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Excellent results for the Elia Group thanks to strong performance in Germany

- ***Elia Group increases its dividend by 4.8% to €1.54.***
- ***At 50Hertz (Germany), ambitious investments coupled with reduced net finance costs and some one-off effects prompt a further solid increase in results.***
- ***Low ten-year long term interest rate continues to affect Elia's results (Belgium)***
- ***Investment programme in Belgium and Germany almost entirely realized and quality of electricity supply remains excellent.***
- ***Elia successfully completes €750 million Eurobond issue on very favourable financial terms***
- ***CREG approves Elia's adjusted transmission tariffs for the period 2012–2015.***

1. 2013 in a nutshell

The Elia Group, which comprises the two transmission system operators (TSOs) Elia and 50Hertz, is one of the top five TSOs in Europe. Once again in 2013, both transmission system operators successfully overcame the various challenges which they faced as a result of the altered energy landscape.

In 2013, Elia and 50Hertz once again posted outstanding results in terms of **security of supply** and **grid reliability**. In Belgium, during the first half of the year the nuclear power stations Doel 3 and Tihange 2 were still out of service, which resulted in significant imports of electricity from France and the Netherlands; however, this situation did not impact negatively on supply. Several operational initiatives were undertaken to ensure continued electricity supply, such as strategic reserves in Germany and boosting demand-response capacity in Belgium to cope with peaks in demand, among others.

In a bid to enable **renewable energy sources to be integrated**, planned onshore and offshore investment in both Belgium and Germany has now been either virtually fully realised or brought closer to release. Against this backdrop, streamlining the high-voltage grid with this decentralised generation model is and will continue to be one of the Elia Group's key tasks.

In 2013, Elia and 50 Hertz launched and backed a number of initiatives geared towards further **development of the European market**. Elia, for example, laid the foundations for market-price coupling within the NWE region, which came into operation in early February 2014.

The Elia Group is also looking to drive forward its **international ambitions**, by supplying its internal knowledge and skills to other TSOs and key players. Accordingly, the group has secured a range of consultancy missions, including for the Turkish company TEIAS and for stakeholders in the Middle East.

¹ Updated on 12 of March 2014 on pp. 12, 13, 16 and in section 2.b p. 18. The modifications on these pages are shown in italic in the text.

The Elia Group is also continuing to invest substantial amounts in **innovation**. The impact of **renewable energy technologies means that the electricity system needs to be adapted**. To achieve this, the Elia Group is working closely with many organisations, including ENTSO-E and the European Electricity Grid Initiative, and is involved in several large-scale R&D projects.

2013 was also an excellent year in **financial** terms. The Elia Group's profit was up 13.4%, while net financial debt was down by 6.1%. Elia Transmission also successfully issued Eurobonds worth €750 million. Furthermore the CREG Management Committee approved the adjusted tariff proposal submitted by Elia based on the altered method used to set transmission tariffs in May.

See section 3 for further information on the various significant events for the Elia Group in 2013.

2. Key figures

Consolidated 2013 results of the Elia Group, operator of the high-voltage grid in Belgium and of the 50Hertz high-voltage grid in Germany:

| Consolidated results (in million €) | 2013 | 2012 | Difference (%) |
|--|---------|---------|----------------|
| Total revenues and other income | 1,389.5 | 1,306.6 | 6.3% |
| - Revenues and other income | 1,389.5 | 1,345.6 | 3.3% |
| - One-off revenues and other income | 0.0 | (39.0) | n.r. |
| EBITDA* | 486.9 | 455.5 | 6.9% |
| Operating profit (EBIT*) | 345.4 | 305.4 | 13.1% |
| Net finance costs | (108.5) | (134.8) | -19.5% |
| Income tax expenses | (61.5) | (16.2) | 279.6% |
| - Income tax expenses | (61.5) | (55.2) | 11.4% |
| - One-off income taxes | 0.0 | 39.0 | n.r. |
| Profit attributable to the Owners of the Company | 175.8 | 155.0 | 13.4% |
| Basic earnings per share (€) | 2.90 | 2.57 | 12.8% |
| Dividend per share (€) | 1.54 | 1.47 | 4.8% |

| Consolidated statement of financial position (in million €) | 31 December 2013 | 31 December 2012 | Difference (%) |
|---|------------------|------------------|----------------|
| Total assets | 6,532.2 | 6,187.0 | 5.6% |
| Equity, attributable to the Owners of the Company | 2,209.1 | 2,108.5 | 4.8% |
| Net financial debt | 2,733.8 | 2,910.8 | -6.1% |
| Equity per share (€) | 36.5 | 34.9 | 4.4% |
| | | | |
| Number of shares (end of period) | 60,568,229 | 60,555,809 | 0.0% |
| Weighted average number of shares (end of period) | 60,565,541 | 60,362,361 | 0.3% |

EBIT = earnings before interest and taxes

EBITDA = EBIT + depreciation / amortization + changes in provisions

Financial

The Elia Group's **consolidated revenue** rose in 2013 due to an increase in operating income from Elia Transmission as well as from 50Hertz Transmission.

At Elia Transmission, one key reason for this increase was the one-off booking in 2012 of a liability vis-à-vis future tariffs, arising from the recognition of a deferred tax asset. Revenue was also up due to the higher

costs being passed on for ancillary services and increased use of the European grid due to Doel 3 and Tihange 2 remaining offline. 50Hertz Transmission's revenue was boosted by increased investment activity in Germany, partially offset by the disappearance of the EEG bonus and lower customer contributions to investment projects. Furthermore the revenue was positively impacted for the last time by the change in the regulatory framework, which already took effect last year. As from January 2012, the costs for new investments are recovered in the year in which they are incurred, whereas previously they were recovered with a two-year delay. For 2013 this means that the costs for new investments of two years were charged, namely for 2011 (old system) and 2013 (new system).

