

# FY 2009 consolidated results

**Brussels**

**February 26<sup>th</sup>, 2010**



Powering a world in progress

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# Agenda

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## Summary

Operational highlights

Financials 2009

Outlook 2010

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# Summary

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- **Operational highlights**

- **Decrease of yearly consumption, mostly due to economic crisis**
- **Full realisation of investment plan**
- **Excellent network reliability**
- **Amongst the lowest tariffs in Europe for the 7<sup>th</sup> year in a row**
- **Further investments towards an integrated EU electricity market**

- **Financials 2009**

- **Profit above target despite lower OLO**
- **Successful realisation of € 1 billion Eurobond**
- **Dividend increased to € 1,38 a share**

- **Outlook 2010**

- **Net profit - Transfer pricing agreement with regulator**
- **Capex**
- **Market integration**

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# Agenda

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Summary

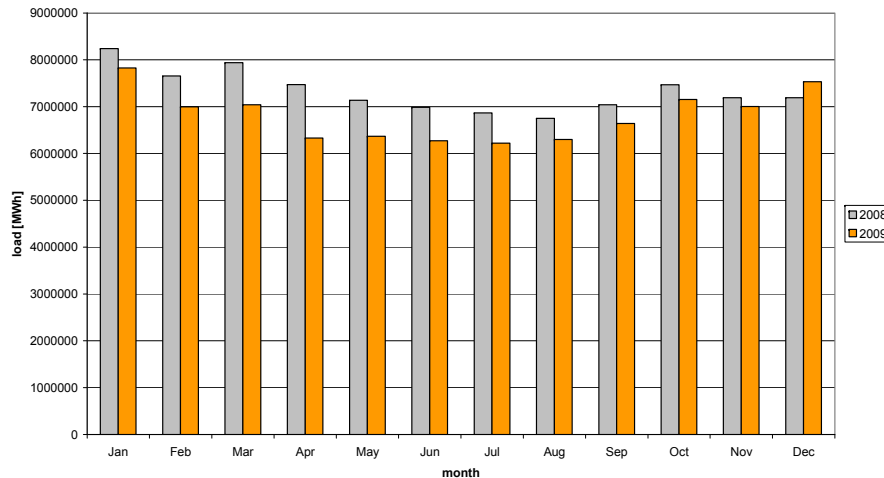
**Operational highlights**

Financials 2009

Outlook 2010

# 1. Energy Consumption in Elia's balancing zone

Monthly Elia Load 2009



**Yearly energy consumption** as seen from Elia's network decreased to 81.8 TWh (88.3 TWh in 2008)

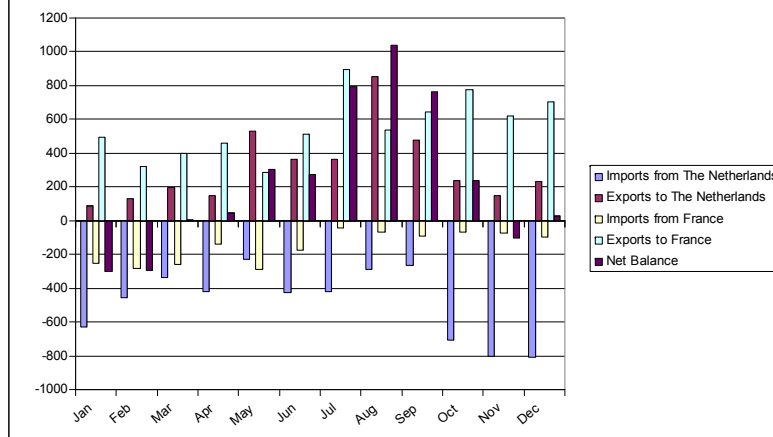
## Main reasons

- Economic crisis throughout the year
- Increasing local generation at customer sites
- Increasing generation from renewable sources at distribution level

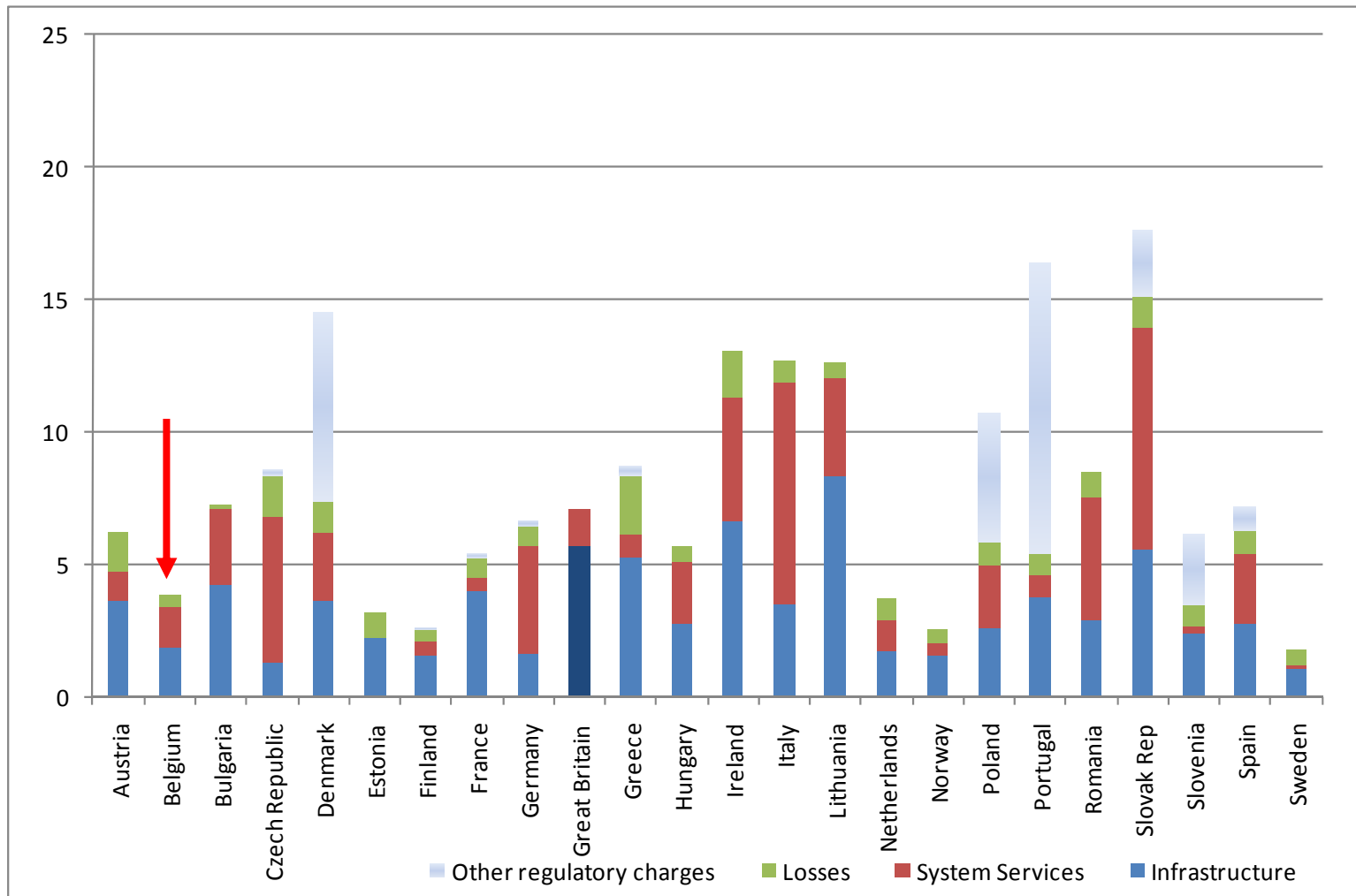
**Net export** of 1.8 TWh  
first net export figure in many years mainly to France

**No impact on regulated profit**

Imports and exports per month in 2009

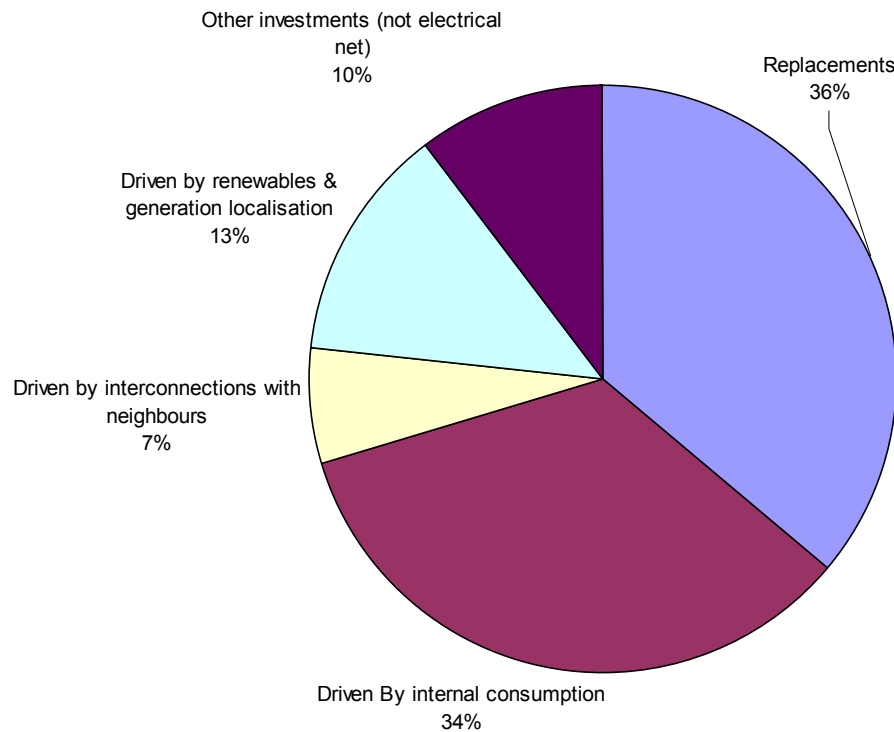


## 2. Among the lowest tariffs in Europe



# 3. Investments 2009

**CAPEX 2009**  
**€ 121.5 m**



- **Capex adjusted**  
(from € 157.1 million initially)

- **Main reasons**

- decreased consumption
  - postponement customer projects
- in line with autofinancing

- **Main drivers**

- RES integration
- internal demand
- reliability (replacements)

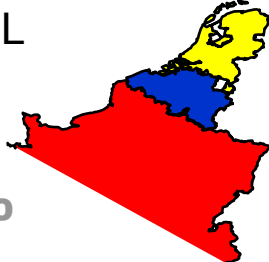
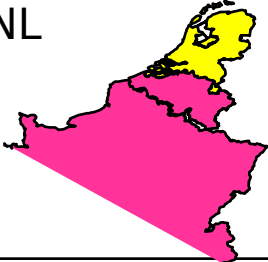
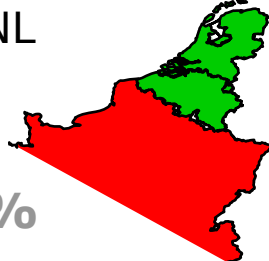
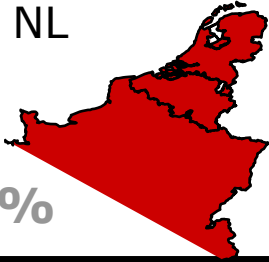
- **Excellent network reliability**

Year	Average Interruption Time	Number of Interruptions
	Minutes	
<b>2009</b>	<b>1,53</b>	<b>48</b>
2008	3,12	85
2007	3,54	83
2006	5,23	145
2005	8,4	132



## 4. FR-BE-NE TLC 2009: excellent price convergence

Means more competitive wholesale prices in Belgium

Border	Belgian-French border		
		Constrained	<b>Unconstrained</b>
<b>Belgian-Dutch border</b>	Constrained	$F \neq B \neq NL$  <b>1.6 %</b>	$F = B \neq NL$  <b>70 %</b>
	<b>Unconstrained</b>	$F \neq B = NL$  <b>85.2 %</b>	$F = B = NL$  <b>56,8 %</b>

