



ELIA SYSTEM OPERATOR SA/NV

Keizerslaan 20, 1000 Brussels, Belgium

Incorporated with limited liability (naamloze vennootschap / société anonyme) in the Kingdom of Belgium

Enterprise number 0476.388.378 – RPR Brussels

EUR 3,000,000,000

Euro Medium Term Note Programme

Due from one month from the date of original issue

Under the Euro Medium Term Note Programme described in this Prospectus (the "**Programme**"), Elia System Operator SA/NV (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 3,000,000,000 (or the equivalent in other currencies).

Application has been made to the Belgian Financial Services and Markets Authority (the "**FSMA**") in its capacity as competent authority under the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market (as amended from time to time, the "**Prospectus Law**"), for the approval of the English version of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (the "**Prospectus Directive**"). The approval by the FSMA does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer. The whole of this Prospectus has been translated into Dutch and French. In the event of any discrepancy between the English, Dutch or French versions of this Prospectus, the English version shall prevail. The Issuer assumes responsibility for the consistency between the English, Dutch and French versions of this Prospectus.

Application has also been made to NYSE Euronext Brussels for the Notes issued under the Programme to be listed on NYSE Euronext Brussels and to be admitted to trading on NYSE Euronext Brussels' regulated market. References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been listed and admitted to trading on NYSE Euronext Brussels' regulated market. NYSE Euronext Brussels' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed and admitted to trading on NYSE Euronext Brussels' regulated market (or any other stock exchange).

The Notes will be issued in dematerialised form under the Belgian Company Code (*Wetboek van Vennootschappen / Code des Sociétés*) (the "**Belgian Company Code**") and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**NBB System**"). Access to the NBB System is available through those of its NBB System Participants whose membership extends to securities such as the Notes. NBB System Participants include certain banks, stockbrokers (*beursvennootschappen / sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"). Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors may hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg. The Notes issued in dematerialised form and settled through the NBB System may be eligible as ECB collateral, provided that the applicable ECB eligibility requirements are met.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche of Notes will be set out in a final terms document (the "**Final Terms**"). Copies of Final Terms in relation to Notes to be listed on NYSE Euronext Brussels will be published on the website of NYSE Euronext Brussels (www.nyx.com).

The Issuer has been rated A- with a stable outlook by Standard & Poor's Financial Services LLC ("**S&P**"). S & P is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). Tranches of Notes to be issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Arranger for the Programme

BNP PARIBAS

Dealers

**BNP PARIBAS
KBC Bank NV**

**J.P.Morgan
Rabobank International**

*This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.*

*The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*This Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.*

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in "Summary of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €1,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in "Summary of the Programme"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

NON-EXEMPT OFFERS OF NOTES IN THE EUROPEAN ECONOMIC AREA

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may, subject as provided below, be offered in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Prospectus as a "**Non-exempt Offer**".

None of the Issuer or any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)

In the context of any Non-exempt Offer of Notes, the Issuer accepts responsibility, in each Member State for which it has given its consent referred to herein, for the content of the Prospectus in relation to any person (an "**Investor**") to whom an offer of any Notes is made by any financial intermediary to whom the Issuer has given its consent to use the Prospectus (an "**Authorised Offeror**"), where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under "*Consent*" and "*Common conditions to consent*". None of the Issuer or any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Non-exempt Offer.

Save as provided below, none of the Issuer or any Dealer has authorised the making of any Non-exempt Offer and the Issuer has not consented to the use of this Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and none of the Issuer and any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Prospectus in the context of the Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

Consent

Subject to the conditions set out below under "*Common conditions to consent*":

- (A) the Issuer consents to the use of this Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of the Notes by the relevant Dealer and by:
 - (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms; and
 - (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (*www.elia.be*) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer,

in each case for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC); and

- (B) if (and only if) Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*", the Issuer hereby offers to grant its consent to the use of this Prospectus (as supplemented as at the

relevant time, if applicable) in connection with a Non-exempt Offer of Notes by any financial intermediary which satisfies the following conditions:

- (i) it is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC); and
- (ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Elia System Operator SA/NV (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the offer of the Notes (the "Non-exempt Offer") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Prospectus, and we are using the Prospectus in connection with the Non-exempt Offer accordingly."