EBITDA and EBIT (up by 6.9% and 13.1% respectively) also benefited from this one-off booking in 2012. Disregarding this booking, EBITDA fell by 1.54% while EBIT remained largely stable (up just 0.29%). At Elia Transmission, disregarding the one-off booking in 2012, EBITDA and EBIT fell, primarily due to the impact of changes to pension commitments and CREG's decision concerning 2012 tariff balances. At 50Hertz, by contrast, EBITDA and EBIT rose, primarily as a result of the developments outlined above. Furthermore, increased personnel expenses and a reduced incentive mechanism on energy costs were offset by the lower regulatory provisions.

Consolidated net profit rose by 13.4%, despite the decline in net profit at Elia Transmission (Belgium) where the lower results were due mainly to changes in pension commitments. The decline in the fair remuneration due to the lower long-term interest rate was largely offset by an increase in the amount passed on in the tariffs for decommissioning of fixed assets. Furthermore, in 2013 figures were also affected by CREG's decision concerning 2012 tariff balances. At 50Hertz Transmission, in addition to the effects outlined above, the net result was also up as a result of a significant largely one-off discount effect on long-term provisions. All these factors contributed to 50Hertz Transmission's results for 2013 accounting for 56.14% of the Elia Group's consolidated net profit.

More details of the financial performance of the two constituent TSOs (Elia Transmission in Belgium and 50Hertz Transmission in Germany) are to be found in the individual segment reporting sections below.

The **net financial debt** fell by 6.1% to €2,733.8 million. This drop is due primarily to the rise in cash and cash equivalents at 50Hertz Transmission following the partial repayment of the significant pre-financing amounts assumed by 50Hertz Transmission in relation to the renewable-energy system in Germany (€484.8 million at the end of 2012 compared with €45.5 million at the end of 2013). The introduction of the offshore levy in 2013 also served to boost cash and cash equivalents. Finally, 50Hertz Transmission's net financial debt also decreased due to the repayment of two term loans totalling €200 million. This positive development has been partially offset by the increase in net financial debt at Elia Transmission. A long-term debt of €500 million falling due in April 2013 was refinanced via the issue of two new Eurobonds worth €750 million, which were also partially used for operational purposes.

Shareholders' equity for the Elia Group rose 4.8% compared with 31 December 2012 from €2,108.5 million to €2,209.10. The increase was due mainly to reservation of the 2013 profit and payment of dividends for 2012. As a result, equity per share rose from €34.90 to €36.50. NB: The number of shares rose by 12,420 on 20 March 2013 following a capital increase for personnel.

At the General Meeting of Shareholders to be held on 20 May 2014, the Board of Directors will recommend that a gross dividend of €1.54 per share be paid, i.e. a net dividend of €1.155 per share.

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

2013 results of Elia Transmission for its transmission system operator (TSO) activities in Belgium:

| Results Elia Transmission (in million €) - for the year ended 31 December | 2013 | 2012 | Difference (%) |
|--|-------------------------|-------------------------|-----------------------|
| Total revenues and other income | 832.7 | 770.1 | 8.1% |
| - Revenues and other income | 832.7 | 809.1 | 2.9% |
| - One-off revenues and other income | 0.0 | (39.0) | n.r. |
| EBITDA* | 313.9 | 291.6 | 7.6% |
| Operating profit (EBIT*) | 209.3 | 188.6 | 11.0% |
| Net finance costs | (109.2) | (117.5) | -7.1% |
| Income tax expenses | (23.4) | 17.5 | 233.7% |
| - Income tax expenses | (23.4) | (21.5) | 8.8% |
| - One-off income taxes | 0.0 | 39.0 | n.r. |
| Profit attributable to the Owners of the Company | 77.1 | 89.2 | -13.6% |
| Consolidated statement of financial position (in million €) | 31 December 2013 | 31 December 2012 | Difference (%) |
| Total assets | 4,885.9 | 4,618.4 | 5.8% |
| Net financial debt | 2,628.4 | 2,488.3 | 5.6% |

EBIT = earnings before interest and taxes

EBITDA = EBIT + depreciation / amortization + changes in provisions

Financial

In 2013, **Elia Transmission's revenue** in Belgium rose by 8.1% to €832.7 million compared with the same period last year. This increase is due mainly to the one-off deduction in 2012 of the deferred tax advantage on the transferable notional interest deduction reserve, and to higher costs in connection with ancillary services and use of the European grid. The table below provides more details of changes in the various revenue components.

| Detail revenues and other income (in million €) | 2013 | 2012 | Difference (%) |
|---|--------------|--------------|----------------|
| Grid connection revenue | 41.1 | 40.9 | 0.5% |
| Grid use revenue | 495.8 | 605.4 | -18.1% |
| Ancillary services revenue | 143.7 | 147.7 | -2.7% |
| International revenue | 67.8 | 31.1 | 118.0% |
| Transfers of assets from customers | 8.0 | 5.4 | 47.2% |
| Other revenue | 4.3 | 5.9 | -27.1% |
| Other income | 45.2 | 49.6 | -8.9% |
| Subtotal revenues & other income | 805.9 | 886.0 | -9.0% |
| Balance Settlement mechanism: Deviations from approved budget | (4.8) | (33.6) | n.r. |
| Balance Settlement mechanism: To be refunded to the tariffs of current period | 31.6 | (43.3) | n.r. |
| Subtotal recurring revenues and other income, incl. Balance settlement mechanism | 832.7 | 809.1 | 2.9% |
| - One-off revenues and other income | 0.0 | (39.0) | n.r. |
| Total revenues and other income | 832.7 | 770.1 | 8.1% |

Grid connection revenue remained stable compared with 2012 at €41.1 million.