# 5. Coreso: pro-active TSO coordination

## First Regional Technical Coordination Service Center

- **Operational since 16 Feb 2009**
- **24h/day since 29th June 2009**
- **Security analysis for day-ahead**
- **Research for remedial actions**
- **Examples**
  - Improvement of security of supply:
    - preventing major constraints induced by equipment faults undetectable by TSOs
    - remedial actions to reduce level of constraints impacting several TSOs
    - coordinating discussions between TSOs involved in remedial actions (eg. phase shifters)
  - Reducing re-dispatching cost for TSOs



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## 6. Contracts with third parties

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- **Third party services**
  - ✓ Industrial customers & Distribution System Operators
- **Training**
  - ✓ TSOs Maghreb countries
  - ✓ General courses for bankers, lawyers, consultants, etc.
- **Consulting**
  - ✓ Gulf Cooperation Council Interconnection Authority
  - ✓ Entso-E contract in Ukraine
- **MOU with RTE**
  - ✓ Cooperation in activities in Middle-East and US

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# Agenda

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Summary

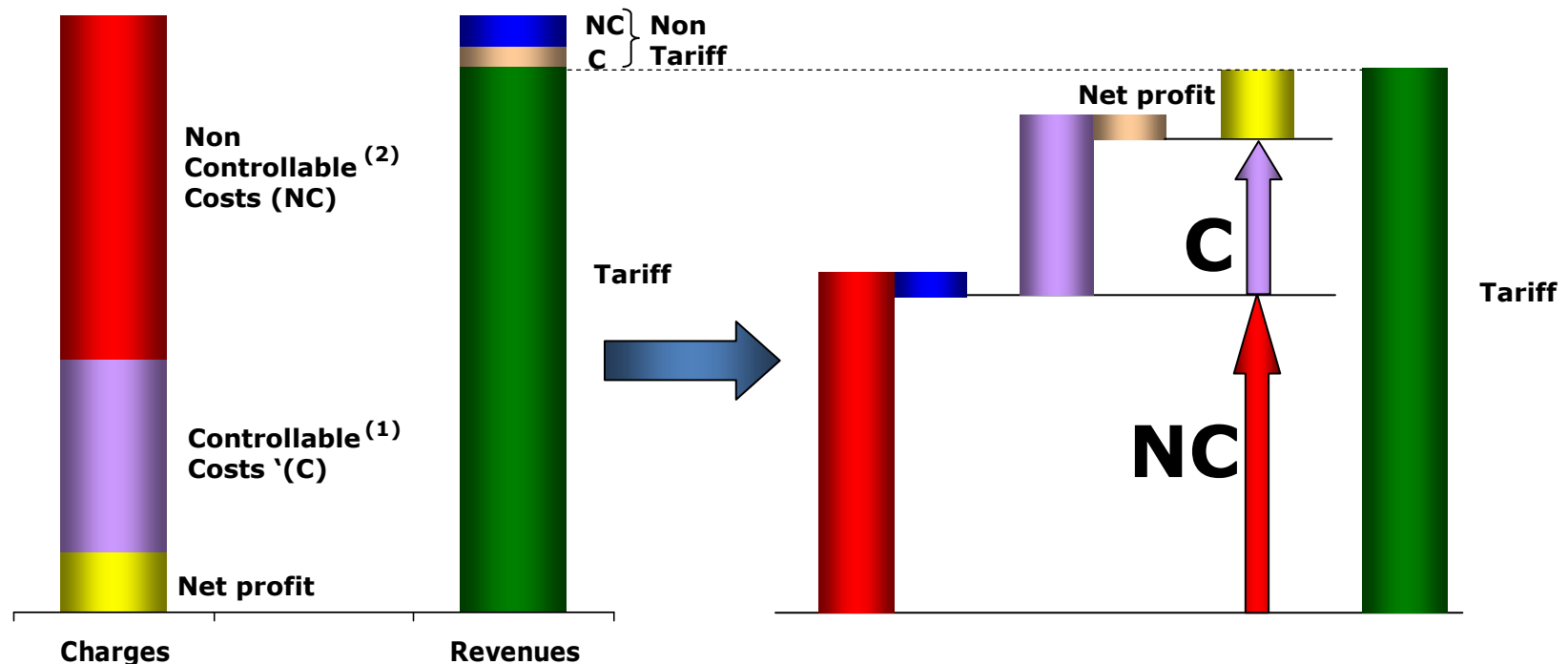
Operational highlights

**Financials 2009**

Outlook 2010

# 4-year fixed tariff system with netting of costs & revenues

Reclassify costs, revenues => controllable & non-controllable



- (1) Mainly consists of purchases of materials, services and other goods & remuneration except the ancillary services & pension costs for retired employees
- (2) Mainly consists of Telecom services, Third party services, surplus value on sale fixed assets and insurance claims

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# Composition of net profit

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## 1. Fair remuneration (€ 59,2m in budget 2009)

- Equity remuneration based on formula
- Deduction over-depreciation of the past (€ 8,2m net) till Q3 2012

## 2. Decommissioning (€ 14,2 m in budget 2009)

- Goodwill from decommissioning included in tariffs
- Reserved for financing future investments

## 3. Incentivisation on controllable costs (€ 6 m in budget 2009)

- Ceiling = same amount as efficiency gain (X-factor)

## 4. New: Transfer pricing agreement

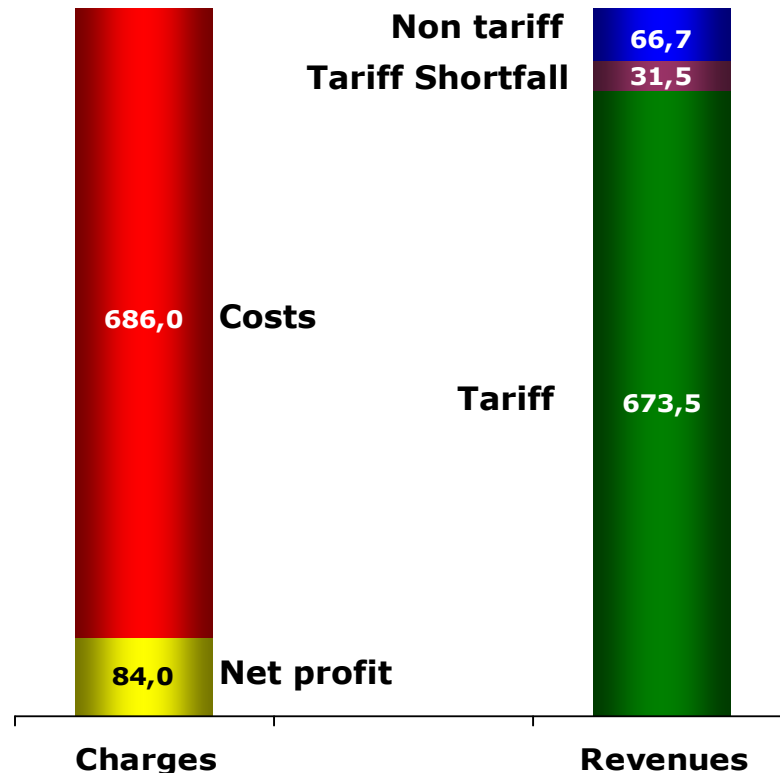
- 60% of the margin on the results of foreign consulting activities
- Financial participations in RAB : dividends & surplus values
  - 60% to Elia and 40% to tariff reductions
- Financial participations outside RAB
  - All costs & revenues outside Belgian regulation

## Overview of Key 2009

Income statement (€ million)	IFRS		Change In %
	2009	2008	
Consolidated turnover	771,3	757,3	1,8%
EBITDA (1)	327,9	334,1	-1,9%
Operating result (EBIT)	225,8	237,9	-5,1%
Financial result	(120,5)	(109,3)	10,2%
Taxes	(20,0)	(27,2)	-26,5%
Consolidated net profit	84,0	103,1	-18,5%
Net profit per share (€)	1,740	2,145	-18,9%
Dividend per share (€)	1,38	1,37	0,7%
Balance sheet (€ million)	2009	2008	
Total assets	4.420,0	4.228,1	4,5%
Equity	1.365,4	1.348,1	1,3%
Net debt	2.453,8	2.370,5	3,5%
Equity per share (€)	28,29	28,04	0,9%
Total number of shares (end of period)	48.270.255	48.076.949	0,40%

# 2009 IFRS Profit and Loss

## Bottom-up Approach of Elia's P&L in 2009 (EUR m): calculation of net profit



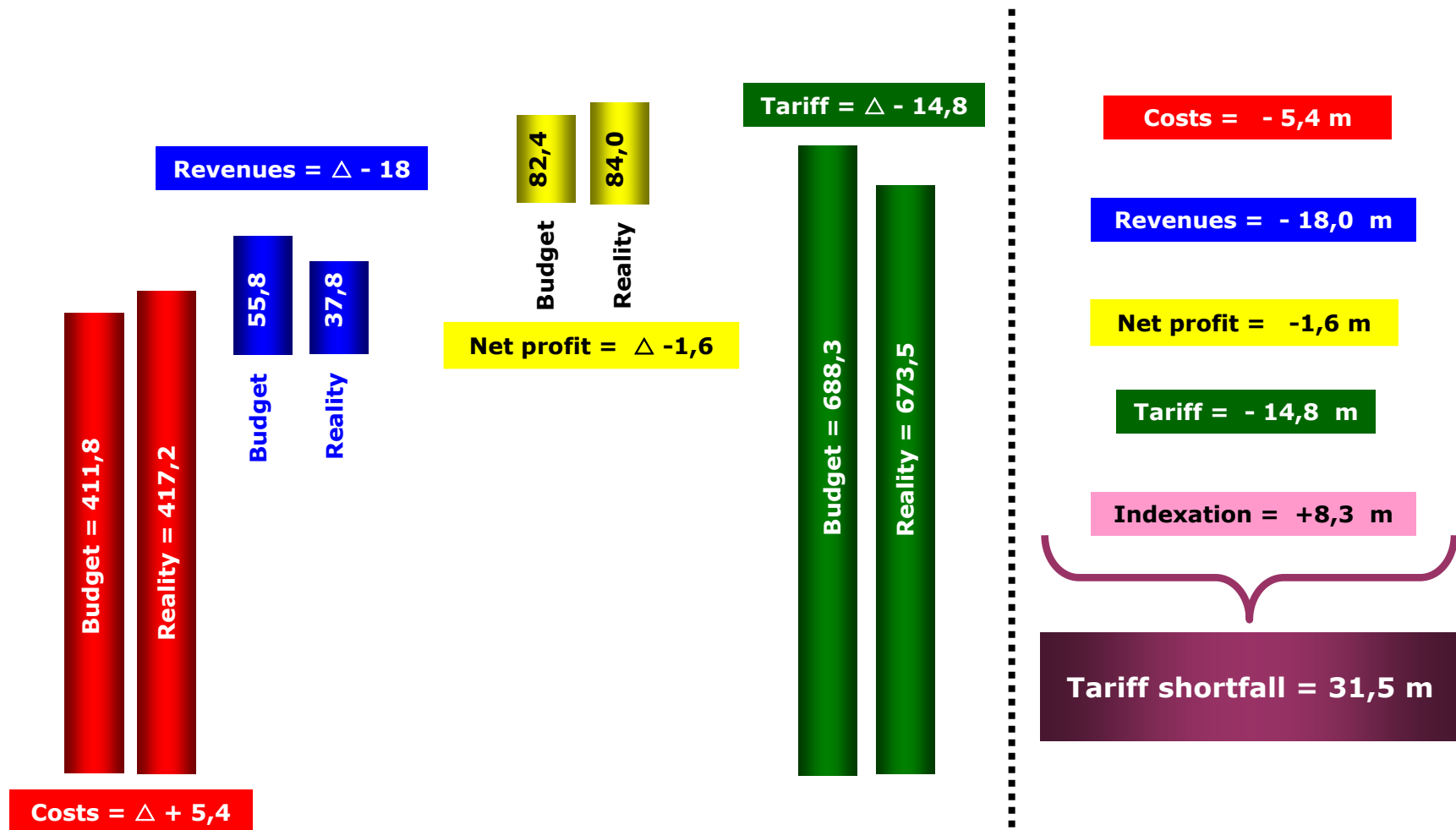
- (1) OLO of 3,9431%; Beta of 0,300 and a risk premium of 3,5%  
 (2) Av. Equity = 1.344 and Av. Assets = 3.765  
 (3) OLO of 3,9431% & deviation rate of 70 bp

