5)**
Net increase (decrease) in cash and cash equivalents	**(31,4)**	**77,5**
Cash & Cash equivalents at 1 January	385,7	365,9
Cash & Cash equivalents at end of period	354,3	443,4
Net variations in cash & cash equivalents	(31,4)	77,5

2. Notes on the interim financial information

2.1. General information

Elia System Operator SA/NV (hereinafter "the company" or "Elia") is established in Belgium, having its head office at Boulevard de l'Empereur 20, B-1000 Brussels. The company's consolidated financial statements for the financial year 2011 include the financial statements for the company and its subsidiaries (hereinafter referred to as "the Group") and the Group's interests in joint ventures and associated companies.
Elia's core business is managing, maintaining and developing very-high-voltage grids (380 kV, 220 kV and 150 kV) and high-voltage grids (70 kV, 36 kV and 30 kV). It is responsible for transmitting electricity from power generators in Belgium, Germany or elsewhere in Europe to customers, particularly distributors and major industrial users.

This condensed consolidated interim report of the company for the six months to 30 June 2012 contains the balance sheet and results of the company and its subsidiaries (collectively referred to as "the Group") and the Group's interests in associated companies and jointly controlled entities.
The condensed consolidated interim financial statements were approved by the Board of Directors of Elia System Operator SA/NV on 29 August 2012.

2.2. Basis for preparation of the financial statements

The consolidated interim financial report for the first half of 2012, including the comparative figures for 2011, has been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 on Interim Financial Reporting, issued by the IASB and approved by the European Union.

The same financial reporting policies and valuation rules were used to prepare the interim consolidated financial statements as were used to prepare the consolidated financial statements for the year ending 31 December 2011. For more information, please refer to section 3, "Significant accounting policies", of the financial part of the annual report for 2011.

No new standards, amendments of standards or interpretations were early adopted.

2.3. Scope of consolidation

Company	30 June 2012	31 December 2011
Parent company:		
- Elia System Operator SA/NV	Full	Full
Subsidiaries:		
- Elia Asset SA/NV	Full	Full
- Elia Engineering SA/NV	Full	Full
- Elia Re SA	Full	Full
Joint ventures:		
- Eurogrid International SCRL	Proportionate	Proportionate
- Eurogrid GmbH	Proportionate	Proportionate
- 50Hertz Transmission GmbH	Proportionate	Proportionate
- 50Hertz Offshore GmbH	Proportionate	Proportionate
- Gridlab GmbH	Proportionate	Proportionate
- E-Offshore A LLC	Proportionate	Proportionate
- Atlantic Grid Investment A Inc	Proportionate	Proportionate
Associates:		
- HGRT SAS	Equity	Equity
- Coreso SA/NV	Equity	Equity
- APX-ENDEX bv	Equity	Equity
- Atlantic Grid A LLC	Cost price	Cost price
- EMCC GmbH	Cost price	Cost price
- CAO GmbH	Cost price	Cost price
- CASC-EU SA/NV	Cost price	Cost price

No changes were made to the scope of consolidation in 2012.

2.4. Seasonal fluctuations

The Group's profit profile follows a seasonal pattern, primarily due to the higher volumes of electricity consumed during the winter which have to be transmitted by the system operator from power generators to distributors and large industrial customers.

2.5. Segment reporting

2.5.1. Elia Transmission (Belgium)

Results Elia Transmission (in million €)	**30 June 2012**	**30 June 2011**
Revenue	399,6	399,0
Depreciation, amortisation, impairment and changes in provisions	(55,8)	(52,0)
EBITDA	166,7	178,0
Operating profit (EBIT)	111,0	126,0
Finance income	4,7	4,9
Finance costs	(64,2)	(63,3)
Income taxes	(10,3)	(15,8)
Basic earnings, attributable to the owners of the company	40,6	52,5
Balance sheet (in million €)	**30 June 2012**	**31 December 2011**
Total assets	4.470,7	4.473,8
Capital expenditures	53,0	118,1
Net financial debt	2.419,1	2.448,1

2.5.2. 50Hertz Transmission (Germany)

Results 50Hertz Transmission (Germany) (million €) 60% proportional consolidation	**30 June 2012**	**30 June 2011**
Revenue	288,1	211,9
Depreciation, amortisation, impairment and changes in provisions	(23,9)	(18,5)
EBITDA	77,7	39,0
Operating profit (EBIT)	53,8	20,5
Finance income	1,3	2,1
Finance costs	(8,3)	(8,4)
Income taxes	(14,5)	(5,2)
Basic earnings attributable to the owners of the company	32,4	9,0
Balance sheet (in million €)	**30 June 2012**	**31 December 2011**
Total assets	1.428,5	1.370,3
Capital expenditures	53,1	152,3
Net financial debt	93,9	84,8

2.5.3. Segment reporting: reconciliation

Consolidated results (million €)	30 June 2012	30 June 2012	30 June 2012	30 June 2012
	Elia Transmission (Belgium)	50Hertz Transmission (Germany)	Consolidation entries	Elia Group
Revenue	399,6	288,1	(0,4)	687,3
Depreciation, amortisation, impairment and changes in provisions	(55,8)	(23,9)	0,1	(79,6)
EBITDA	166,7	77,7	0,0	244,4
Operating profit (EBIT)	111,0	53,8	0,0	164,8
Finance income	4,7	1,3	0,0	6,0
Finance costs	(64,2)	(8,3)	0,1	(72,4)
Income taxes	(10,3)	(14,5)	0,0	(24,8)
Basic earnings attributable to the owners of the company	40,6	32,4	0,1	73,1
Balance sheet (in million €)	**30 June 2012**	**30 June 2012**	**30 June 2012**	**30 June 2012**
Total assets	4.470,7	1.428,5	(0,1)	5.899,1
Capital expenditures	53,0	53,1	0,0	106,1
Net financial debt	2.419,1	93,9	0,0	2.513,0

EBITDA = EBIT + depreciation / amortisation + changes in provisions

2.6. Dividends

On 15 May 2012, the shareholders approved payment of a gross dividend of €1.47 per share (€1.1025 net per share without VVPR strip or €1.1613 net per share with VVPR strip), which corresponds to a total gross dividend of €88.7 million.

2.7. Income tax rate

The ratio of income tax to pre-tax profit as detailed in the condensed consolidated income statement resulted in an income tax rate of 25.4% at the end of June 2012, in line with the tax rate of 25.5% seen at the end of June 2011.

2.8. Regulatory framework and tariffs

The most significant changes to the regulatory framework are discussed in the Interim Annual Report on page 2 (regulatory framework in Belgium) and on page 4 (regulatory framework in Germany).

2.9. Related parties

In the first half of the year, no transactions with related parties took place that had material effects on the Group's financial position and results.

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Report of the joint auditors to the shareholders of Elia System Operator NV/SA on the review of the condensed consolidated interim financial information as of 30 June 2012 and for the six months period then ended

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Elia System Operator NV/SA (the "Company") as at 30 June 2012 and the related condensed consolidated interim statements of income, changes in equity, comprehensive income and cash flows for the six-month period then ended, and explanatory notes ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted for use in the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

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Report of the joint auditors of to the shareholders of Elia System Operator NV/SA on the review of the interim condensed consolidated financial statements as of 30 June 2012 and for the six months then ended

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as of 30 June 2012 and for the six months then ended are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted for use in the European Union.

We want to draw attention to the uncertainties resulting from the final settlements arising from the tariff regulation mechanisms to be approved by the competent authorities, and the outcome of the tax audit as described in the annual report 2011.

Brussels, 29 August 2012

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