Grid use revenue and **ancillary services revenue** fell by 18.1% and 2.7% respectively owing to the adjustment of the costs charged to generators following introduction of the new tariffs approved by CREG. Following the Court of Appeal ruling of 6 February 2013, which annulled the earlier decision approving the transmission tariffs for 2012–2015, CREG approved an adjusted tariff proposal on 16 May 2013. In the adjusted proposal, the tariff components for generators were revised downwards and offset in the tariff components for consumers. The new tariffs for ancillary services and system operation, which are applied to the offtake of energy, took effect on 1 June 2013. The new tariffs for grid use, which are applied to power, came into effect on 1 January 2014. The excess costs charged to generators since the start of the regulatory period 2012–2015 have been reimbursed and will be recovered through the new tariffs over the period 1 June 2013 to 31 December 2015.

International revenue rose by €36.7 million (up 118%), mainly due to higher congestion and auction revenue on the interconnections with the Netherlands and France owing to the unavailability of the Doel 3 and Tihange 2 nuclear power station units.

Following a significant decline in 2012 (down 56.1%), **revenue** from customer contributions to investments ("**transfers of assets from customers**") recovered partially and rose by €2.6 million (47.2%) compared with 2012.

Other revenue fell by 8.9% compared with 2012, primarily due to lower amounts being recovered from insurance policies.

The **settlement mechanism** encompasses deviations from the **budget approved by CREG** with regard to the non-controllable costs and revenue. The operational result was up by €4.8 million, primarily as a result of higher international revenue (€39.5 million), the lower actual average OLO (€17.2 million) and lower non-controllable costs (€5.1 million). This was largely offset by the higher incentive on replacement investments (-€1.6 million) and the lower tariff sales (down €62.9 million) following introduction of the new tariffs approved by CREG (see below). There was also a temporary tariff deficit (€31.6 million), which is being carried forward within the current tariff period.

The **passing on of the deferred tax benefit in future tariffs** (€39 million) booked in 2012 is the main reason for the increase in "total revenues and other income". This passing on, which does not impact the net profit, is the result of the recognition of the deferred tax benefit following a change in the legislation concerning notional interest deduction, which can now be effected on the basis of the transferable notional

interest deduction reserve built up during the period 2010-2011. This deferred tax benefit, booked as a tax reduction, was recognised as a tariff liability in 2012 seeing as the benefit will be passed on to the customer in full in the form of a reduction in future tariffs.

EBITDA (up 7.6%) and **EBIT** (up 11%) rose significantly in 2013 compared with 2012, mainly due to the one-off booking in 2012 (see "Passing on of the deferred tax benefit in future tariffs"). Furthermore, fair remuneration fell due to a decline in the OLO from 2.98% in 2012 to 2.43% in 2013, which was partially offset by the increase in the amount passed on in the tariffs for decommissioning of fixed assets. Finally, compared with 2012 the recalculation of the provisions for future personnel liabilities also impacted on the result.

Net **finance costs** (down 7.1%) fell by €8.3 million compared with 2012, mainly due to increased activated borrowing costs following higher levels of investment in 2013, and lower financial costs on loans with variable interest rates.

Income tax expense (up 233.7%) was negatively affected by the one-off recognition in 2012 of a deferred tax receivable for the future tax benefit arising from the notional interest deduction reserve. However, this had no impact on the net result, as the benefit will be channelled back into future tariffs (see 'Passing on of the deferred tax benefit in future tariffs').

Consolidated IFRS profit after income tax fell 13.6% from €89.2 million in 2012 to €77.1 million in 2013 due to the following items²:

1. decrease in regulated profit due to lower OLO (down €7.1 million);
2. increase in the amount passed on in the tariffs for decommissioning of fixed assets (up €5.8 million);
3. increase in the incentive on replacement investments (up €1.5 million);
4. lower cost savings and revenue (down €0.9 million);
5. one-off impact of CREG's decision concerning regulated balances from 2012 (down €1.2 million);
6. decrease in IFRS adjustments in 2013 compared with 2012 (down €10.2 million), mainly due to changes in pension commitments

Total assets increased by 5.8% to €4,885.9 million, while **net financial debt** rose by €140.1 million (5.6%).

Operational

The **load** measured on the Elia grid remained relatively stable at 80.5 TWh (down 1.6%). **Net offtake** from the Elia network also remained at the same level as in 2012 at 71.8 TWh compared with 71.2 TWh (a rise of 0.8%).

In 2013, Belgium was again a net importer of 9.6 TWh, compared with the 9.9 TWh of net imports in 2012. In 2013, volumes imported were slightly higher from France than from the Netherlands and Luxembourg and exports to the Netherlands increased slightly. Total electricity flows between Belgium and its neighbours also rose slightly by 4.6% to 24.8 TWh.

Investments

A net sum of €202.7 million³ was invested in 2013, mainly in upgrading high-voltage substations and laying high-voltage cables. For instance, the high-voltage substations at Beerse (70 kV), La Croyère (150 kV), Bevercé (70 kV), Rechteroever (36 kV), Nieuwe Vaart (150/36 kV), Montignies (150 kV), Antoing (150 kV), Lixhe (220 kV) and Villeroux (220 kV) among others were upgraded, decontaminated and/or renovated. Furthermore, new cables were laid between Schelleddorp, Hoboken and Wilrijk (70 kV), between Rodenhuize and Arcelor (150 kV), and between the BNP Paribas datacenters at Vaux-sur-Sûre and Bastogne, and the high-voltage lines between Van Eyck and Zutendaal (380 kV) and between Les Isnes and Waret (70 kV) were upgraded. Construction of a new administrative building on the Quai Monnoyer in Brussels was also completed.