	2009 A	2009 E
Average RAB 2009	3.765	3.688
Reference equity (33%)	1.242	1.217
Cost of equity	4,99% <sup>(1)</sup>	5,08%
<b>Equity reference remuneration (A)</b>	<b>62,0</b>	<b>61,9</b>
Av. equity / Av. assets	35,70% <sup>(2)</sup>	36,25%
Deviation on ref. equity	2,70% <sup>(3)</sup>	3,25%
Equity deviation remuneration	4,64%	4,63%
<b>s-factor (B)</b>	<b>4,7</b>	<b>5,5</b>
<b>Over-depreciation (C)</b>	<b>-8,2</b>	<b>-8,2</b>
<b>Fair remuneration (A+B+C)</b>	<b>58,6</b>	<b>59,2</b>
<b>Goodwill decommissioning</b>	<b>15,4</b>	<b>14,2</b>
<b>Controllable cost incentive</b>	<b>6,3</b>	<b>6,0</b>
<b>Result from transfer pricing</b>	<b>0,7</b>	
<b>Others</b>	<b>0,3</b>	<b>0,0</b>

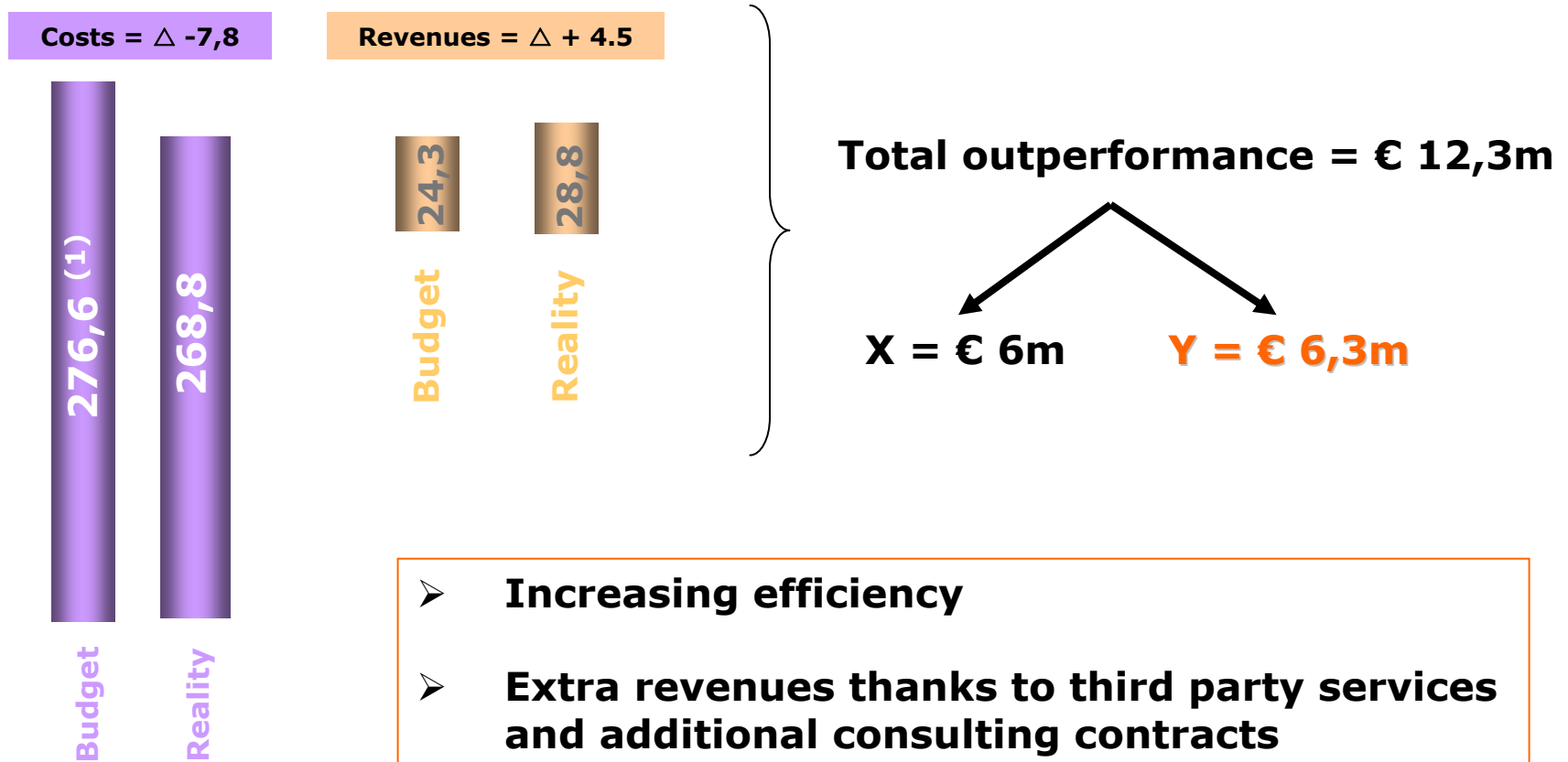
<b>Net profit Belgian GAAP (tariffs)</b>	<b>81,3</b>	<b>79,4</b>
<b>Consolidation Belpex</b>	<b>0,3</b>	
<b>IFRS reconciliation</b>	<b>2,4</b>	
<b>Net profit IFRS</b>	<b>84,0</b>	



# Non controllable items : Budget <> Reality



# Controllable items : Budget <> Reality



(1) Consist of € 284,9m agreed by CREG minus € 8,3m indexation correction to give back to tariffs

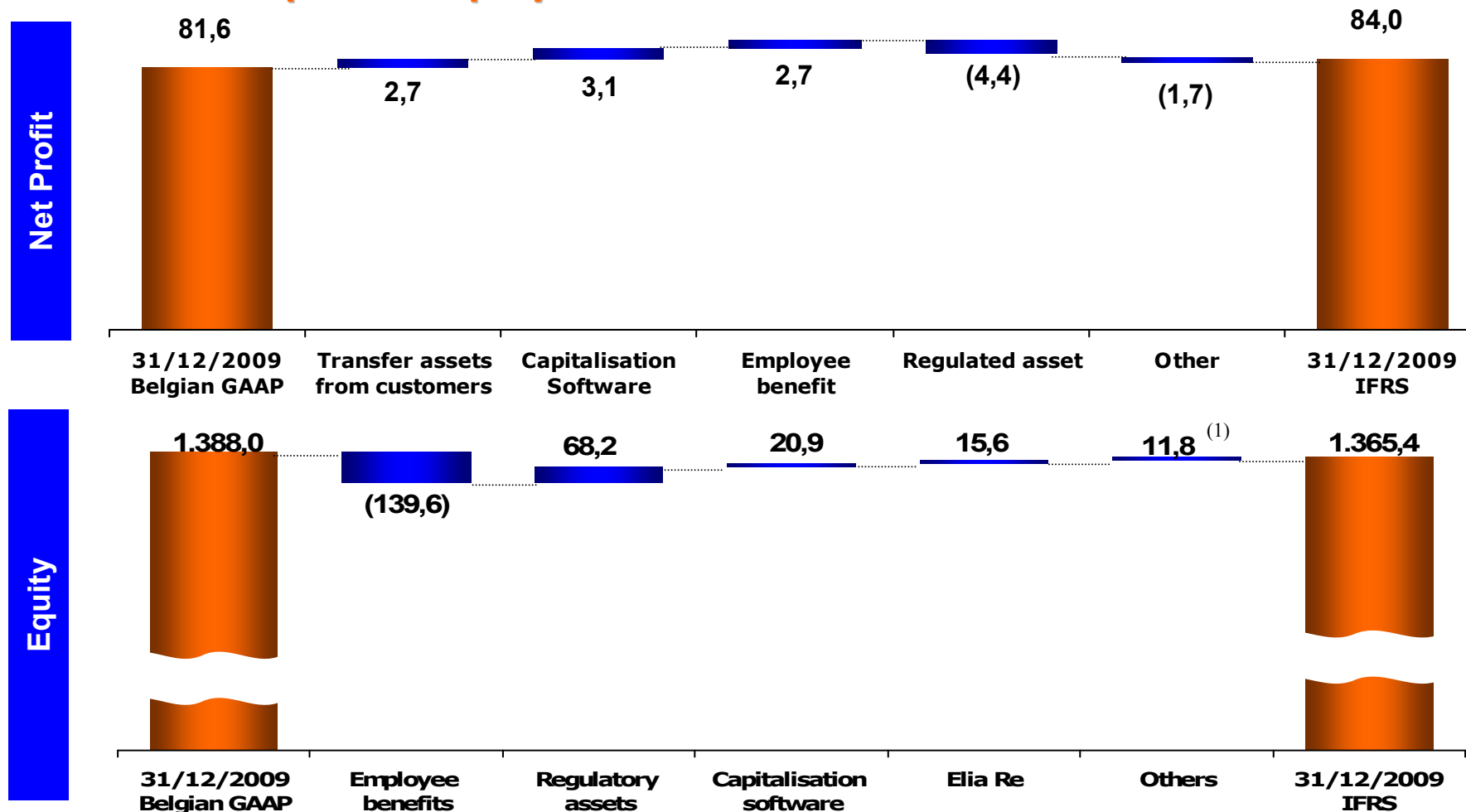
## Net profit breakdown 2009-2008

- Reduction in Belgian GAAP net profit due to lower OLO
- Reduction in IFRS net profit mainly due to lower adjustments

In million €	2009	2008	Difference
Fair remuneration	58,6	65,5	-6,9
Goodwill decommissioning	15,5	15,0	0,5
Incentive mechanism	6,3	4,4	1,9
Transfer pricing	0,7	0,0	0,7
Bonus	0	1,9	-1,9
Consolidation Belpex/Others	0,5	0,3	0,2
<b>Total Belgian GAAP net result</b>	<b>81,6</b>	<b>87,1</b>	<b>-5,5</b>
IFRS adjustments	2,4	16,0	-13,6
<b>Total IFRS net result</b>	<b>84,0</b>	<b>103,1</b>	<b>-19,1</b>

