



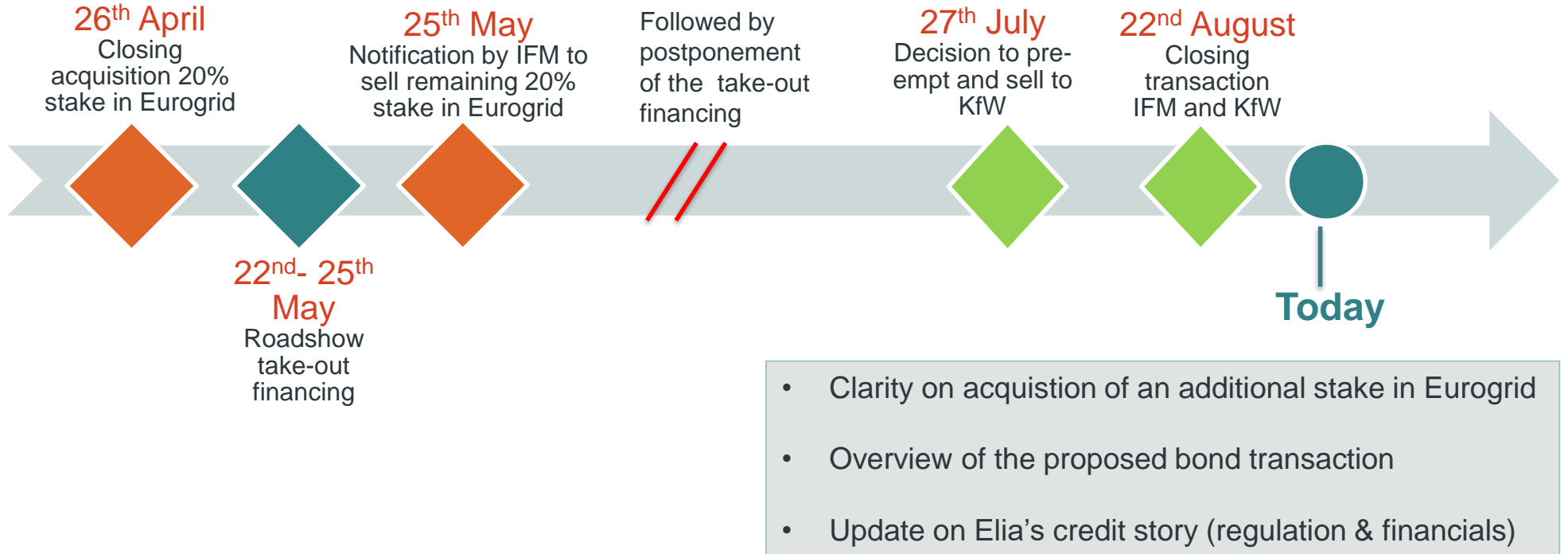
# Elia Group – Debt Investor Presentation

*In the context of a strategic acquisition*

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23 August 2018

# Objective of today's meeting





# 1H2018 Key highlights of importance for the take out financing



## Strategic

- Acquisition of an additional 20% stake in Eurogrid International (owning 50 Hertz) end of April
- German State-owned bank KfW as a new partner in 50Hertz for the remaining 20% as from August, 22nd



## Operational

- Mark-up investments program 2018 on track in Belgium
- Strong operational performance in Germany
- Good progress on further strengthening the collaboration between Elia in Belgium and 50Hertz in Germany



## Regulatory

- Confirmation of the tariff methodology 2020-2023 for Belgium
- Negotiations for the establishment of a fair and sustainable costs base of the 3<sup>rd</sup> regulatory period ongoing in Germany
- Regulatory allowance for offshore opex changed from an opex lump sum to a pass-through mechanism in Germany



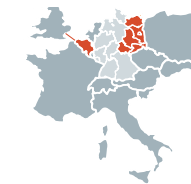
## Financial

- Net profit Elia Group share up 38.6% to € 142.2 million driven by the acquisition of a further stake in Eurogrid, the realisation of strategic investments in Belgium and the strong operational performance combined with the release of a legal claim provision in Germany
- Acquisition of the additional 20% stake in Eurogrid currently financed by a € 968 million bridge loan, to be replaced by a mix of 700 M€ hybrid bond and 300 M€ senior debt in 2H2018



*Acquisition of an additional 20% stake in Eurogrid  
acts as value enhancer while answering to strategic needs*