² Items 1-5 relate to the regulatory framework in Belgium.

³ Including capitalisation of software, IAS 23 (Borrowing Costs) and IFRIC 18 (Transfers of Assets from Customers – with customer contributions to grid connections fully recognised in IFRS as revenue), this gives €223.21 million).

2.B. Segment reporting for 50Hertz Transmission

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 | 2013 | 2012 | Difference (%) |
|--|------------------|------------------|----------------|
| Total revenues and other income | 557.6 | 539.4 | 3.4% |
| EBITDA* | 173.1 | 163.9 | 5.6% |
| Operating profit (EBIT*) | 136.1 | 116.8 | 16.5% |
| Net finance costs | 0.7 | (17.5) | -104.0% |
| Income tax expenses | (38.2) | (33.6) | 13.7% |
| Profit attributable to the Owners of the Company | 98.7 | 65.8 | 50.0% |
| Consolidated statement of financial position (in million €) | 31 December 2013 | 31 December 2012 | Difference (%) |
| Total assets | 1,646.5 | 1,569.0 | 4.9% |
| Net financial debt | 105.5 | 422.5 | -75.0% |

EBIT = earnings before interest and taxes

EBITDA = EBIT + depreciation / amortization + changes in provisions

Financial

50Hertz Transmission's revenue was up 3.4% compared with the same period last year. This increase is mainly due to higher volumes of investment, which were partially offset by the disappearance of the EEG bonus and lower customer contributions to investment projects. Furthermore revenues were positively impacted for the last time by the change in the regulatory system, which already took effect last year. In 2013 costs for new investments were charged twice, namely for 2011 and for 2013. The **total revenues** are detailed in the table below.

| Detail revenues and other income (in million €) | 2013 | 2012 | Difference (%) |
|--|--------------|--------------|----------------|
| Vertical grid revenue | 543.7 | 392.2 | 38.6% |
| Horizontal grid revenue | 49.7 | 36.0 | 38.0% |
| Ancillary services revenue | 50.7 | 77.7 | -34.7% |
| Transfers of assets from customers | 1.4 | 3.9 | -64.6% |
| Other income | 21.8 | 32.3 | -32.0% |
| Subtotal revenues & other income | 667.3 | 542.1 | 23.1% |
| Deviations from approved budget (settlement mechanism) | (109.7) | (2.6) | 4,054.5% |
| Total revenues and other income | 557.6 | 539.4 | 3.4% |

Vertical grid revenue (tariffs end customers) rose by €151.5 million (38.6%). Due to the required expansion of the transmission system in Germany, the increased investment activities (onshore and offshore) are generating higher returns from vertical network tariffs. Revenue also rose due to the rise in planned energy costs (primarily redispatch), and the recovery of higher levels of costs for past ancillary services. Finally, the more significant offtake in peak volumes in 2013 resulted in increased revenue from vertical network tariffs.

Horizontal grid revenue (tariffs to TSOs) generally rose (up 38%) due to the higher volume of offshore investments, given that in Germany all offshore connection investments are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs. In view of the investment programme, these costs have risen sharply resulting in higher amounts being passed on in the tariffs.

Ancillary services revenue (down 34.7%) decreased by €27 million, primarily due to a fall in revenue from imbalances.

Other revenue fell by €10.3 million, mainly due to the disappearance of the EEG bonus granted in 2012 in respect of 2011. The mechanism for awarding EEG bonuses was completely overhauled in 2013 meaning that the amounts allocated and feasibility of securing a bonus at all were reduced substantially.

The **settlement mechanism** includes at 50Hertz, on the one hand, the annual offsetting of deficits and surpluses arising before 2013 (€2.5 million) and, on the other, the deviations in 2013 between the costs allowed to be passed on and the actual costs (-€112.2 million). The significant operational deviation is mainly due to the exceptionally low redispatch costs as a result of the low level of renewable energy generation, and the higher peak volumes invoiced compared with the budgeted volumes.

The sharp rise in **EBITDA** (up 5.6%) and **EBIT** (up 16.5%) is mainly due to investment. The disappearance of EEG bonuses, lower customer contributions to investment projects and higher personnel expenses were offset by lower regulatory provisions.

Net **finance costs** were positively influenced (down 104%) by a drop in interests that will be payable in the event of ongoing court cases being lost, and by a substantial discount effect on long-term provisions. In 2013, the German Federal Network Agency (BNetzA) decided that congestion and auction revenue no longer needed to be incorporated into tariffs within two years but could instead be spread over a 30-year period. This is because since 2012, congestion and auction revenue has to be used to fund investment which results in better congestion management. Due to this decision the congestion and auction revenue for 2012 and 2013, which need to be passed on in the tariffs, need to be discounted and result in an important and largely one-off financial income.

In addition to the significant increase in remuneration from investments, **net profit** (up 50%) was also boosted by exceptionally low net finance costs.

The increase in **income tax expense** is mainly the result of the change in pre-tax profit.

Total assets rose by 4.9% to €1,646.5 million. **Net financial debt** improved significantly due to the partial repayment of pre-financing of the EEG mechanism (€484.8 million as at the end of 2012, compared with €45.5 at the end of 2013). The charging of the new offshore levy and the repayment of the two term loans totalling €200 million prompted the substantial fall in net financial debt.

Operational

Net offtake from the 50Hertz grid in 2013 remained stable compared with that in 2012, at 58.1 TWh.

50Hertz imported 12.0 TWh of electricity (15.4 TWh in 2012), mainly from TenneT Germany and Poland, and exported 38.2 TWh (38.7 TWh in 2012), mainly to Poland and TenneT Germany. As a result, **net exports** of electricity were up by 13.3% from 23.2 TWh to 26.3 TWh.