# Reconciliation Be GAAP - IFRS

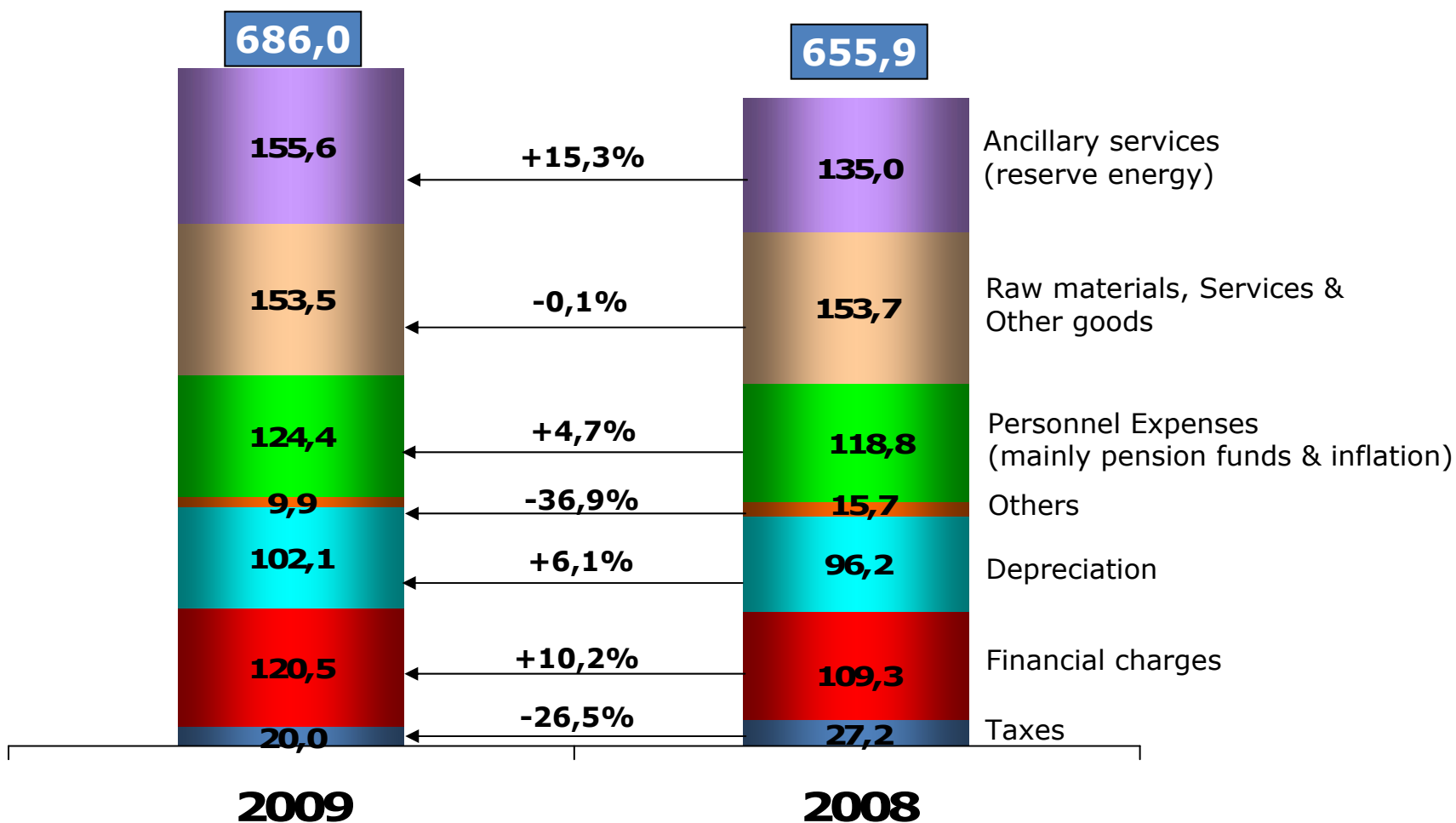
## IFRS Impact on Equity and Net Profit as of 31 December 2009



(1) Mainly relates to Inventory valuation (€2,9m) and goodwill Bel engineering (€ 7,7m)

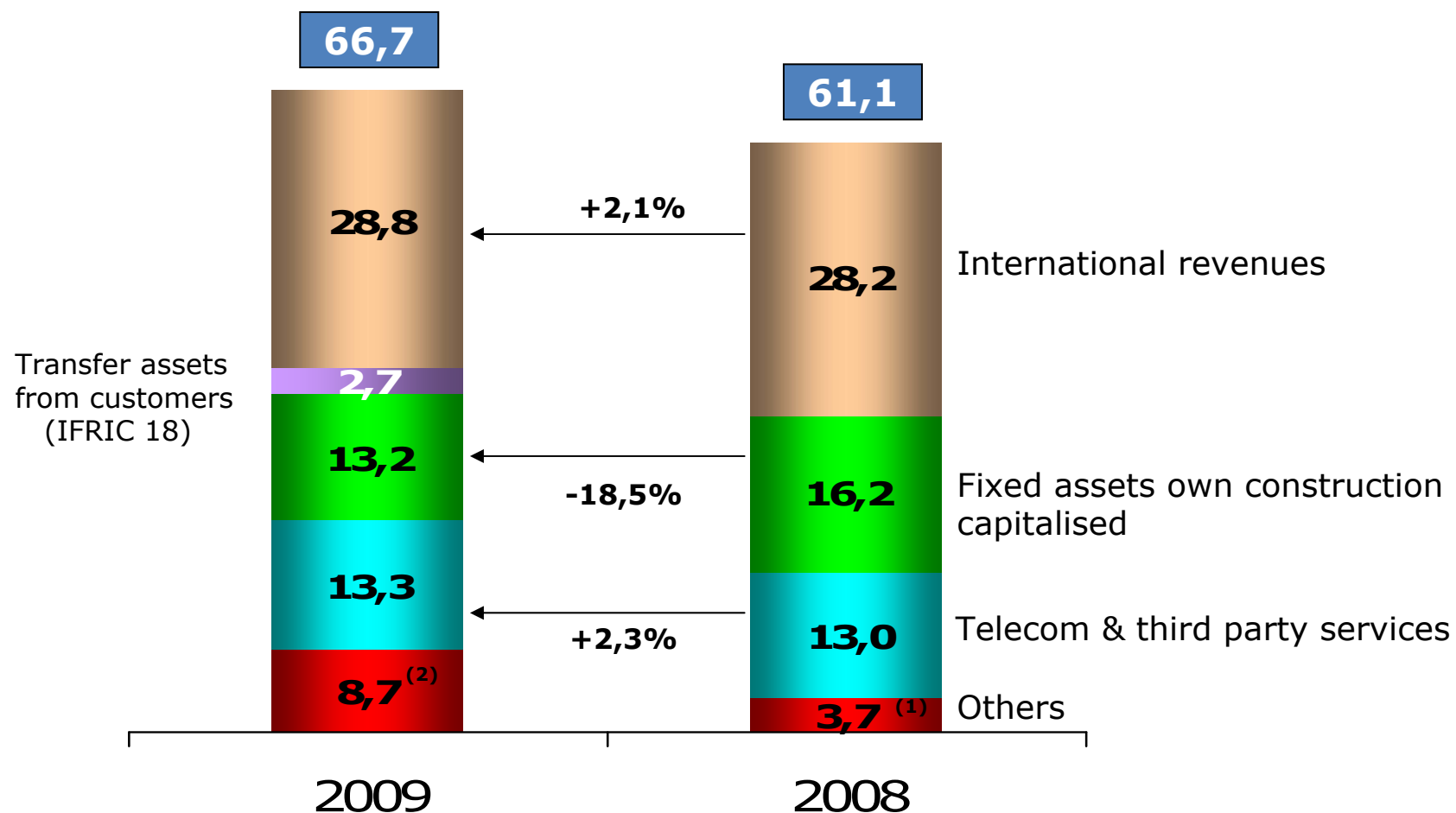
# Breakdown Costs

Evolution of Costs between 2009 and 2008 (EUR m)



# Non - Tariff Revenues

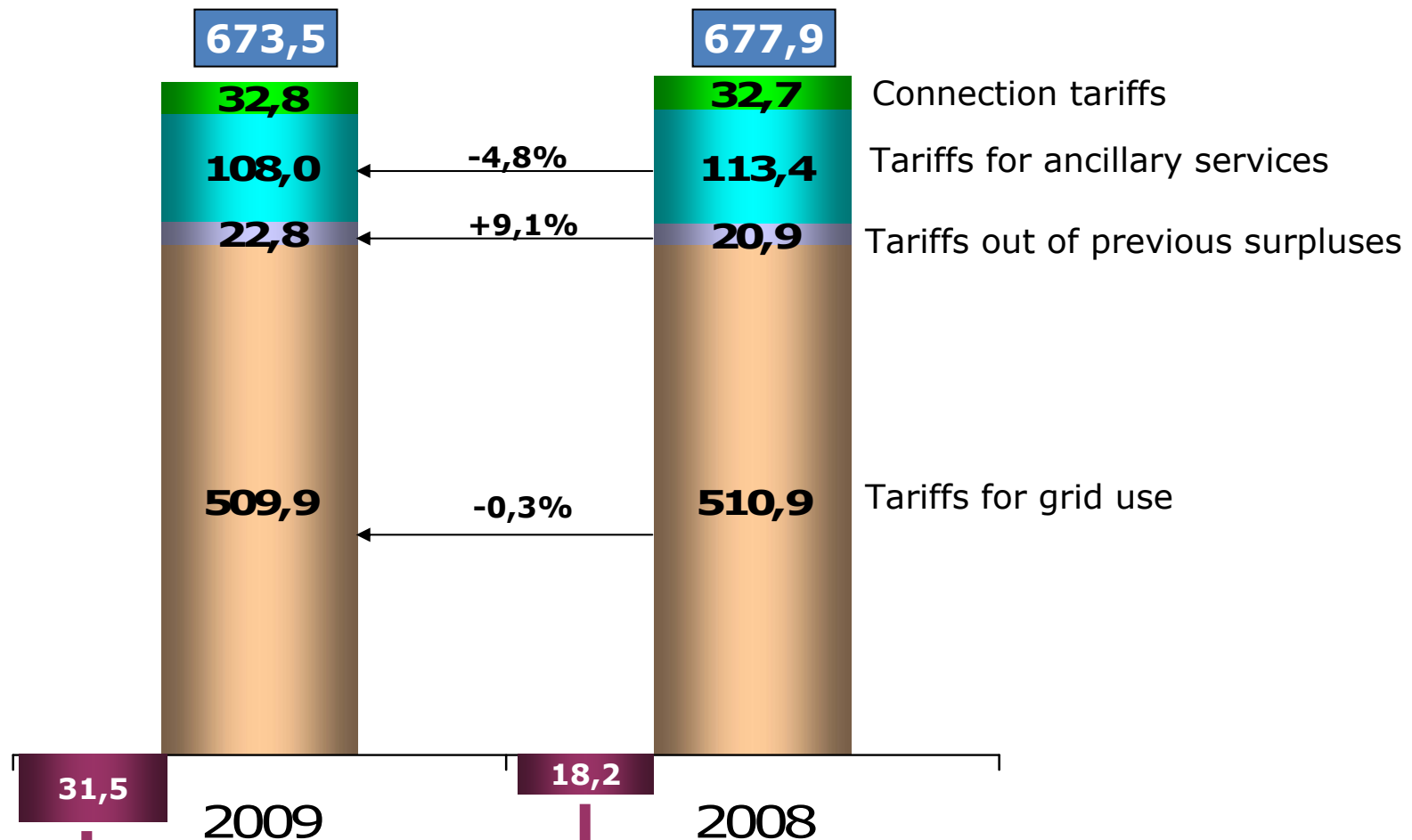
Breakdown of Non – Tariff Revenues in 2009 and 2008 (EUR m)



- (1) In 2008 « others » include the reversal of € 5m related to interests to recover on the tax receivable
- (2) In 2009 « others » include the reversal of € 6,6 m related to interests to recover on the tax receivable

# Tariff Revenues

Breakdown of Tariff Revenues in 2009 and 2008 (EUR m)



31,5

2009

Tariff shortfall

18,2

2008

Tariff shortfall

# Overview treatment of surpluses

## Overview of allocation and use of total surpluses

Regulatory account (all amounts in € 000)	To be allocated by CREG	2009	2010	2011	2012 and beyond	Total
To give back to the tariffs based on tariff decision of 2007 for the period 2008-2011		22.760,00	34.070,00	46.028,06		102.858,06
Use		-22.760,00				-22.760,00
<b>Allocated to future tariffs</b>		<b>0,00</b>	<b>34.070,00</b>	<b>46.028,06</b>		<b>80.098,06</b>
Shortage 2007					-9.897,90	-9.897,90
<b>Total 2007 - allocated</b>					<b>-9.897,90</b>	<b>-9.897,90</b>
Shortage 2008					-18.249,45	-18.249,45
<b>Total 2008 - allocated</b>					<b>-18.249,45</b>	<b>-18.249,45</b>
Shortage 2009	-31.517,31					-31.517,31
<b>Total 2009 - still to be allocated by CREG</b>	<b>-31.517,31</b>					<b>-31.517,31</b>
	<b>-31.517,31</b>		<b>34.070,00</b>	<b>46.028,06</b>	<b>-28.147,35</b>	<b>20.433,41</b>