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# Acquisition end of April of an additional 20% stake in Eurogrid

## Acquisition additional 20% stake in Eurogrid (April 2018)



40% → 20%



60% → 80%

### Key deal terms

- **Acquisition price:** €976.5m and €12.2m interest
- **Financing:**
  - 12-month bridge loan, twice extendable for 6 months
  - Take-out funding of €700m hybrid and €300m senior debt in H2 2018
  - BBB+ rating confirmed by S&P for Elia
- **Governance:**
  - From joint control to full control
  - From equity pick-up to full consolidation
  - No blocking minority going forward

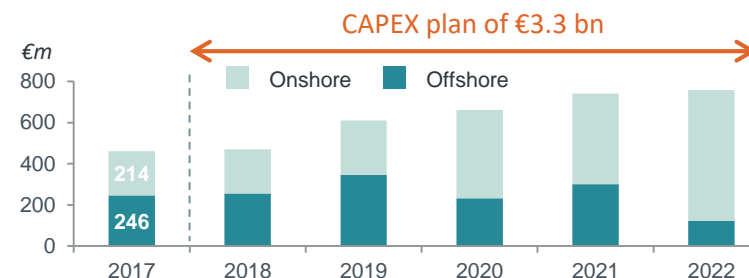
### A unique opportunity for Elia Group

- Strategic asset with further growth potential
- Value enhancer for Elia Group (earnings and cash accretive)
- Limited and measured risk (known asset, stable regulatory framework, no credit downgrade)

## Eurogrid: a growth story

- Owning, maintaining and operating the 380kV and 220kV transmission grid in North East Germany, serving 18 million people and companies representing c.20% of Germany's GDP
- Grid length: 10,200 km
- With 40 TWh p.a., 50Hertz area is the largest exporter in Germany and Europe

Key financials	2010 (*)	2017
Revenue & other income	€475m	€1,330m
EBITDA	€124m	€472m
Net income	€45m	€180m



(\*) Unaudited pro-forma consolidated financials 12 months 2010 (60% proportional consolidation)

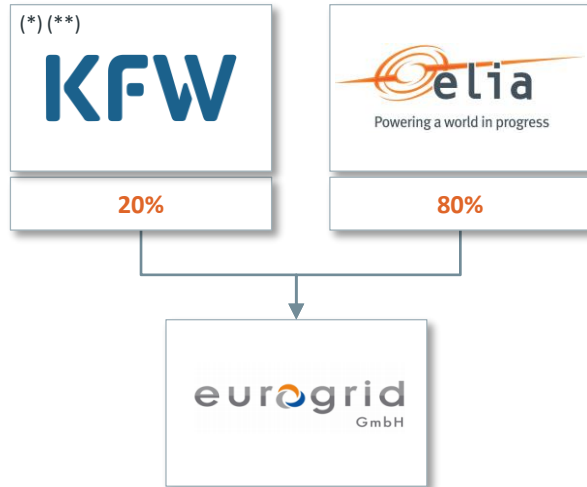


# Outcome in August for the remaining 20% stake in Eurogrid

## Context

- Notification received from IFM on 25<sup>th</sup> May regarding sale of the remaining 20% in Eurogrid
- Conditions of the transactions were identical to transaction of first 20%

## New ownership



## Pre-empt & sale at same conditions

- Elia to exercise the pre-emption right on the remaining 20% stake and to transfer unconditionally this stake to KfW
- Full coverage of acquisition price
- Credit rating (BBB+/stable) for Elia not impacted

## Closing

- Ownership of 80% for Elia
- Full control by Elia over Eurogrid
- No blocking minority

(\*) Transaction closed on 22<sup>nd</sup> August 2018

(\*\*) German public bank "Kreditanstalt für Wiederaufbau"



# Take out considerations



€1,000m take-out financing

## Senior debt (€300m)

- ✓ **Instrument rating (S&P):** BBB+
- ✓ **Maturity:** 10 years
- ✓ **Format:** Senior unsecured and unsubordinated
- ✓ **Accounting treatment:**
  - BEGAAP: 100% debt
  - IFRS: 100% debt
  - S&P: 100% debt