Investments

To meet grid users' requirements, 50Hertz Transmission invested €402 million in 2013. This was 58.6% more than the €253.4 million invested in 2012.

The main **onshore investments** were in the South-West Coupling Line, the expansion of the Perleberg high-voltage substation and first-wave investment in the new 50Hertz headquarters. Via its subsidiary **50Hertz Offshore**, the majority of 50Hertz Transmission's investment was in a connection with the Baltic 2 offshore wind farm in the Baltic Sea.

3. Significant events in 2013

Elia successfully issues €750 million bond within its €3 billion EMTN programme

In early February Elia announced the launch of a Euro Medium Term Note (EMTN) programme for a total amount of €3 billion, enabling it to issue notes in series or tranches denominated in euros at various moments in time. An initial bond offering of €750 million was completed successfully on 26 March 2013. In so doing, Elia confirmed its financial strategy for the management of its debt through a mix of short-term, medium-term and long-term debt. The bond offering will also allow Elia to develop its business activities and pursue its contribution towards the further opening of the Belgian and European electricity markets and the integration of energy generated from renewable sources.

The four German TSOs publish the EEG charge (Renewable Energy Act) for 2014

As every year, on 15 October 2013 the four German transmission system operators published details of the EEG reallocation charge for 2014. End consumers will pay 6.240 eurocents per kWh to promote renewable energies in the power sector in 2014, meaning that the EEG charge in 2014 will be close to 20% above its level for 2013 (5.277 eurocents per kWh). The TSOs calculated the EEG charge for 2014 as a result of the change in German legislation, based on forecasts from independent experts. The result is a charge that will be worth a total of €23.6 billion. This includes a 'catch-up amount' for the past 12 months of nearly €2.2 billion, offsetting the difference between the income and expenditure forecast the previous year and the actual figures.

First section of Baltic 2 subsea cable laid

50Hertz is connecting the second offshore wind farm in the Baltic Sea to the grid. EnBW Baltic 2 can generate up to 288 MW. On 20 April 2013, the first section of subsea cable was connected to the Baltic 1 wind farm, through which the electricity generated by Baltic 2 will also be transmitted to the coast. A total of 60 kilometres of cable are due to be laid in the coming months. A second subsea cable is also being laid between the Baltic 1 platform and the Markgrafenheide landing point, near Rostock, after which it will be connected to the Bentwisch substation as part of the Baltic 2 connection.

50Hertz and Danish TSO Energinet.dk pursue the development of an offshore grid in the Baltic Sea

The two TSOs have concluded a cooperation agreement on the Kriegers Flak Combined Grid Solution (CGS). This project combines the connection of future Danish and German offshore wind farms with a new offshore interconnector linking the two countries. The decision is an important milestone for the promotion of renewable energy, international electricity trading and security of supply. The European Union has supported this flagship project from the outset.

European Commission closes the EU's first list of around 250 energy infrastructure projects – or Projects of Common Interest (PCIs)

This programme encourages projects focusing on facilitating planning and permit-granting procedures, on promoting transparency and improving legal terms.

Five 50Hertz projects feature on the list: the Kriegers Flak Combined Grid Solution, the Krajnik-Vierraden line with the installation of phase-shifting transformers, the third line between Poland and Germany, the South-West line and the South-East DC Passage. The following Elia projects are also included on the list, namely Alegro, NEMO, Belgian Offshore Grid and the interconnector with Luxembourg.

Elia Group consultancy mission for Turkish company TEIAS

In late September, staff from Turkish transmission system operator TEIAS (Turkish Electricity Transmission Corporation) made a study visit to Elia and RTE as part of a joint RTE/Elia consultancy mission for the Turkish grid operator with the aim of improving its work methods in view of the planned interconnection of the Turkish and European grids. The partnership between Elia and RTE for the TEIAS consultancy mission is based on four main issues: live work, safety, human resources and IT.

On 17 December, Elia signed the contract for the Review Grid Code TEIAS project. In 2014, the TEIAS Grid Code will be completely revised as part of the project. Elia was chosen from a group of major European players who applied for the mission. We will collaborate on the project with RTE International, a subsidiary of the French TSO, and Fichtner, i.e. a German engineering and consultancy company. The project is being financed by the European Union. The Grid Code is due to be completely reviewed by the end of this year.

4. Important events after 31 December 2013

There are no important events to report after 31 December 2013.

5. Outlook

Results for 2014

Given the impact of the long-term interest rate on the Belgian result and the fact that the Belgian result for 2014 depends on parameters which will only be known (e.g. the inflation figure for December 2014) or can only be calculated (e.g. the Belgian ten-year rate, the beta factor of the Elia share and the total Eurogrid/50Hertz investment), the Elia Group cannot make any concrete profit forecasts for 2014. In Germany, the outlook remains positive, although here, too, no concrete profit forecast can be given.

Investments in 2014

Elia Transmission expects to invest approximately €252.5 million, of which €35 million for the Stevin project, in the Belgian high-voltage grid in 2014, while 50Hertz Transmission is proposing an investment budget of €505.2 million for 2014.

Launch of a new initiative by Elia and 50Hertz

During the first half of 2014, Elia System Operator and 50Hertz will set up a new company to strengthen Elia's position when seeking possible acquisitions and to develop two activities, Consulting & Services and EPC/EPCM projects (Engineering, Procurement & Construction (Management)).

Negotiations with CREG regarding the future tariff method

In 2014, Elia will launch negotiations regarding the future tariff method. In June, CREG will start a round of consultations by circulating a new tariff method about which the stakeholders can submit their comments until September. Then in the autumn CREG will conduct bilateral discussions with these stakeholders with a view to publishing a new tariff method by the end of the year. The new tariff method will be applicable as from the following tariff period starting 1 January 2016.