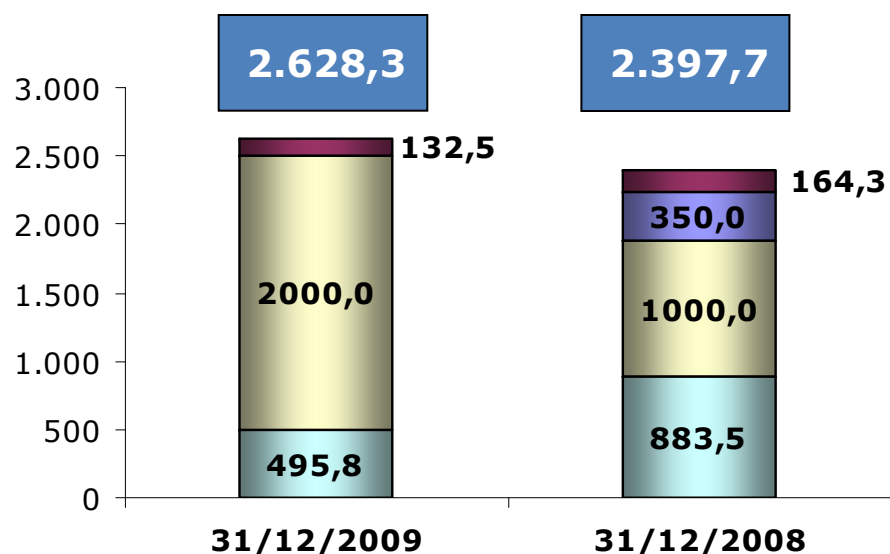
# Financial Debt Position

## Elia benefits from a strong credit rating

### Standard & Poor's rating:

Long Term: A-

Outlook: Creditwatch Neg



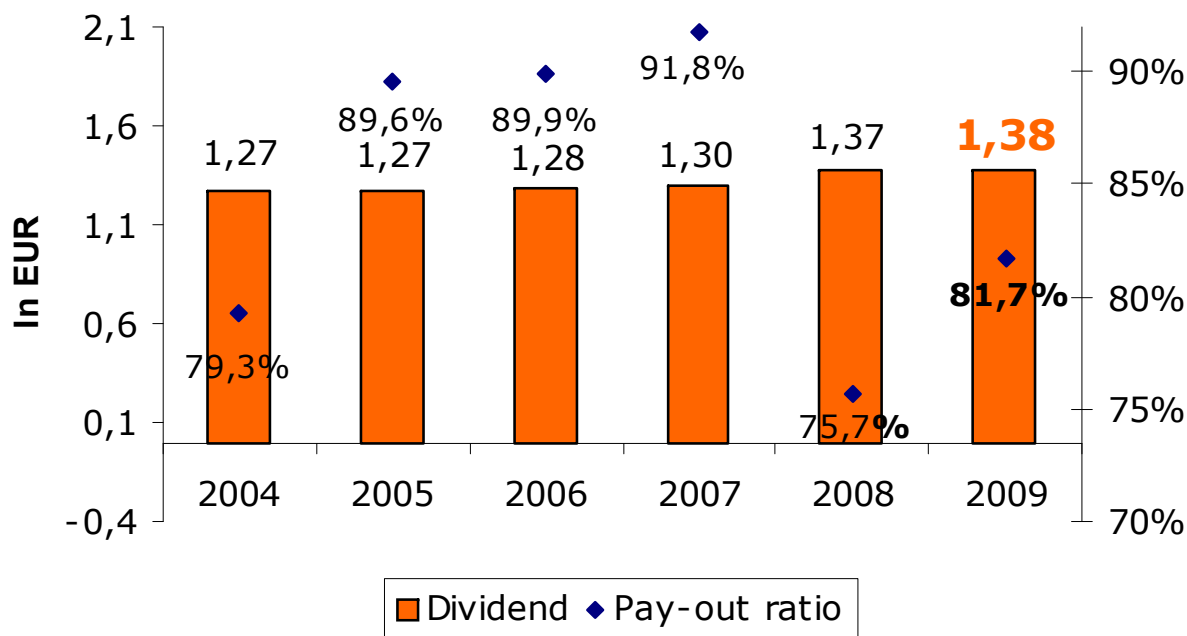
Shareholders' loans	Eurobonds
ST bank loans	EIB + CP + Accrued interests

	31/12/2009	31/12/2008
Net debt (€ millions)	2.453,8	2.370,5
Leverage (D/D+E)	65,8%	64,0%
EBITDA / Gross Interest	2,46	2,84
Net debt / EBITDA	7,5	7,1
Average cost of debt	5,30%	5,15%
% Fixed of gross debt	81,1%	70,0%

Unused Credit lines as of 31/12/2009	Amount (€ m)	Interest rate
European Investment Bank	65	Euribor + 5 bp
Committed bank loans	275	Euribor + (60-100) bp
Uncommitted bank loan	170	To be negotiated
Commercial paper program	250	To be negotiated

# Dividend Policy

Elia's dividend policy ensures a steady and growing dividend



- Increase in dividend to € 1,38 per share
- Pay-out ratio over 2009 Belgian Gaap result is 81,7 % (79,3% under IFRS)

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# Agenda

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Summary

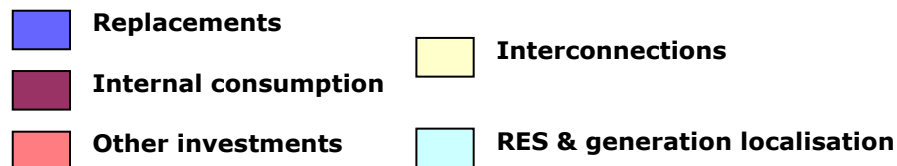
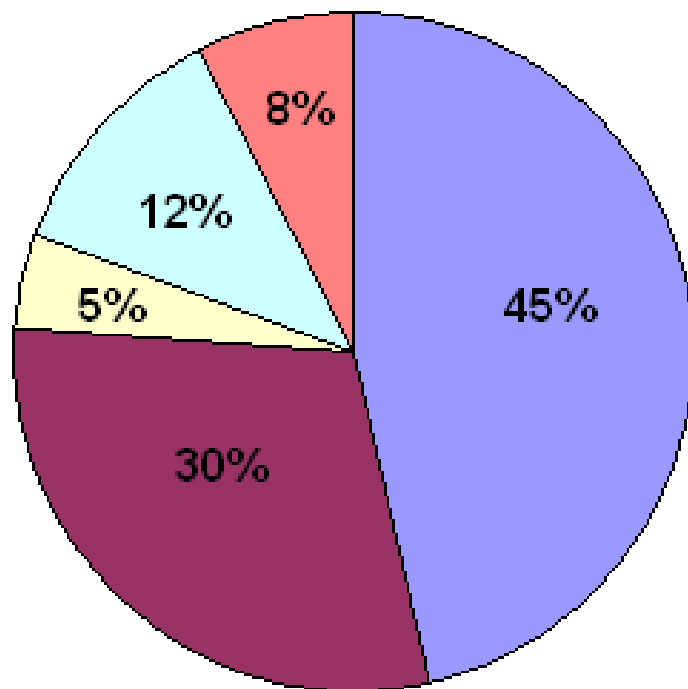
Operational highlights 2009

Financials 2009

**Outlook 2010**

# Outlook CAPEX 2010

CAPEX 2010  
€ 117 m



- **Capex = €117 m**  
(€ 146,6m initially)
- **Main reasons:**
  - weak economy
  - delayed projects by customers→ in line with autofinancing
- **Main drivers**
  - RES integration
  - internal demand
  - reliability (replacements)
- **No impact on regulated profit**  
(ROE remuneration)

# Outlook 2010 : Fair remuneration

## Determination of net profit 2010 by the regulator (Belgian GAAP)

	<b>CREG</b>	
Average RAB 2010 <sup>(3)</sup>	3.772	
Reference equity (33%)	1.245	
Cost of equity <sup>(3)</sup>	4,98%	(1)
<b>Equity reference remuneration (A)</b>	<b>62,0</b>	
Av. equity / Av. RAB <sup>(3)</sup>	35,94%	
Deviation on ref. equity	2,94%	
Equity deviation remuneration <sup>(3)</sup>	4,63%	(2)
<b>D-factor (B)</b>	<b>5,1</b>	
<b>Over-depreciation (C)</b>	<b>-8,2</b>	
<b>Fair remuneration (A+B+C) = [1]</b>	<b>58,9</b>	{ Not available for profit distribution; €14,2 is the estimated yearly amount for the period 2008-2011
<b>Goodwill decommissioning <sup>(3)</sup> [2]</b>	<b>14,2</b>	
<b>Controllable cost incentive <sup>(3)</sup> [3] = Y</b>	<b>0,0</b>	
<b>Net profit as set by tariffs [<math>\Sigma</math> 1+2+3]</b>	<b>73,1</b>	

(1) OLO of 3,9278%; Beta of 0,3 and a risk premium of 3,5%    (2) OLO of 3,9278% and deviation rate of 70bp

**(3) To be recomputed ex-post based on real OLO, real beta, real RAB & Equity, real decommissioning and real controllable cost savings**

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# Major projects: evolution 2010 and beyond

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- **Stevin:** extension 380 kV grid to the coast
  - Procedure for inclusion in land-use plan (GRUP) launched
  - Commissioning foreseen in 2015
- **Brabo :** 380 kV grid extension Antwerp port area
  - First phase Lillo-Zandvliet : planning permit procedure launched
- **Interconnection France:**
  - Aubange- Moulaine: second conductor set; commissioning foreseen 1st semester of 2010
- **Interconnection Luxembourg:**
  - Feasibility study for 220 kV interconnection pursued
- **Interconnection Germany:**
  - Feasibility study concluded and positive; detailed study started
- **Nemo undersea cable with UK:**
  - Feasibility confirmed; project phase launched to define technical aspects and licence procedures; commissioning foreseen as from 2016

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# New Projects, Services, Activities

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- **Major service to be launched in 2010**