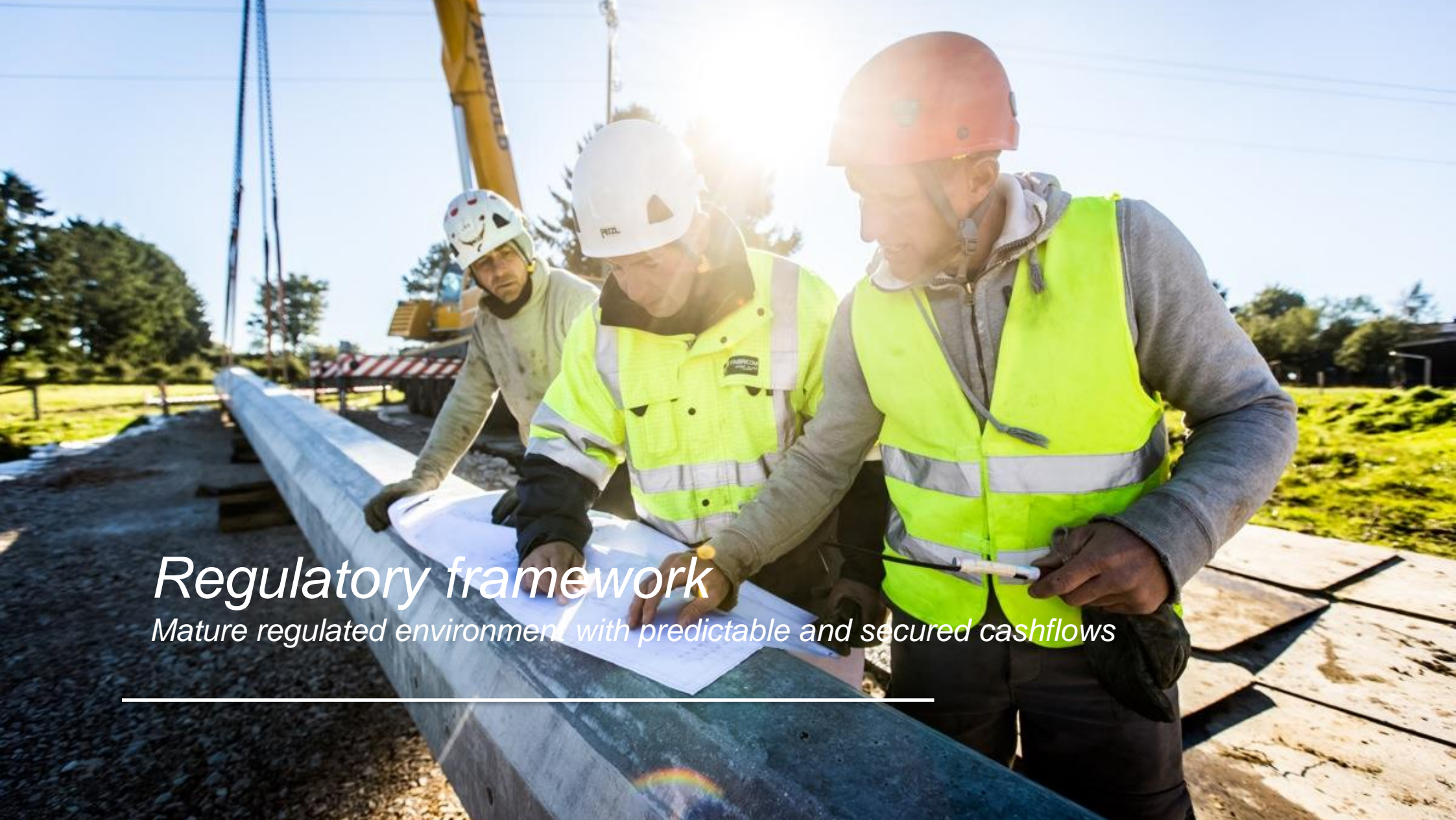
300

## Hybrid debt (€700m)

- ✓ **Instrument rating (S&P):** BBB-
- ✓ **Maturity:** Perpetual NC [5.25y]
- ✓ **Format:** Fixed rate reset undated subordinated securities
- ✓ **Accounting treatment:**
  - BEGAAP: 100% debt
  - IFRS: 100% equity
  - S&P: 50% equity / 50% debt

700

Funding structure designed to maintain solid credit metrics and BBB+/Stable outlook rating (see term sheets in appendix)