Potential impact of advisory opinions issued by the auditor of the Council of State on the Stevin, Belgian Offshore Grid and Nemo projects

The auditor issued several negative advisory opinions in the context of the annulment proceedings with respect to Flanders' Regional Land-Use Plan which are currently under way in the Council of State, more specifically regarding the route of the Stevin project decided by the Flemish government. The Stevin project concerns the planned construction of a new high-voltage 380-kV connection between Zomergem and Zeebrugge. However, negative advisory opinions of this kind are not binding, and the Council of State is due to reach its definitive decision some time during 2014, probably in June.

These negative decisions will probably delay the project. Nonetheless, the Stevin project is crucially important not only for guaranteeing the security of supply in West Flanders and to the Port of Zeebrugge, but also for connecting the planned offshore wind farm to the grid. If the Stevin project does not go ahead, this will also have consequences for the Nemo project, involving the submarine cable link to the United Kingdom.

6. Progress of the work carried out by the joint statutory auditors

"The joint statutory auditors, Ernst & Young Bedrijfsrevisoren/Réviseurs d'Entreprises represented by Mr Marnix Van Dooren and Klynveld Peat Marwick Goerdeler Bedrijfrevisoren represented by Mr Alexis Palm, have confirmed that their audit procedures, which have been meticulously carried out, have not revealed any significant adjustments which would have to be made to the accounting data included in the present press release. However, the joint auditors do want to draw attention to the uncertainties relating to the final balances resulting from the regulation mechanisms that still need to be approved by the competent authorities, and resulting from the outcome of the tax audit as described in the 2012 annual report."

7. Financial calendar for 2014

| | |
|---|------------------|
| Publication of 2013 Annual Report | early April 2014 |
| Interim statement Q1 2014 | 16 May 2014 |
| 2013 General Meeting | 20 May 2014 |
| Payment of dividend for 2013 | early June 2014 |
| Publication of 2014 half-yearly results | 29 August 2014 |
| Interim statement Q3 2014 | 14 November 2014 |

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 1,900 employees and a transmission grid comprising some 18,300 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources.

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

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

Website: This press release and the annexes are available on www.elia.be

ANNEXES

- Consolidated statement of financial position (31 December 2013 - 31 December 2012)
- Consolidated income statement (2013 - 2012)
- Consolidated statement of comprehensive income (2013 - 2012)
- Consolidated statement of changes in equity
- Consolidated statement of cash flows (2013 and 2012)
- Segment reporting – reconciliation as at 31 December 2013

ANNEXES:

a. Consolidated statement of financial position

| | 31 December 2013 | 31 December 2012 |
|---|------------------------|------------------------|
| Assets | | |
| Non-current assets | 5,662.3 | 5,370.5 |
| Property, plant and equipment | 3,629.8 | 3,319.3 |
| Intangible assets | 1,758.4 | 1,757.0 |
| Trade and other receivables | 132.4 | 126.5 |
| Investments in equity-accounted investees | 23.4 | 34.3 |
| Other financial assets (including derivatives) | 89.4 | 90.3 |
| Deferred tax assets | 28.9 | 43.1 |
| Current assets | 869.9 | 816.5 |
| Inventories | 16.4 | 15.0 |
| Trade and other receivables | 402.0 | 625.7 |
| Income tax receivable | 4.7 | 4.7 |
| Cash and cash equivalents | 437.7 | 166.2 |
| Deferred charges and accrued revenues | 9.1 | 4.9 |
| Total assets | 6,532.2 | 6,187.0 |
| Equity and liabilities | | |
| Equity | 2,209.1 | 2,108.5 |
| Equity attributable to owners of the Company | 2,209.1 | 2,108.5 |
| Share capital | 1,506.9 | 1,506.5 |
| Share premium | 8.8 | 8.8 |
| Reserves | 97.2 | 83.7 |
| Hedging reserve | (18.1) | (24.3) |
| Retained earnings | 614.3 | 533.8 |
| Non-controlling interest | 0.0 | 0.0 |
| Non-controlling interest | 0.0 | 0.0 |
| Non-current liabilities | 2,845.6 | 2,650.2 |
| Loans and borrowings | 2,598.0 | 2,351.1 |
| Employee benefits | 106.9 | 118.6 |
| Derivatives | 27.5 | 36.7 |
| Provisions | 62.3 | 58.4 |
| Deferred tax liabilities | 32.8 | 66.0 |
| Other liabilities | 18.1 | 19.4 |
| Current liabilities | 1,477.5 | 1,428.3 |
| Loans and borrowings | 573.5 | 725.9 |
| Provisions | 21.6 | 29.6 |
| Trade and other payables* | 506.9 | 414.9 |
| Income tax payables | 76.9 | 40.9 |
| Accruals and deferred income* | 298.6 | 217.0 |
| Total equity and liabilities | 6,532.2 | 6,187.0 |

* These sections include a reclassification of the figures per 31 December 2012 for comparison reasons. For more details we refer to notes 6.15 and 6.16 of the consolidated financial statements 2013.