**Market coupling between Benelux – Germany – France**

- **Activities**

Pursuing « operational excellence » and reliable network operation

Consulting and services for third parties, partnership

- **Further consolidation of :**

- European Electricity markets
- Power exchanges
- Networks

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# Questions & Answers

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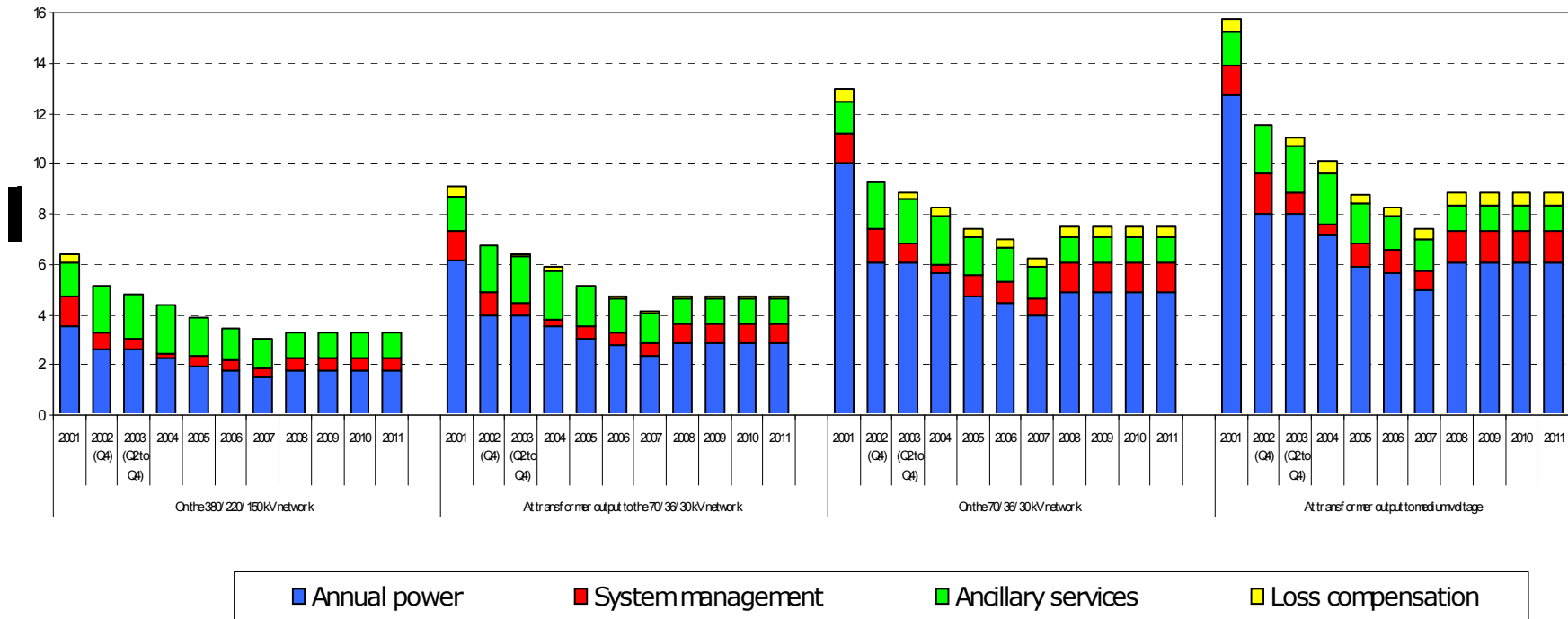
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# Appendices

# Fixed tariffs for the period 2008-2011

Means strong visibility for the cost basis of Elia's customers

Tariffs for use of the grid and tariffs for ancillary services:  
comparison 2001 - 2008



# Investments 2009: a few examples

- **Overhead and underground power links**

***Beringen-Mol*** 150 kV line upgrade

- Enables connection of future T-power station Tessenderlo Chemie
- Use of high performance power conductor technology
- Cost price of € 3,5m in 2009



***Schaerbeek-Centenaire***

- New 36 kV cable
- Enables upgrade of Centenaire substation, feeding Heyzel and Expo site
- Cost price of € 0,5m in 2009



# Investments 2009: a few examples

## ➤ High voltage stations

*Zandvliet* **2nd transformer 380/150 kV**

- Industrial customers port of Antwerp

*Lillo*: **new GIS station 150 kV**

*Heliport*: **150 kV/11 kV station: supply in Brussels**

*Damprémy*: **GIS station in replacement of 150 kV AIS station**



## ➤ Connection of industrial customers

*Slijkens*: **Biostoom & Biofuel**

- Connection to 36 kV grid of 2 cogeneration units, of 18.5 MW each

*Zwijndrecht*: **Lanxess Rubber**

- Connection of cogeneration unit to 36 kV grid

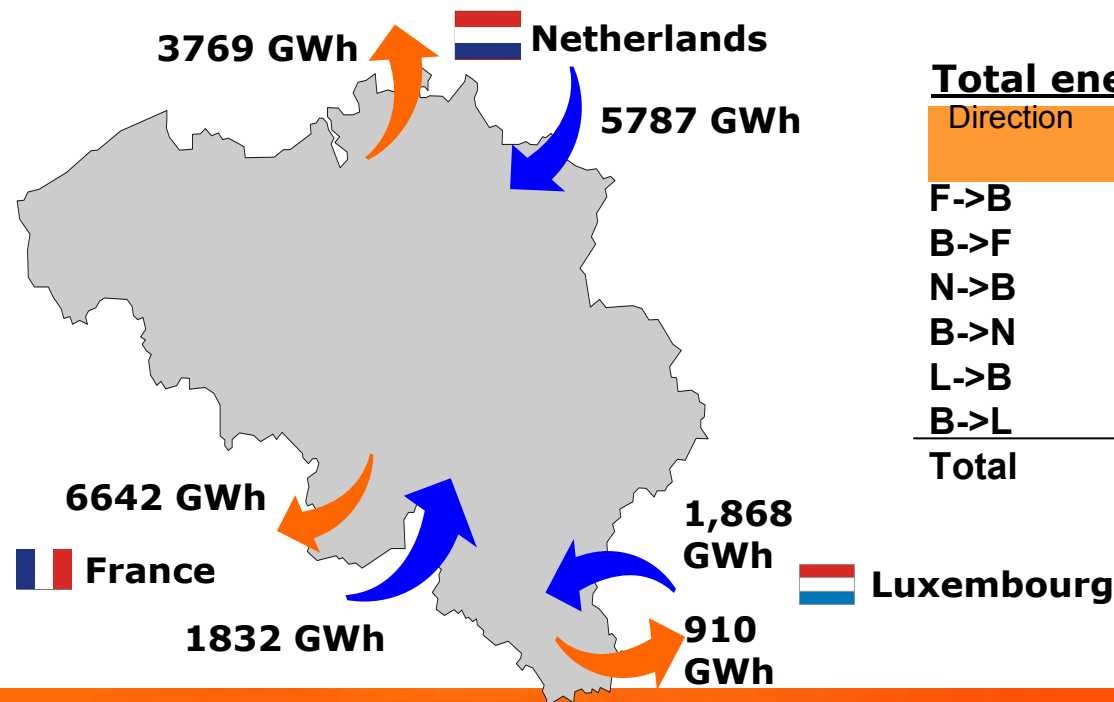


## Belgium, among the most interconnected countries

**YEAR 2009** In MEGAWATT (MW)

**COMMERCIALY AVAILABLE IMPORT CAPACITIES**

<b>Maximum capacity allocated to the market</b>	<b>3500</b>	<b>1401</b>	<b>4901</b>	Total is <b>36.2%</b> of peak system load of 13530 MW
<b>Yearly average capacity allocated to the market</b>	<b>2501</b>	<b>1375</b>	<b>3876</b>	Total is <b>41.5%</b> of average system load of 9333 MW
<b>Ex ante guaranteed minimum capacity</b>	<b>1700</b>	<b>946</b>	<b>2646</b>	Total is <b>28.3%</b> of average system load of 9333 MW

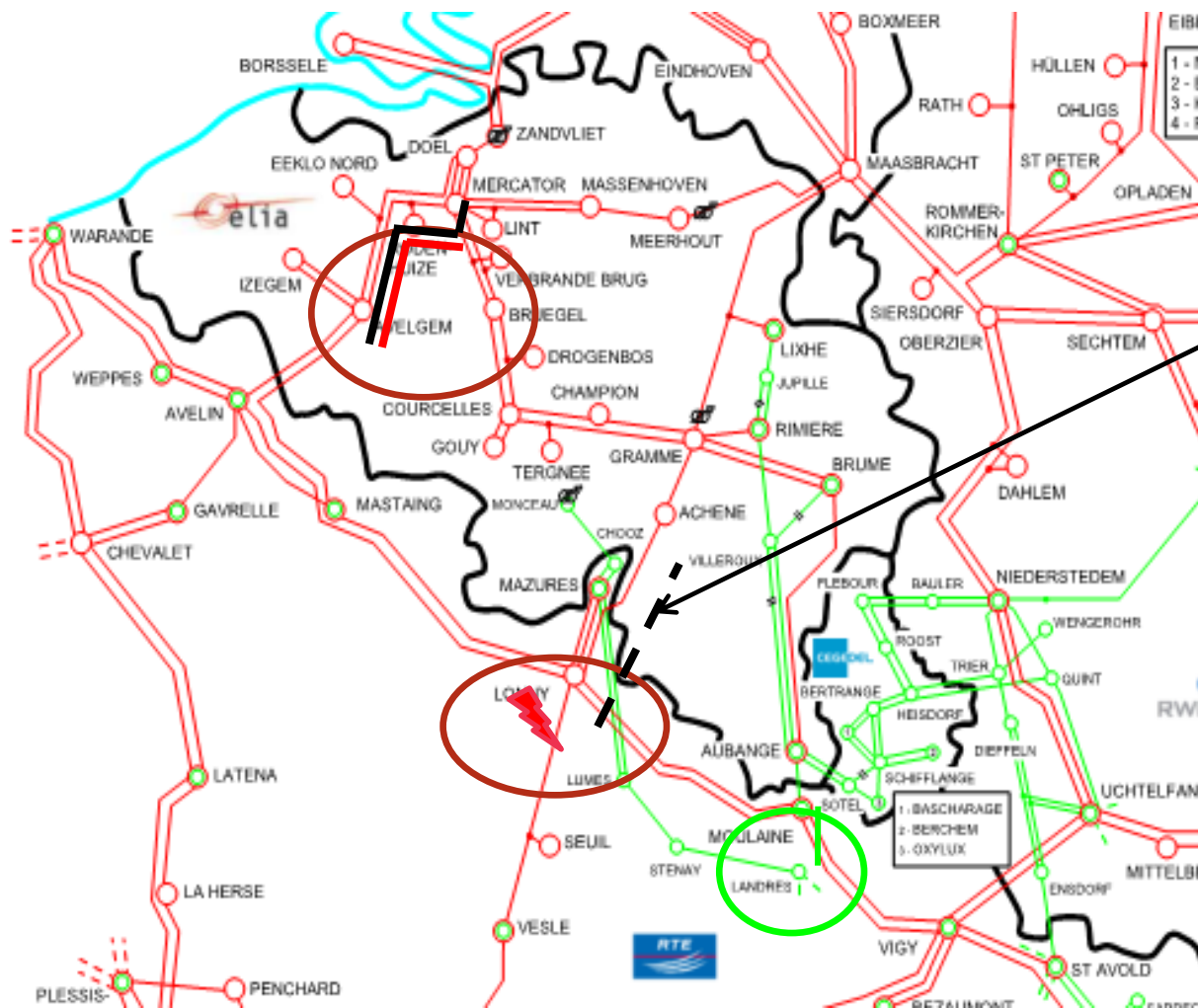


### Total energy exchanges 2009-08

Direction	Exchanged 2009	Exchanged 2008	Change
F->B	1,832	7,386	-75%
B->F	6,642	2,039	+226%
N->B	5,787	8,119	-29%
B->N	3,769	3,005	+25%
L->B	1,868	1,629	+15%
B->L	910	1,518	-40%
<b>Total</b>	<b>20,807</b>	<b>23,695</b>	<b>-12%</b>