# *Regulatory framework*

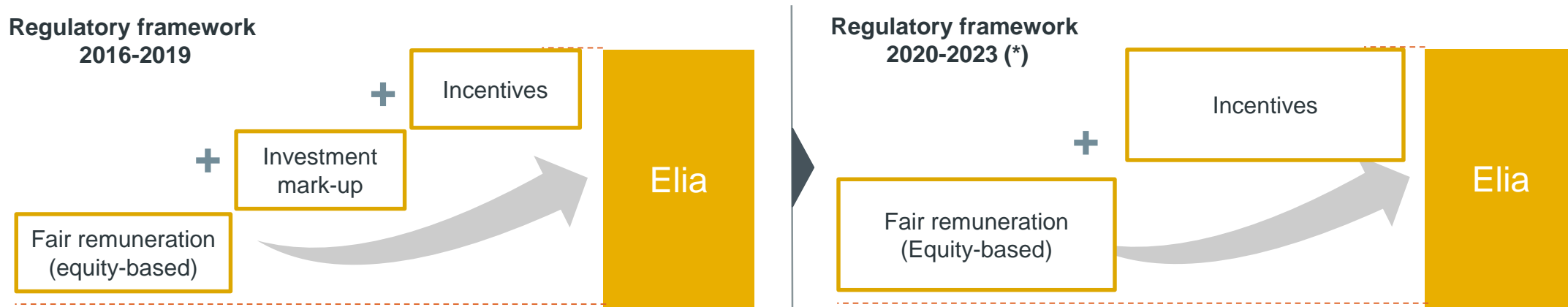
*Mature regulated environment with predictable and secured cashflows*

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# The Belgian model – New Regulatory framework 2020-2023

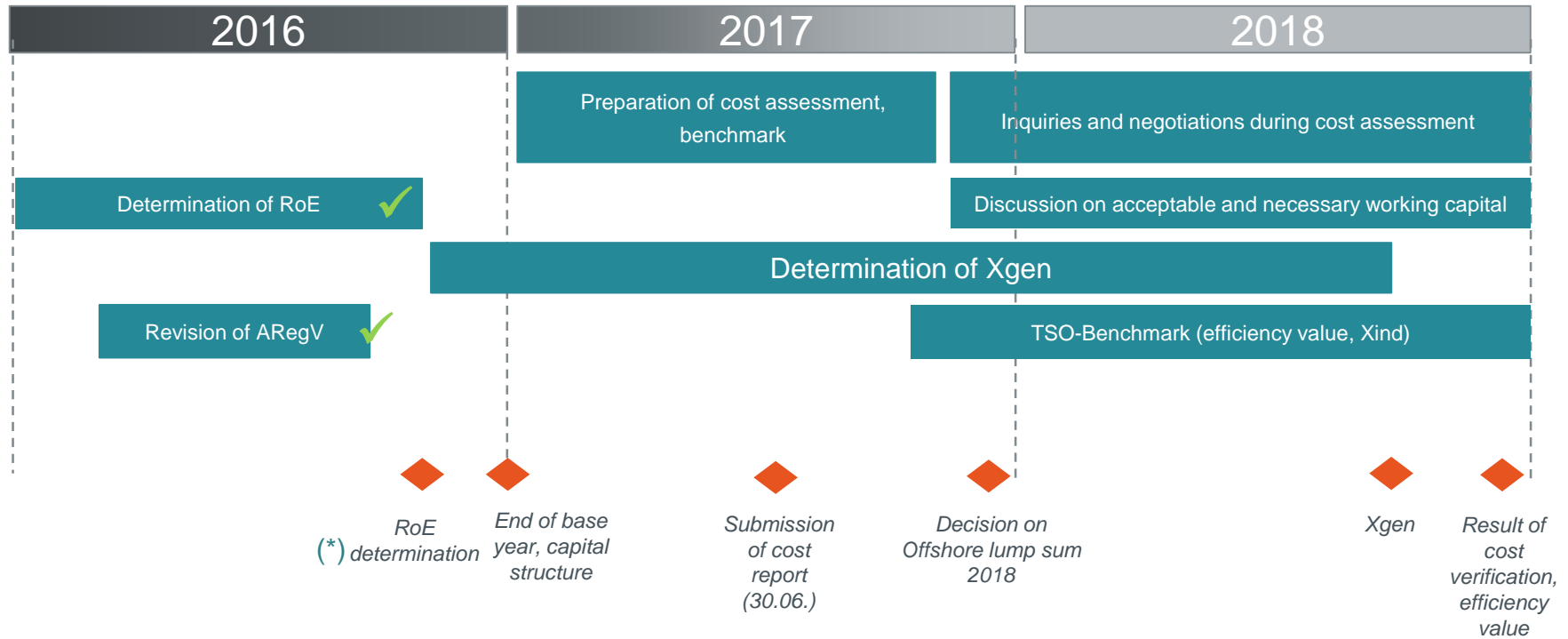


- Belgian regulatory framework remains **a cost-plus model**
- **Embedded debt principle** for regulated financial charges remains
- Investment mark-up substituted by **fair remuneration** and additional **incentives**
- Risk free rate determined **ex-ante at 2.40%**
- Regulatory **gearing** changed from 33% to **40%**