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

- (I) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
 - (a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**") including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;
 - (b) comply with the restrictions set out under "*Subscription and Sale*" in this Prospectus which would apply as if it were a Dealer;
 - (c) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
 - (d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
 - (e) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
 - (f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;

- (g) ensure that no holder of Notes or potential Investor in the Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (h) co-operate with the Issuer and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the relevant Dealer:
 - (i) in connection with any request or investigation by any regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
 - (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or
 - (iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements,in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;
- (i) during the primary distribution period of the Notes: (i) not sell the Notes at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) not sell the Notes otherwise than for settlement on the Issue Date specified in the relevant Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;
- (j) either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution - only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- (k) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (l) comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- (m) make available to each potential Investor in the Notes the Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet

provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Prospectus; and

- (n) if it conveys or publishes any communication (other than the Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that neither the Issuer nor the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in the Prospectus;
- (II) agrees and undertakes to indemnify each of the Issuer and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer; and
- (III) agrees and accepts that:
 - (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Prospectus with its consent in connection with the relevant Non-exempt Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;
 - (b) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the English courts; and
 - (c) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any financial intermediary falling within sub-paragraph (B) above who wishes to use this Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified at paragraph (B)(ii) above.

Common conditions to consent

The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (B) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (a) is only valid in respect of the relevant Tranche of Notes;
- (b) is only valid during the Offer Period specified in the applicable Final Terms; and
- (c) only extends to the use of this Prospectus to make Non-exempt Offers of the relevant Tranche of Notes.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE RELEVANT AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

Non-exempt Offers: Issue Price and Offer Price

Notes to be offered pursuant to a Non-exempt Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Non-exempt Offer and will depend, amongst other things, on the interest rate applicable to the Notes and prevailing market conditions at that time. The offer price of such Notes will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Notes to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Notes to such Investor.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011, respectively, together in each case with the audit report thereon, and the unaudited interim condensed consolidated financial statements of the Issuer for the six months ended 30 June 2012 and 30 June 2011, together in each case with the review report thereon, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the FSMA or filed with it. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the registered office of the Issuer at Keizerslaan 20, 1000 Brussels, Belgium. This Prospectus and each document incorporated by reference will also be published on the website of NYSE Euronext Brussels (www.nyx.com) and the website of the Issuer (www.elia.be).

The table below sets out the relevant page references for the audited consolidated financial statements for the financial years ended 31 December 2010 and 31 December 2011, respectively, as set out in the Issuer's Annual Report. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only and does not form part of this Prospectus.

Audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2010 and 31 December 2011

	Issuer's Annual Report for the year ended 31 December 2010	Issuer's Annual Report for the year ended 31 December 2011
Consolidated Income Statement	Page 108	Page 108
Consolidated Statement of Comprehensive Income	Page 109	Page 109
Consolidated Statement of Financial Position	Page 110	Page 110
Consolidated Statement of Changes in Equity	Page 111	Page 111
Consolidated Statement of Cash Flows	Page 112	Page 112
Notes	Page 113 - 149	Page 113 - 153
Auditors' Report	Page 150 - 151	Page 154 - 155

Unaudited interim condensed consolidated financial statements of the Issuer for the six months ended 30 June 2012, together with comparative statements for the six months ended 30 June 2011

	Unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012	Unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011
Interim Condensed Consolidated Income Statement	Page 9	Page 9
Interim Condensed Consolidated Statement of Comprehensive Income	Page 10	Page 10
Interim Condensed Consolidated Statement of Financial Position	Page 8	Page 12
Interim Condensed Consolidated Statement of Changes in Equity	Page 11	Page 12
Interim Condensed Consolidated Statement of Cash Flows	Page 12	Page 13
Selected Notes	Page 13	Page 14
Auditors' Review Report	Page 17-18	Page 18-19

PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 34 of the Prospectus Law, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed and admitted to trading on the NYSE Euronext Brussels' regulated market, shall constitute a prospectus supplement as required by Article 34 of the Prospectus Law.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

Where a prospectus relates to an offer of Notes to the public, Investors who have already agreed to purchase or subscribe for the Notes before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptance, provided that the new factor, mistake or inaccuracy triggering the preparation of the supplement arose before the final closing of the offer and the delivery of the Notes. That period may be extended by the Issuer. The final date of the right of withdrawal shall be stated in the supplement.