# Coordinated action on April 30<sup>th</sup>



N-1 busbar in Lonny substation

Lonny-Achène trips

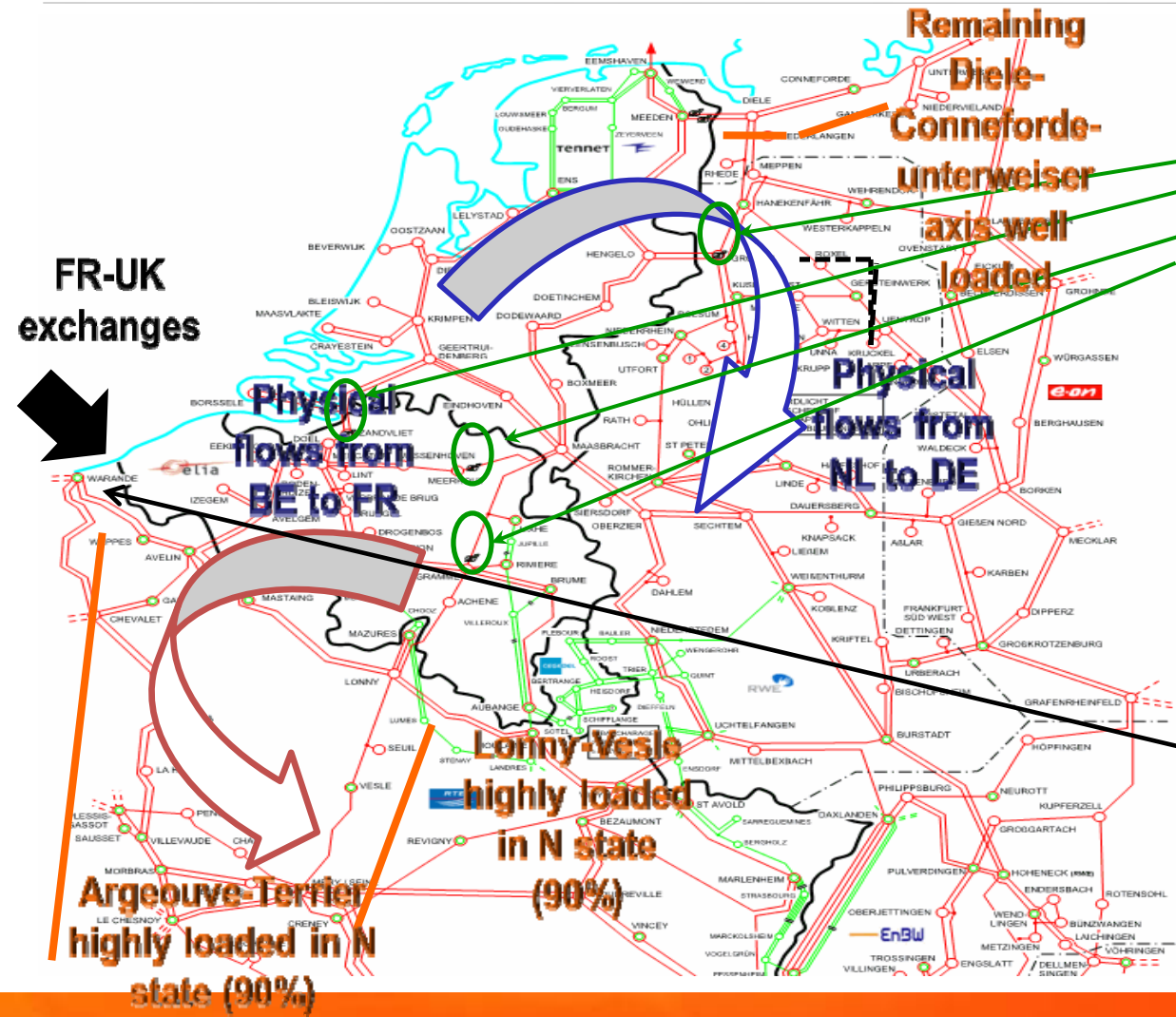
→ 110% overload on Avelgem-Mercator

→ 138% overload on Moulaine-Aubange  
→ TRIPS

→ 121% overload on Avelgem-Mercator

→ NOT ACCEPTABLE

# Coordinated action in CWE on August 25<sup>th</sup>



After dedicated analysis, CORESO coordinated tap changes on ELIA and RWE PSTs in order to manage flows on both axis Lonny-Vesle (RTE) and Diele-Conneforde-Unterweiser (Transpower-TenneT)

Reduction of FR-UK exchanges was also decided to manage high flows to Paris

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## Belgian Power Exchange (Belpex)

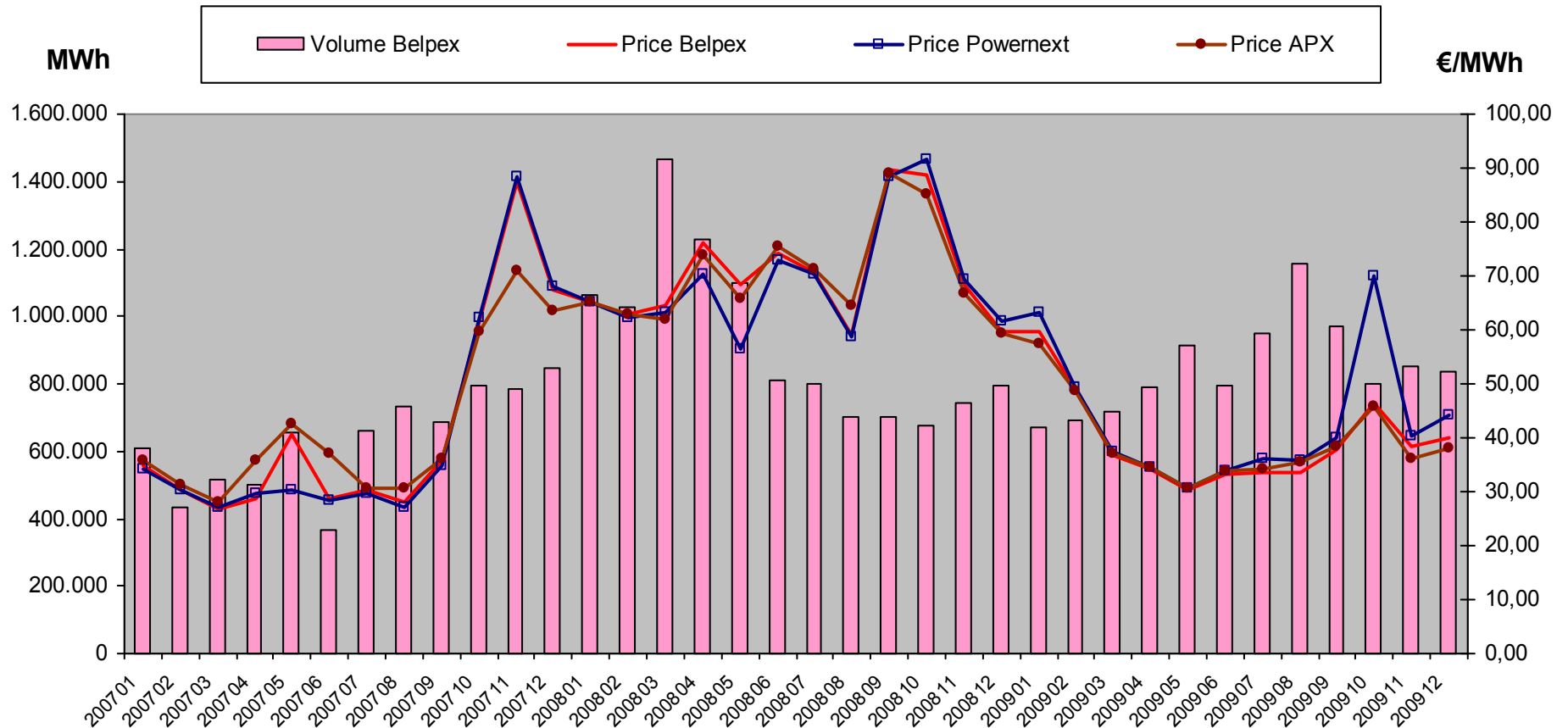
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- **34 diversified participants** (suppliers, traders, producers)  
from 10 countries (NL,CH,UK,FR,BE,GE,CZ,SP,IT,DK) at Dec 31<sup>st</sup>, 2009
- **Average daily volume** :27.782 MWh, slightly lower than in 2008;  
representing a stable 12.4 % of Belgian load with the following average electricity prices :
  - Belix €39.36/MWh (€70,60 MWh in 2008)
  - Belix peak (8am-20pm) €47,07/MWh (€85,18 MWh in 2008)
  - Belix off-peak (20pm-8am) €31,65/MWh (€56,02 MWh in 2008)
- **Market coupling** induced an average export volume of 11.216 MWh  
(over 6 times higher than in 2008 and an average import volume of 2.740 MWh, about 7 times less than in 2008)
- **New product** : Green certificates market launched beginning of 2009



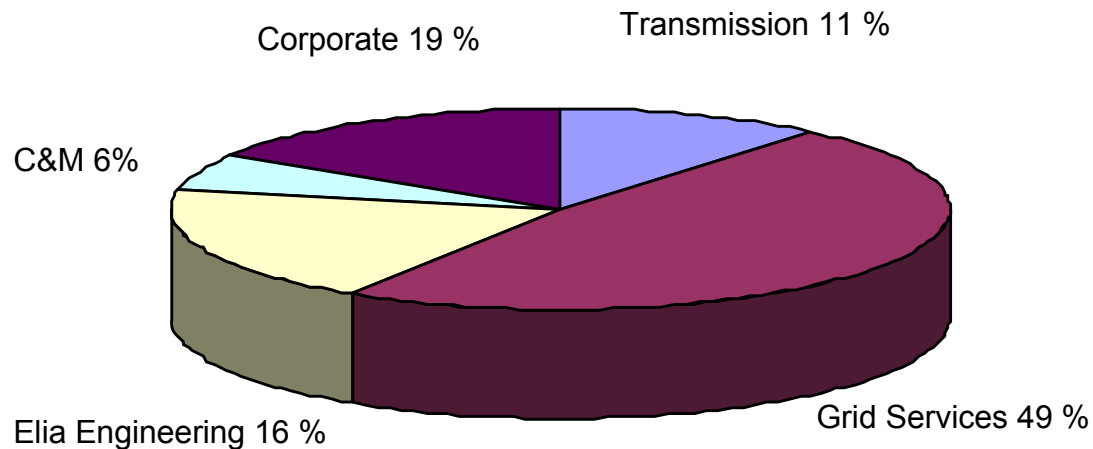
# Belpex volume since January 07

Volumes & Prices BELPEX-EPEX-APX (DAM) Baseload (Months)  
 Period: from 1/01/2007 to 31/12/2009



# Update Personnel

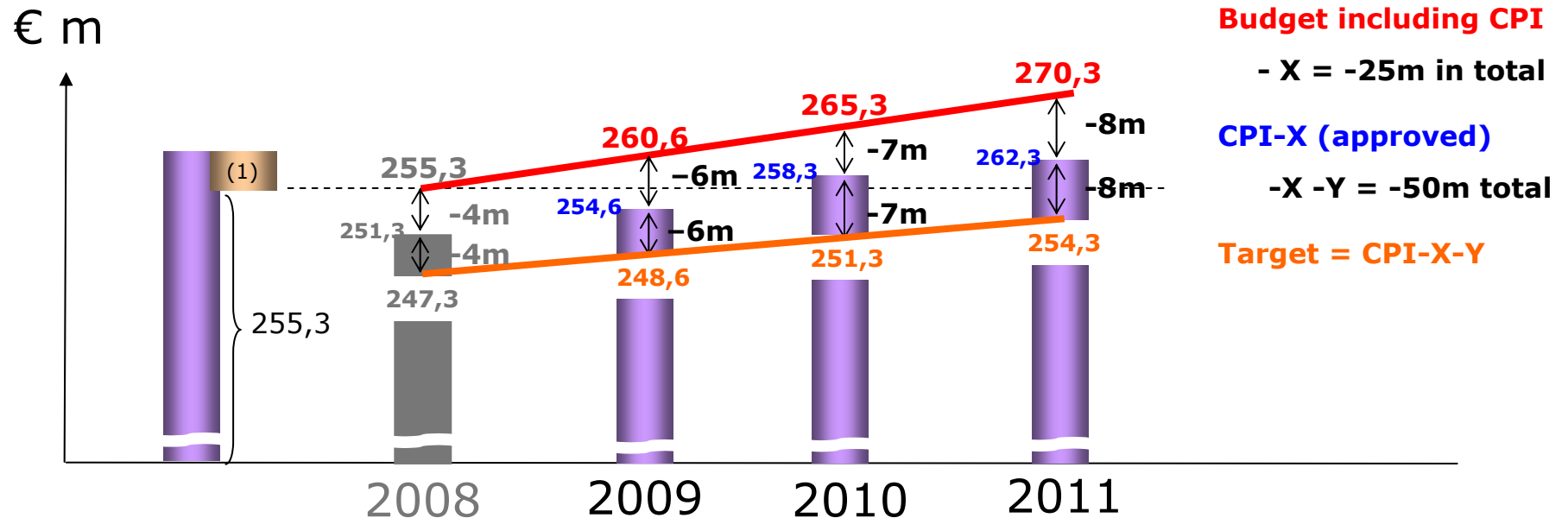
- Experienced employees throughout Elia's organisation
- Number of Employees at 31/12/09 : 1,205 (FTE : 1,132)