(\*) New tariff methodology published in June 2018



# German regulation – Final regulation process still ongoing

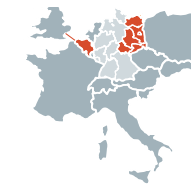


(\*) Final RoE subject to ongoing court case. Final decision not expected before beginning 2019



Elia Group  
Robust regulated financials

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# 1H2018 Elia Group results

## Key figures

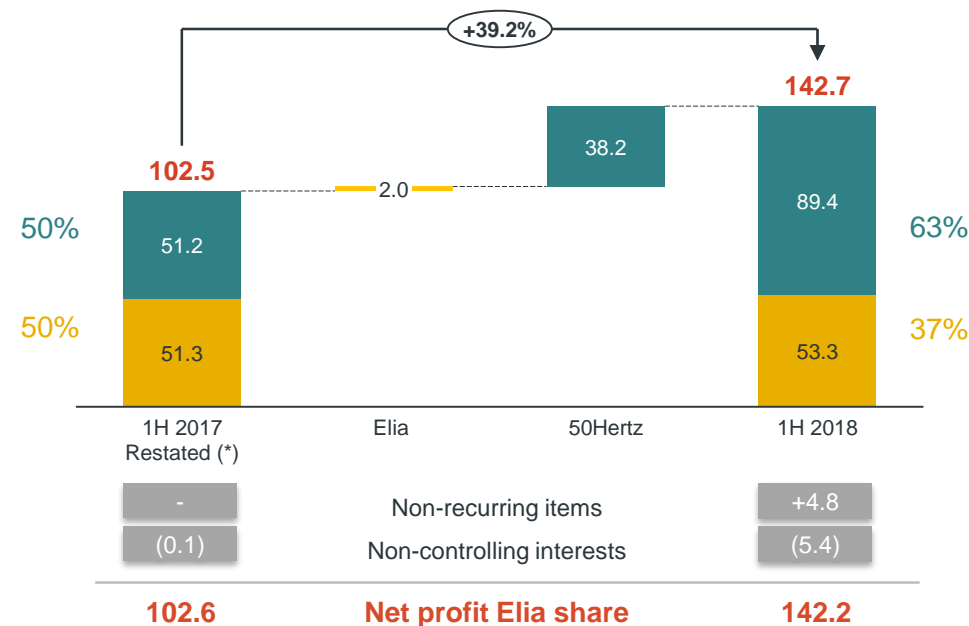
**Revenues**  
**€ 632.1 million**  
 +48.7% yoy

**EBIT**  
**€ 219.2 million**  
 +36.3% yoy

**Normalised Net Profit**  
**€ 142.7 million**  
 +39.2% yoy

**Net Profit Elia share**  
**€ 142.2 million**  
 +38.6% yoy

## Normalised net profit (€m)



(\*) The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note 13 in the Condensed consolidated financial statements for more details