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SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary relating to the Notes and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the nature of the Notes and the Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary and marked as "Not Applicable".

Section A - Introduction and warnings		
A.1		<p>This summary must be read as an introduction to the Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Member States of the European Economic Area, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Notes.</p>
A.2		<p><i>Issue specific summary:</i></p> <p>[<i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Prospectus in connection with a Non-exempt Offer (as defined below) of Notes by the Managers, [●,] [and] [each financial intermediary whose name is published on the Issuer's website (<i>www.elia.be</i>) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing Directive 2004/39/EC (the "Markets in Financial Instruments Directive") and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Elia System Operator SA/NV (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the offer of the Notes (the "Non-exempt Offer") in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Prospectus, and we are using the Prospectus in connection with the Non-exempt Offer accordingly."</i></p> <p>A "Non-exempt Offer" of Notes is an offer of Notes (other than pursuant to</p>

Section A - Introduction and warnings		
		<p>Article 3(2) of the Prospectus Directive) during the Offer Period specified below. Those persons to whom the Issuer gives its consent in accordance with the foregoing provisions are the "Authorised Offerors" for such Non-exempt Offer.</p> <p><i>Offer Period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during the period from [●] until [●] (the "Offer Period").</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid in respect of the relevant Tranche of Notes; (b) is only valid during the Offer Period; [and] (c) only extends to the use of this Prospectus to make Non-exempt Offers of the relevant Tranche of Notes; [and (d) ●].</p> <p>An investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an Authorised Offeror other than the Issuer will do so, and offers and sales of such Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations, expenses and settlement arrangements. The investor must look to the relevant Authorised Offeror at the time of such offer for the provision of such information and the Authorised Offeror will be solely responsible for such information.]</p> <p>[The Notes may be offered only in circumstances in which an exemption from the obligation under the Prospectus Directive to publish a prospectus applies in respect of such offer.]</p>

Section B - Issuer		
B.1	The legal and commercial name of the Issuer:	Elia System Operator SA/NV (the " Issuer ").
B.2	The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation:	The Issuer is incorporated as a limited liability company (<i>société anonyme/naamloze vennootschap</i>) and was established under Belgian law by a deed dated 20 December 2001. Its registered office is 1000 Brussels, Keizerslaan 20 (telephone number: +32 (0) 2 546 70 11).
B.4b	A description of any known trends affecting the Issuer and the industries in which it operates:	Not Applicable. There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current financial year.
B.5	If the Issuer is part of a group, a description of the group and the Issuer's position within the group:	The Issuer owns, with the exception of one share, all of the shares of Elia Asset NV. The Issuer and Elia Asset NV operate as a single economic entity. The Issuer also holds a 60 per cent. shareholding in Eurogrid International CVBA.