b. Consolidated income statement

| (in million €) | 2013 | 2012 |
|---|----------------|----------------|
| Continuing operations | | |
| Revenue | 1,323.0 | 1,228.0 |
| Raw materials, consumables and goods for resale* | (32.2) | (35.4) |
| Other income | 66.5 | 78.6 |
| Services and other goods* | (665.3) | (625.6) |
| Personnel expenses | (178.9) | (170.7) |
| Depreciation, amortization, impairment and changes in provisions | (141.5) | (150.1) |
| Other expenses | (26.2) | (19.4) |
| Results from operating activities (EBIT) | 345.4 | 305.4 |
| Net finance costs | (108.5) | (134.8) |
| Finance income | 14.5 | 12.9 |
| Finance costs | (123.0) | (147.7) |
| Share of profit of equity accounted investees (net of income tax) | 0.4 | 0.6 |
| Profit before income tax | 237.3 | 171.2 |
| Income tax expense | (61.5) | (16.2) |
| Profit from continuing operations | 175.8 | 155.0 |
| Profit for the period | 175.8 | 155.0 |
| Profit attributable to: | | |
| Owners of the Company | 175.8 | 155.0 |
| Non-controlling interest | 0.0 | 0.0 |
| Profit for the period | 175.8 | 155.0 |
| Earnings per share (€) | | |
| Basic earnings per share | 2.90 | 2.57 |
| Diluted earnings per share | 2.90 | 2.57 |

* These sections include a reclassification of the figures per 31 December 2012 for comparison reasons. For more details we refer to notes 5.3.1 of the consolidated financial statements 2013.

c. Consolidated statement of comprehensive income

| (in million €) - Year ended 31 December 2013 | 2013 | 2012 |
|---|--------------|---------------|
| Profit for the period | 175.8 | 155.0 |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Effective portion of changes in fair value of cash flow hedges | 9.2 | (1.5) |
| Tax on items that are or may be reclassified subsequently to profit or loss | (3.1) | 0.5 |
| Exchange differences on translation of foreign operations | (0.1) | 0.0 |
| Items that will never be reclassified to profit or loss: | | |
| Defined benefit plan actuarial gains and losses | 11.0 | (14.9) |
| Tax on items that will not be reclassified to profit or loss | (3.7) | 5.0 |
| Other comprehensive income for the period, net of income tax | 13.3 | (10.9) |
| Total comprehensive income for the period | 189.1 | 144.1 |
| Profit attributable to: | | |
| Owners of the Company | 189.1 | 144.1 |
| Non-controlling interest | 0.0 | 0.0 |
| Total comprehensive income for the period | 189.1 | 144.1 |

d. Consolidated statement of changes in equity

| (in million €) | Share capital | Share premium | Hedging reserve | Foreign currency translation | Reserves | Retained earnings | Total | Non controlling interests | Total equity |
|---|---------------|---------------|-----------------|------------------------------|-------------|-------------------|---------------|---------------------------|---------------|
| Balance at 1 January 2012 | 1,500.6 | 8.5 | (23.3) | 0.1 | 67.6 | 493.4 | 2,046.9 | | 2,046.9 |
| Profit for the period | | | | | | 155.0 | 155.0 | | 155.0 |
| OCI: cash-flow hedges | | | (1.0) | | | | (1.0) | | (1.0) |
| OCI: actuarial gain/(loss) | | | | | | (9.9) | (9.9) | | (9.9) |
| Total comprehensive income for the period | | | (1.0) | | | 145.1 | 144.1 | | 144.1 |
| Transactions with owners, recorded directly in equity <i>Contributions by and distributions to Owners</i> | | | | | | | | | |
| Shares issued | 5.0 | 0.3 | | | | | 5.3 | | 5.3 |
| Share-based payment expense | 0.9 | | | | | | 0.9 | | 0.9 |
| Transfer to legal reserve | | | | | 16.1 | (16.1) | | | |
| Dividends | | | | | | (88.7) | (88.7) | | (88.7) |
| Total transactions with Owners | 5.9 | 0.3 | | | 16.1 | (104.8) | (82.5) | | (82.5) |
| Balance at 31 December 2012 | 1,506.5 | 8.8 | (24.3) | 0.1 | 83.7 | 533.7 | 2,108.5 | | 2,108.5 |
| Balance at 1 January 2013 | 1,506.5 | 8.8 | (24.3) | 0.1 | 83.7 | 533.7 | 2,108.5 | | 2,108.5 |
| Profit for the period | | | | | | 175.8 | 175.8 | | 175.8 |
| OCI: cash-flow hedges | | | 6.1 | | | | 6.1 | | 6.1 |
| OCI: actuarial gain/(loss) | | | | | | 7.3 | 7.3 | | 7.3 |
| OCI: exchange differences | | | | (0.1) | | | (0.1) | | (0.1) |
| Total comprehensive income for the period | | | 6.1 | (0.1) | | 183.1 | 189.1 | | 189.1 |
| Transactions with owners, recorded directly in equity <i>Contributions by and distributions to Owners</i> | | | | | | | | | |
| Shares issued | 0.3 | 0.1 | | | | | 0.4 | | 0.4 |
| Share-based payment expenses | 0.1 | 0.0 | | | | | 0.1 | | 0.1 |
| Transfer to legal reserve | | | | | 13.5 | (13.5) | | | |
| Dividends | | | | | | (89.0) | (89.0) | | (89.0) |
| Total transactions with Owners | 0.4 | 0.1 | | | 13.5 | (102.5) | (88.5) | | (88.5) |
| Balance at 31 December 2013 | 1,506.9 | 8.9 | (18.2) | | 97.2 | 614.3 | 2,209.1 | | 2,209.1 |