# 1H2018 Elia Group: net debt evolution

## Key figures

**Net debt**  
**€ 4,815.9 million**  
 +79.1% yoy

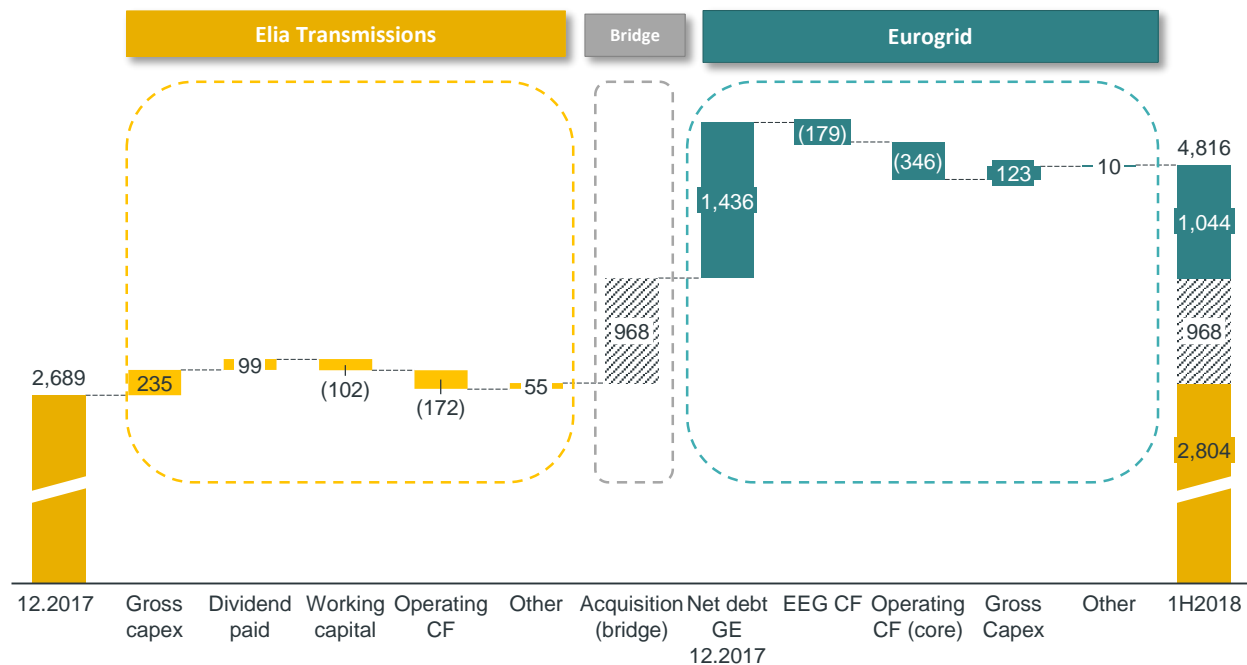
**Leverage**  
**0.70**  
 Debt / (Debt + Equity)

**Fixed debt ratio**  
**97.1%**  
 Calculated on gross debt

## Rating



## Net debt evolution (€m)





# Elia's key credit highlights

<b>Predictable regulated earnings</b>	<ul style="list-style-type: none"><li>• <b>Low risk business</b> and <b>predictable cashflow</b>, underpinned by the solid and transparent regulatory framework in both Belgium and Germany</li><li>• Over <b>99%</b> of Elia's revenues are generated from its regulated activities</li></ul>
<b>Growth possibilities</b>	<ul style="list-style-type: none"><li>• Licensed to <b>build the electrical system of the future</b>, well positioned in <b>centre of Europe</b></li><li>• <b>Energy transition</b> is driving the CAPEX: new German government increased the target for renewable energy production in 2030 from 55% to 65%</li></ul>
<b>Proven track record</b>	<ul style="list-style-type: none"><li>• <b>Proven track</b> record in terms of operational and financial excellence</li><li>• <b>Sound liquidity</b> with <b>manageable debt</b> redemption</li></ul>
<b>Stable shareholder base</b>	<ul style="list-style-type: none"><li>• Elia has a <b>strong and diversified shareholder</b> base aligned with company's objectives</li><li>• <b>Experienced</b> Management Team</li></ul>

# Appendix



# Selected unaudited pro-forma Consolidated Financials

## As at 31 December 2017

mEUR	Elia Belgium	Eurogrid	Adjustments	Pro-forma
Operating Income (*)	887.5	1,330.3	(32.7)	2,185.1
Operating Results	235.9	321.7	(3.5)	554.1
EBIT	344.6	321.7	(111.6)	554.7
Financial results	(76.4)	(54.4)	26.2	(104.6)
Profit before income tax	268.2	267.3	(85.5)	450.0
Net profit of the year (Elia)	229.1	180.2	(118.6)	290.7
Non-controlling interest			36.0	36.0

mEUR	Elia Belgium	Eurogrid	Adjustments	Pro-forma
Non-current Assets	6,093.3	4,580.4	(87.3)	10,586.4
Current Assets	503.2	1,615.6	(24.6)	2,094.2
Total Assets	6,596.5	6,196.0	(111.9)	12,680.6
Total Equity	2,641.8	1,385.4	(396.0)	3,631.2
Non-current Liabilities	2,984.5	3,096.6	299.1	6,380.2
Current Liabilities	970.2	1,714.0	(15.0)	2,669.2