Section B - Issuer																																																														
B.9	Where a profit forecast or estimate is made, state the figure:	Not Applicable. The Issuer has not made any profit forecasts or estimates.																																																												
B.10	A description of the nature of any qualifications in the audit report on the historical financial information:	Not Applicable. The auditors have not qualified their respective audit or review reports on the historical financial information.																																																												
B.12	Selected financial information:	<p><i>Key Financial Information</i></p> <p>The table below sets out summary information extracted from the Issuer's audited consolidated income statement and consolidated statement of financial position for each of the two years ended 31 December 2011 and 31 December 2010:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Consolidated results (millions €)</th> <th style="text-align: center;">31 December 2011</th> <th style="text-align: center;">31 December 2010</th> </tr> </thead> <tbody> <tr> <td>Total revenues and other income</td> <td style="text-align: right;">1.278,4</td> <td style="text-align: right;">1.037,5</td> </tr> <tr> <td>REBITDA</td> <td style="text-align: right;">448,9</td> <td style="text-align: right;">409,4</td> </tr> <tr> <td>EBITDA</td> <td style="text-align: right;">448,9</td> <td style="text-align: right;">687,9</td> </tr> <tr> <td>Operating profit (REBIT)</td> <td style="text-align: right;">308,0</td> <td style="text-align: right;">281,9</td> </tr> <tr> <td>Operating profit, including non-recurring items (EBIT)</td> <td style="text-align: right;">308,0</td> <td style="text-align: right;">560,4</td> </tr> <tr> <td>Net finance costs</td> <td style="text-align: right;">(128,6)</td> <td style="text-align: right;">(123,2)</td> </tr> <tr> <td>Income tax expense</td> <td style="text-align: right;">(43,3)</td> <td style="text-align: right;">(34,0)</td> </tr> <tr> <td>Profit, including non-recurring items, attributable to the Owners of the Company</td> <td style="text-align: right;">137,5</td> <td style="text-align: right;">401,7</td> </tr> <tr> <td>Profit, excluding non-recurring items, attributable to the Owners of the Company</td> <td style="text-align: right;">137,5</td> <td style="text-align: right;">123,2</td> </tr> <tr> <td>Basic earnings, including non-recurring items, per share (€)</td> <td style="text-align: right;">2,28</td> <td style="text-align: right;">7,36</td> </tr> <tr> <td>Basic earnings, excluding non-recurring items, per share (€)</td> <td style="text-align: right;">2,28</td> <td style="text-align: right;">2,26</td> </tr> <tr> <td>Dividend per share (€)</td> <td style="text-align: right;">1,47</td> <td style="text-align: right;">1,40</td> </tr> <tr> <td>Statement of financial position (in million €)</td> <td style="text-align: center;">31 December 2011</td> <td style="text-align: center;">31 December 2010</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">5.843,8</td> <td style="text-align: right;">5.904,0</td> </tr> <tr> <td>Equity, attributable to the Owners of the Company</td> <td style="text-align: right;">2.046,9</td> <td style="text-align: right;">2.007,2</td> </tr> <tr> <td>Net financial debt</td> <td style="text-align: right;">2.532,9</td> <td style="text-align: right;">2.551,4</td> </tr> <tr> <td>Equity per share (€)</td> <td style="text-align: right;">33,9</td> <td style="text-align: right;">36,8</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>Number of shares (end of period)</td> <td style="text-align: right;">60.355.217</td> <td style="text-align: right;">60.355.217</td> </tr> </tbody> </table> <p style="text-align: center;">EBIT = earnings before interest and taxes EBITDA = EBIT + depreciation/amortisation + changes in provisions</p> <p>The table below sets out summary information extracted from the Issuer's unaudited interim condensed consolidated income statement for the six months ended 30 June 2012 and 30 June 2011 and from the Issuer's unaudited interim condensed consolidated statement of financial position</p>	Consolidated results (millions €)	31 December 2011	31 December 2010	Total revenues and other income	1.278,4	1.037,5	REBITDA	448,9	409,4	EBITDA	448,9	687,9	Operating profit (REBIT)	308,0	281,9	Operating profit, including non-recurring items (EBIT)	308,0	560,4	Net finance costs	(128,6)	(123,2)	Income tax expense	(43,3)	(34,0)	Profit, including non-recurring items, attributable to the Owners of the Company	137,5	401,7	Profit, excluding non-recurring items, attributable to the Owners of the Company	137,5	123,2	Basic earnings, including non-recurring items, per share (€)	2,28	7,36	Basic earnings, excluding non-recurring items, per share (€)	2,28	2,26	Dividend per share (€)	1,47	1,40	Statement of financial position (in million €)	31 December 2011	31 December 2010	Total assets	5.843,8	5.904,0	Equity, attributable to the Owners of the Company	2.046,9	2.007,2	Net financial debt	2.532,9	2.551,4	Equity per share (€)	33,9	36,8				Number of shares (end of period)	60.355.217	60.355.217
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Section B - Issuer				
		for the six months ended 30 June 2012 and the Issuer's audited consolidated statement of financial position for the year ended 31 December 2011:		
		Consolidated results (in million €)	30 June 2012	30 June 2011
		Total revenues	687,3	610,6
		EBITDA	244,4	216,9
		Operating profit (EBIT)	164,8	146,5
		Net finance costs	(66,4)	(64,8)
		Income tax expense	(24,8)	(21,0)
		Profit, attributable to the owners of the Company	73,1	61,4
		Basic earnings per share	1,21	1,02
		Statement of financial position (in million €)	30 June 2012	31 December 2011
		Total assets	5.899,1	5.843,8
		Equity, attributable to the Owners of the Company	2.030,1	2.046,9
		Net financial debt	2.513,0	2.532,9
		Equity per share (€)	33,6	33,9
		Number of shares (end of period)	60.355.217	60.355.217
		EBIT = earnings before interest and taxes EBITDA = EBIT + depreciation/amortisation + changes in provisions There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2012 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2011.		
B.13	A description of any recent events particular to the issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	Not Applicable. There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.		
B.14	If the Issuer is part of a group, a description of the group and the Issuer's position within the group. If the Issuer is dependent upon other entities within the group, this must be clearly stated:	See Element B.5 for information on the Issuer's position within the group. Not Applicable. The Issuer is not dependent on any other entities within the Group.		
B.15	A description of the Issuer's principal activities:	The Issuer is a transmission system operator for the Belgian very high voltage (380 kV – 150 kV) and high voltage (70 kV – 30 kV) electricity network, and for the offshore grid in the Belgian territorial waters in the North Sea. The principal activities of the Issuer are to provide electricity transmission services by developing, operating and maintaining the very		