e. Consolidated statement of cash flows

| (in million €) | 2013 | 2012 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| Profit for the period | 175.8 | 155.0 |
| Adjustments for: | | |
| Net finance costs | 108.5 | 135.1 |
| Other non-cash items | 0.1 | 4.6 |
| Income tax expense | 87.3 | 50.1 |
| Profit or loss of equity accounted investees, net of tax | (0.4) | (0.6) |
| Depreciation of property, plant and equipment and amortisation of intangible assets | 149.7 | 148.3 |
| Gain on sale of property, plant and equipment and intangible assets | 7.7 | 3.2 |
| Impairment losses of current assets | 13.0 | 1.5 |
| Change in provisions | (5.7) | 0.3 |
| Change in fair value of derivatives | (1.4) | 0.7 |
| Change in deferred taxes | (25.9) | (34.0) |
| Changes in fair value of financial assets through profit or loss | 0.0 | 0.3 |
| Cash flow from operating activities | 508.7 | 464.5 |
| Change in inventories | (1.8) | 0.6 |
| Change in trade and other receivables | 215.4 | (351.2) |
| Change in other current assets | (4.4) | 0.4 |
| Change in trade and other payables | 56.6 | 2.5 |
| Change in other current liabilities | 90.6 | 112.6 |
| Changes in working capital | 356.4 | (235.1) |
| Interest paid | (134.3) | (142.8) |
| Interest received* | 3.2 | 6.1 |
| Income tax paid | (51.3) | (30.0) |
| Net cash from operating activities | 682.8 | 62.8 |
| Cash flows from investing activities | | |
| Acquisition of intangible assets | (10.1) | (11.9) |
| Acquisition of property, plant and equipment | (450.2) | (305.3) |
| Acquisition of subsidiary net of cash acquired | 0.0 | 0.2 |
| Acquisition of equity accounted investees | (0.1) | (3.1) |
| Acquisition of investment | (3.7) | (0.3) |
| Proceeds from sale of property, plant and equipment | 1.6 | 1.9 |
| Proceeds from sales of investments | 11.6 | 0.0 |
| Net cash used in investing activities | (450.9) | (318.5) |
| Cash flow from financing activities | | |
| Proceeds from issue share capital | 0.4 | 5.3 |
| Expenses related to issue share capital | 0.0 | (0.2) |
| Dividends paid (-) | (89.3) | (88.7) |
| Repayment of borrowings (-) | (619.7) | 0.0 |
| Proceeds from withdrawal borrowings (+) | 748.2 | 120.0 |
| Net cash flow from (used in) financing activities | 39.6 | 36.4 |
| Net increase (decrease) in cash and cash equivalents | 271.5 | (219.3) |
| Cash & Cash equivalents at 1 January | 166.2 | 385.6 |
| Cash & Cash equivalents at 31 December | 437.7 | 166.3 |
| Net variations in cash & cash equivalents | 271.5 | (219.3) |

*These sections include a reclassification of the figures per 31 December 2012 for comparison reasons.
For more details we refer to the section "Consolidated statement of cash flows" in the consolidated financial statements 2013.

f. Segment reporting - reconciliation

| Consolidated results (in million €) | 2013 | 2013 | 2013 | 2013 |
|--|-----------------------------|--------------------------------|-----------------------|------------------|
| | Elia Transmission (Belgium) | 50Hertz Transmission (Germany) | Consolidation entries | Elia Group |
| Total revenues and other income | 832.7 | 557.6 | (0.8) | 1,389.5 |
| Depreciation, amortization, impairment and changes in provisions | (104.5) | (37.0) | 0.0 | (141.5) |
| EBITDA | 313.9 | 173.1 | (0.1) | 486.9 |
| Operating profit (EBIT) | 209.3 | 136.1 | 0.0 | 345.4 |
| Finance income | 13.7 | 0.9 | (0.1) | 14.5 |
| Finance costs | (122.9) | (0.2) | 0.1 | (123.0) |
| Income tax expenses | (23.4) | (38.2) | 0.1 | (61.5) |
| Profit attributable to the Owners of the Company | 77.1 | 98.7 | 0.0 | 175.8 |
| Consolidated statement of financial position (in million €) | 31 December 2013 | 31 December 2013 | 31 December 2013 | 31 December 2013 |
| Total assets | 4,885.9 | 1,646.5 | (0,2) | 6,532.2 |
| Capital expenditures | 223.2 | 247.7 | 0,0 | 470.9 |
| Net financial debt | 2,628.4 | 105.5 | (0,1) | 2,733.8 |

2. Notes to the financial information

a. Basis of preparation

The consolidated financial information in this press release has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union.

These consolidated financial statements are an extract from the consolidated financial statements that will be published in April 2014.

The consolidated financial statements were approved for publication by the Board of Directors of Elia System Operator NV/SA on 27 February 2014.

b. Significant accounting policies used for preparation of the financial statements/Changes in accounting policies⁴

The same financial reporting policies and valuation rules were used to prepare the Elia Group's consolidated financial statements for the financial year ending 31 December 2013 as were used to prepare the consolidated financial statements for the financial year ending 31 December 2012 (see section 3, 'Significant accounting policies' of the financial part of the annual report for 2012), as published in April 2013, with the exception of the application of the new, revised or amended IASB standards below, which came into effect of 1 January 2013:

- amendment to IAS 1 Presentation of Items of Other Comprehensive Income;
- *amendment to IAS 12 Recovery of underlying assets*
- amendment to IAS 19 Employee Benefits;
- amendment to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities;
- improvements to IFRS (issued May 2012);
- IFRS 13 Fair Value Measurement;
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and*
- *Amendments to IFRS 1 Government Loans.*

Not all of these new, revised or amended standards had impact on the Elia Group's consolidated financial statements. For more details we refer to consolidated financial statements 2013 under section 3.1.

The Elia Group did not early adopt any new standards, amendments of standards or interpretations.

c. Scope of consolidation

No changes were made to the consolidation scope in 2013.

d. 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.

e. Segment reporting

We refer to the financial section of this press release (parts 1.A and 1.B), and to part 1.f of the Annexes.

⁴ This paragraph has been updated on 12 of March 2014 to be aligned with the text in the notes.