Note: see prospectus for full set of unaudited pro-forma consolidated financials

(\*\*) Includes revenue and other income



# Transaction Overview - Senior Issuance

Issuer	Elia System Operator SA/NV
Rating	BBB+, Stable Outlook with S&P
Format	Senior Unsecured and Unsubordinated
Size & Maturity	€300m (10 year)
Coupon	Fixed
Denominations	EUR 100,000 + EUR 100,000
Documentation	Stand Alone Prospectus
Listing / Governing Law	Euronext Brussels / English Law (other than certain conditions 1,11 and 13 with respect to rules laid down in the Belgian Company Code)
Use of Proceeds	Proceeds will be used to finance the acquisition of an additional 20% stake in Eurogrid
Target Market	Manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared
Global-Coordinators	BofA Merrill Lynch / BNP Paribas
Joint Bookrunners	BofA Merrill Lynch / BNP Paribas / ING / NatWest Markets

Note: see prospectus for the terms of the Securities

# Transaction Overview - Hybrid Issuance

Issuer	Elia System Operator SA/NV
Securities	Fixed Rate Reset Undated Subordinated Securities
Issuer Rating / Securities' Expected Rating	BBB+, Stable Outlook with S&P / [BBB-]
Expected Equity Credit	S&P Intermediate (50%)
Size & Maturity	€[700]m Perpetual NC[5.25]
Interest Payment Dates	Payable annually in arrear on [*] [December] in each year. There will be a long first Interest Period and the first Interest Payment Date will be [*] [December] 201[9]
Interest Rate	The Securities bear interest on their principal amount at : <ol style="list-style-type: none"> <li>1. from and including the Issue Date, to but excluding [*] [December] 202[3] (the "First Reset Date"), [*]% per annum;</li> <li>2. from and including the First Reset Date, to but excluding [*] [December] 202[8], the sum of the 5 year EUR Mid-Swap Rate plus initial margin per annum;</li> <li>3. from and including [*] [December] 202[8], to but excluding [*] [December] 204[3], the sum of the 5 year EUR Mid-Swap Rate plus initial margin+25 bps per annum;</li> <li>4. from and including [*] [December] 204[3], the sum of the 5 year EUR Mid-Swap Rate plus initial margin+100 bps per annum</li> </ol>
Optional Interest Deferral	The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment. Any Interest Payment so deferred shall constitute "Arrears of Interest". Arrears of Interest will bear interest.
Settlement of Arrears of Interest	Arrears of Interest may be paid at any time at the option of the Issuer but shall become due and payable on the earliest of (subject to certain exceptions): <ol style="list-style-type: none"> <li>1. The tenth business day following the date on which the Issuer declares or pays a dividend or other such distribution on, or redeems, repurchases or otherwise acquires any Junior Securities or Parity Securities;</li> <li>2. The next Interest Payment Date on which the Issuer elects not to defer the interest;</li> <li>3. The date of the redemption of the Securities; or</li> <li>4. The date of the winding-up of the Issuer.</li> </ol>
Issuer's Call Option	Any date falling from the September] 202[3] (the "First Call Date") to, and including, the First Reset Date (90 days period) or on any Interest Payment Date thereafter at their principal amount together with accrued but unpaid interest thereon and any outstanding Arrears of Interest
Special Redemption Events	Upon an Accounting Event, Rating Agency Methodology Event or a Tax Deductibility Event at 101% (if redeemed before the First Call Date) or at par (if redeemed on or after the First Call Date). Upon a Gross Up Event or a Substantial Repurchase Event (more than 80%) at par
Substitution and Variation	Yes, as an alternative to an early redemption upon the occurrence of an Accounting Event, Rating Agency Methodology Event, Tax Deductibility Event or a Gross Up Event, subject to certain preconditions
Subordination	The Securities are senior only to ordinary shares. Junior to unsubordinated obligations of the Issuer
Denominations / Documentation	EUR 100,000 + EUR 100,000 / Stand Alone Prospectus
Listing / Governing Law	Euronext Brussels / English Law (other than certain conditions 1,2,13 and 15 with respect to rules laid down in the Belgian Company Code which are governed by laws of the Kingdom of Belgium)
Target Market	Manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared
Global-Coordinators	<del>BofA Merrill Lynch (Structuring Advisor) / BNP Paribas</del>
Joint Bookrunners	BofA Merrill Lynch / BNP Paribas / ING / NatWest Markets

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