Section B - Issuer		
		high and high-voltage electricity grid in Belgium.
B.16	To the extent known to the Issuer, state whether the Issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control:	Publi-T SCRL/CVBA is an important shareholder of the Issuer and has currently the right to appoint 50 per cent. of the members of the board of directors of the Issuer.
B.17	Credit ratings assigned to the Issuer or its debt securities at the request or with the co-operation of the Issuer in the rating process:	<p>Programme summary:</p> <p>The Issuer has been rated A- with a stable outlook by Standard & Poor's Financial Services LLC.</p> <p>Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>Issue specific summary:</p> <p>[The Notes to be issued [are not]/[have been]/[are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:</p> <p>[Name of rating agency]: [●]</p>

Section C – Securities		
C.1	A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number:	<p>Programme summary:</p> <p>Type of Notes:</p> <p>Up to EUR 3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time pursuant to the Euro Medium Term Note Programme arranged by BNP Paribas.</p> <p>The Dealers are:</p> <p>BNP Paribas, J.P. Morgan Securities plc, KBC Bank NV and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International).</p> <p>The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in</p>

Section C – Securities

respect of one or more Tranches.

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

The Notes are issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Company Code. The Notes will be represented by book entry in the records of the clearing system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**NBB System**"). The Notes can be held by their holders through participants in the NBB System, including Euroclear and Clearstream, Luxembourg and through other financial intermediaries which in turn hold the Notes through Euroclear and Clearstream, Luxembourg, or other participants in the NBB System. The Notes are accepted for clearance through the NBB System, and are accordingly subject to the applicable Belgian clearing regulations. The Noteholders will not be entitled to exchange the Notes into notes in bearer form.

The Notes may be Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes, as specified below.

Status of Notes:

The Notes constitute (subject to the negative pledge provisions) direct, unconditional, unsubordinated and unsecured obligations of the Issuer.

Issue specific summary:

Series Number: [•]

Tranche Number: [•]

Aggregate Nominal Amount:

(i) Series: [•]

(ii) Tranche: [•]

Specified Denomination: [•]

Form of Notes: Dematerialised form

ISIN Code: [•]

Common Code: [•]

Relevant clearing system(s): The Notes will settle in the NBB System

Section C – Securities		
C.2	Currency of the securities issue:	<p>Programme summary:</p> <p>Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.</p> <p>Issue specific summary:</p> <p>The Specified Currency of the Notes to be issued will be: [Euro]</p>
C.5	A description of any restrictions on the free transferability of the securities:	<p>Programme summary:</p> <p>The primary offering of any Notes will be subject to offer restrictions in the United States, the European Economic Area (including the United Kingdom), Japan, Belgium and to any applicable offer restrictions in any other jurisdiction in which such Notes are offered.</p> <p>With respect to the United States, the Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.</p> <p>Title to the Notes will pass by account transfer in accordance with the procedures and regulations of the NBB System.</p> <p>Subject thereto, the Notes will be freely transferable.</p> <p>Issue specific summary:</p> <p>The United States, the Non-exempt Offer Selling Restriction under the Prospectus Directive, the United Kingdom, Belgium, Japan.</p> <p>US Selling Restrictions (Categories of potential investors to which the Notes are offered): Reg. S Compliance Category 2; TEFRA not applicable.</p>
C.8	A description of the rights attached to the securities including: ranking limitations to those rights:	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p>Ranking (status):</p> <p>The Notes will constitute (subject to the provisions of the Issuer's negative pledge below) direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Notes will, save for such exceptions as may be provided by applicable legislation and subject to the provisions of the Issuer's negative pledge below, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.</p> <p>Negative pledge:</p> <p>The terms of the Notes will contain a negative pledge provision to the effect that, so long as any Note remains outstanding, the Issuer will not, and will procure that none of its Material Subsidiaries will, create, grant or permit to subsist any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (subject to certain exceptions with respect to Relevant Debt issued for the purpose of financing the costs of the acquisition, construction or development of any project if the</p>