**Average length of  
service in Elia:  
14.5 years**

**Average age of  
workforce:  
41 years**

# X – Y Factor (controllable costs)



- Regulator approved € 254,6 m net controllable costs for 2009 (260,6 m CC minus X = € 6m imposed cost savings)

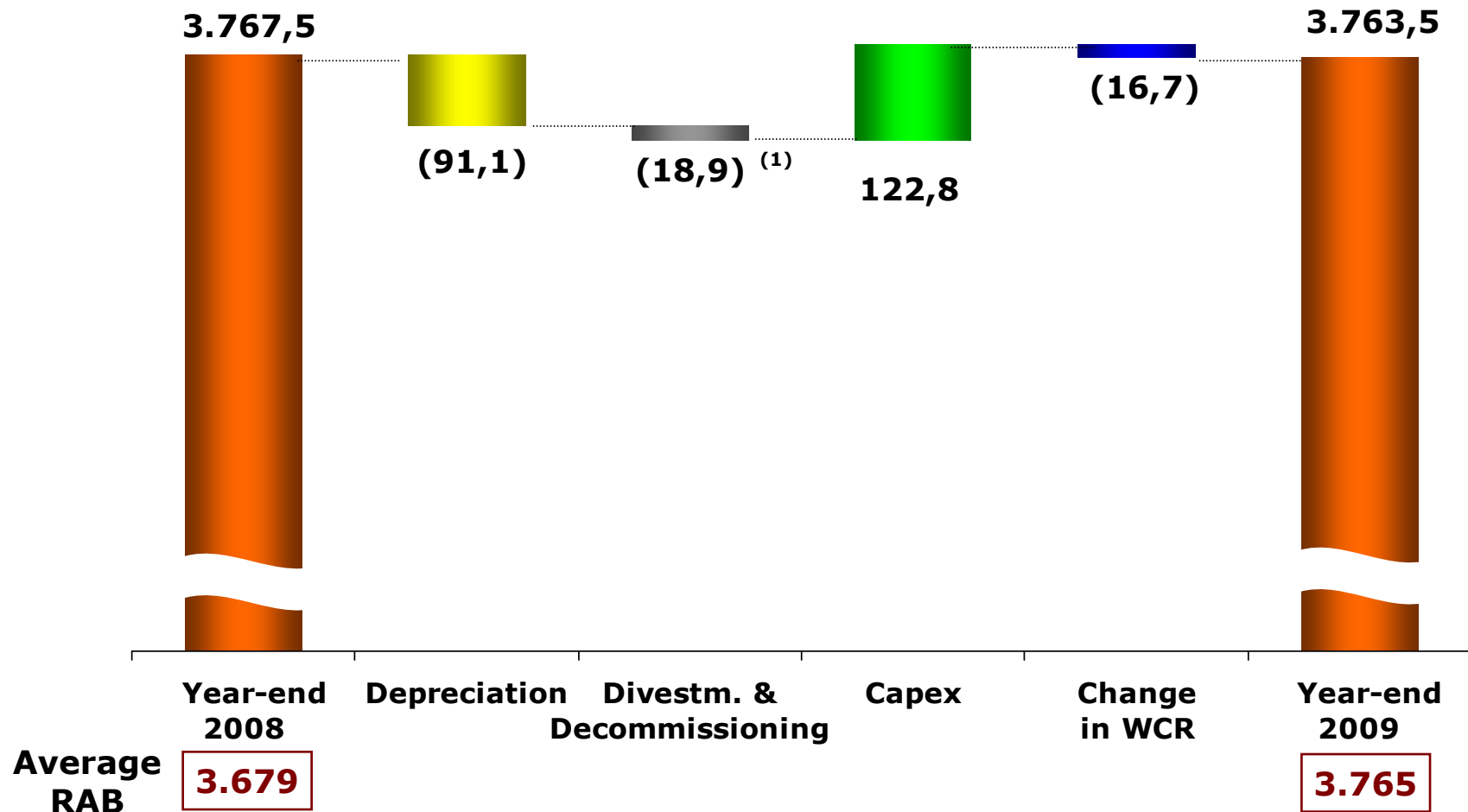
- **Budget Elia 2009:** →
 

{	Initial budget	260,6
	X factor (costsaving)	- 6,0
	Y factor (potential outperformance)	- 6,0

(1) Controllable non-tariff revenues

# Regulated Asset Base 2009

## Evolution 2009 RAB



(1) Includes € 15,4 million goodwill decommissioning

# Working Capital Requirements

## Changes in Working Capital Requirements (EUR m) <sup>(1)</sup>



<sup>(1)</sup> Based on Belgian GAAP accounts

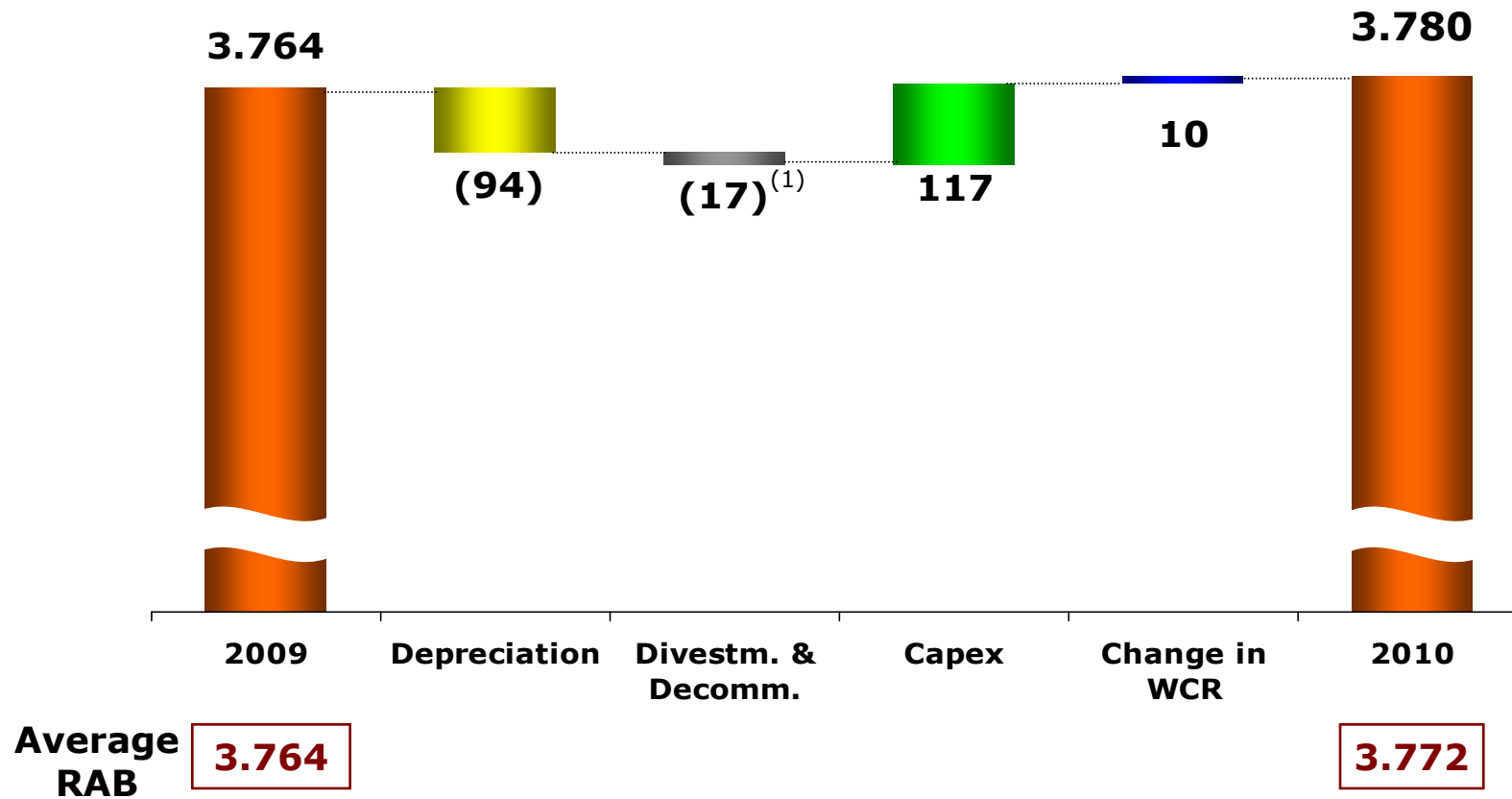
# Overview treatment of surpluses

## Overview of allocation and use of total surpluses

In millions of EUR	Surpluses/ (Shortages)	2004	2005	2006	2007	2008	2009	2010	2011	Total
Surplus 2003	134,6	25,4	36,4	36,4	36,4					134,6
Bonus 2003	3,2		3,2							3,2
Used		-25,4	-39,6	-36,4	-36,4					-137,8
<b>Total 2003</b>	<b>137,8</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>					<b>0,0</b>
Surplus 2004	118,9		28,0	9,8	9,8	23,8	23,8	23,7		118,9
Bonus 2004	3,5			3,5						3,5
Used			-28,0	-13,3	-9,8					-51,1
<b>Total 2004</b>	<b>122,4</b>		<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>23,8</b>	<b>23,8</b>	<b>23,7</b>		<b>71,3</b>
Surplus 2005	35,1		7,4		27,7					35,1
Bonus 2005	2,3				2,3					2,3
Surplus 2006	3,8				3,8					3,8
Used			-7,4		-33,8					-41,2
<b>Totaal 2005</b>	<b>41,2</b>		<b>0,0</b>		<b>0,0</b>					<b>0,0</b>
Surplus 2006	56,2				5,6	50,6				56,2
Malus 2006	1,8					1,8				1,8
Used					-5,6					-5,6
<b>Totaal 2006</b>	<b>58,0</b>				<b>0,0</b>	<b>52,4</b>				<b>52,4</b>
<b>Reversal decided by regulator for period 2008-2011</b>						<b>20,9</b>	<b>22,8</b>	<b>34,0</b>	<b>46,0</b>	<b>123,7</b>
<b>Used</b>						<b>-20,9</b>	<b>-22,8</b>			<b>-43,7</b>
<b>Subtotal</b>	<b>359,4</b>									<b>80,0</b>
Shortage 2007	-0,5				-0,5					-0,5
Bonus 05 & 06	-9,4				-9,4					-9,4
<b>Totaal 2007</b>	<b>-9,9</b>				<b>-9,9</b> <sup>(1)</sup>					<b>-9,9</b>
<b>Shortage 2008</b>	<b>-18,2</b>					<b>-18,2</b> <sup>(1)</sup>				<b>-18,2</b>
<b>Shortage 2009</b>	<b>-31,1</b>						<b>-31,5</b> <sup>(1)</sup>			<b>-31,5</b>
<b>Total Surplus</b>	<b>300,2</b>									<b>20,4</b>

(1) To be allocated by CREG in the next regulatory period

# Outlook 2010: RAB



(1) Contains € 14m of goodwill reduction due to decommissioning