Section C – Securities

person(s) providing such financing agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for such Relevant Debt) to secure any Relevant Debt of any person, including the Issuer or any Material Subsidiary, or any guarantee of Relevant Debt without at the same time or prior thereto securing the Notes equally and rateably therewith or providing other security for the Notes.

For these purposes:

"IFRS 10 – Consolidated Financial Statements" means International Financial Reporting Standard 10 for consolidated financial statements as issued by the IASB (International Accounting Standards Board) in May 2011 as amended from time to time.

"Material Subsidiary" means a Subsidiary whose (a) turnover, or (b) total assets (in each case determined on a non-consolidated basis and determined on a basis consistent with the preparation of the consolidated accounts of the Issuer) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, are equal to) no less than 20 per cent. of the consolidated turnover or total assets (as the case may be) of the Issuer, all as calculated respectively by reference to the then latest audited accounts of such Subsidiary and the then latest audited consolidated accounts of the Issuer, provided that:

- A. in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until consolidated accounts of the Issuer for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest audited accounts, adjusted as deemed appropriate by the auditors of the relevant Subsidiary from time to time (the "**Auditors**"); and
- B. in the case of a Subsidiary in respect of which no audited accounts are prepared, its turnover and total assets shall be determined on the basis of pro forma accounts of the relevant Subsidiary prepared for this purpose by the Auditors on the basis of accounting principles consistent with those adopted by the Issuer.

"Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes or other transferable securities (*valeurs mobilières/effecten*) which are for the time being quoted or listed or capable of being quoted or listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue and any guarantee or indemnity of any such

Section C – Securities

indebtedness.

"**Subsidiary**" means an entity from time to time which the Issuer controls and "**control**" has the meaning provided in IFRS 10 – "Consolidated Financial Statements".

Events of default:

The terms of the Notes will contain, *inter alia*, the following events of default:

- default in payment of any principal or interest due in respect of the Notes, continuing for a period of 7 days in the case of principal and 15 days in the case of interest;
- non-performance or non-observance by the Issuer of any of its other obligations under the terms and conditions of the Notes, continuing for a specified period of time;
- if (i) any indebtedness of the Issuer or a material subsidiary becomes due and payable, or becomes capable of being declared due and payable, prior to its stated maturity by reason of any event of default, (ii) any indebtedness is not paid when due (or within any applicable grace period) or (iii) the Issuer or any material subsidiary fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any indebtedness, provided that the aggregate amount of such indebtedness, guarantees and indemnities equals or exceeds €50 million or its equivalent and the Issuer or the relevant Material Subsidiary is not contesting in good faith its liability to make payment thereunder;
- any mortgage, charge, pledge, lien or other encumbrance, present or future, created by the Issuer or any of its material subsidiaries in an aggregate amount exceeding €25 million or its equivalent, becomes enforceable and any step is taken to enforce any such mortgage, charge, pledge, lien or other encumbrance;
- events relating to the insolvency or winding up of the Issuer or its material subsidiaries; and
- the Issuer ceases to be the Belgian TSO (Transmission System Operator).

Taxation:

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Kingdom of Belgium, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding been required.

Meetings:

The terms and conditions of the Notes will contain provisions for calling

Section C – Securities		
		<p>meetings of holders of such Notes to consider matters relating to the Notes. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p>Governing law:</p> <p>The Notes (other than any matters relating to title to and the dematerialised form of such Notes) will be governed by, and construed in accordance with, English law, save that any matters relating to title to and the dematerialised form of the Notes, and the terms and conditions relating to meetings of Noteholders and containing notice provisions, with respect to the rules laid down in the Belgian Company Code, will be governed by, and construed in accordance with, Belgian law.</p>
C.9	<p>A description of the rights attached to the securities including:</p> <ul style="list-style-type: none"> • the nominal interest rate • the date from which interest becomes payable and the due dates for interest • where the rate is not fixed, description of the underlying on which it is based • maturity date and arrangements for the amortisation of the loan, including the repayment procedures • an indication of yield • name of representative of debt securityholders 	<p>INTEREST</p> <p>Interest rates, interest accrual and payment dates:</p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate. Interest will be payable on such date or dates as may be specified below.</p> <p>Fixed Rate Notes:</p> <p>Fixed interest will be payable in arrear at the rate(s) and on the date or dates in each year specified below.</p> <p>Issue specific summary:</p> <p>[The Notes to be issued are not Fixed Rate Notes.]</p> <p>[Rate(s) of Interest: [●] per cent. per annum payable [●] in arrear on each Interest Payment Date</p> <p>Interest Payment Date(s): [●] in each year]</p> <p>Floating Rate Notes:</p> <p>Floating Rate Notes will bear interest determined separately for each Series either:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("ISDA Determination") or</p> <p>(ii) by reference to a reference rate (LIBOR or EURIBOR), if applicable, as adjusted for any specified margin ("Screen Rate Determination"),</p> <p>all as specified below. Applicable accrual periods will be as specified below.</p> <p>Issue specific summary:</p> <p>[The Notes to be issued are not Floating Rate Notes.]</p> <p>Interest Period(s): []</p> <p>Specified Interest Payment Dates: []</p> <p>First Interest Payment Date: []</p>

Section C – Securities

		<p>Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]</p> <p>Manner in which the Rate of Interest and Interest Amount is to be determined:[Screen Rate Determination/ISDA Determination]</p> <p>Margin(s): [+/-] [] per cent. per annum</p> <p>Minimum Rate of Interest: [[] per cent. per annum/Not Applicable]</p> <p>Maximum Rate of Interest: [[] per cent. per annum/Not Applicable]</p> <p><i>Zero Coupon Notes:</i></p> <p>Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.</p> <p><i>Issue specific summary:</i></p> <p>[The Notes to be issued are not Zero Coupon Notes.]</p> <p>[Amortisation Yield: [•]</p> <p>Reference Price: [•]]</p> <p><i>REDEMPTION</i></p> <p><i>Maturity:</i></p> <p>The relevant maturity date for a Tranche of Notes is specified below. The redemption amount payable at maturity of the Notes is specified below.</p> <p>Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the UK Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent.</p> <p><i>Issue specific summary</i></p> <p>The maturity date for the Notes shall be [[•] / the Interest Payment Date falling in or nearest to [•]].</p> <p>Unless redeemed or purchased and cancelled earlier, the Issuer will redeem the Notes on the maturity date at [nominal amount] [an amount equal to [•] per [•] in nominal amount of the Notes].</p> <p><i>Early Redemption:</i></p> <p>The Issuer may elect to redeem the Notes prior to the maturity date in certain circumstances for tax reasons.</p> <p>In addition, if so specified below, the Notes may be redeemed prior to their maturity date in certain circumstances, including pursuant to an Issuer call option and/or an investor put option.</p> <p><i>Issue specific summary:</i></p> <p>Issuer Call: [Applicable/Not Applicable]</p>
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Section C – Securities		
		<p>Optional Redemption Date(s): [●]</p> <p>Optional Redemption Amount(s): [●] per Calculation Amount</p> <p>If redeemable in part:</p> <p>(i) Minimum Redemption Amount: [●]</p> <p>(ii) Maximum Redemption Amount: [●]</p> <p>Notice period: Minimum period: [15][] days</p> <p>Maximum period: [30][] days</p> <p>Investor Put: [Applicable/Not Applicable]</p> <p>Optional Redemption Date(s): [●]</p> <p>Optional Redemption Amount(s): [●] per Calculation Amount</p> <p>Notice period: Minimum period: [15][] days</p> <p>Maximum period: [30][] days</p> <p>Indication of Gross Actuarial Yield:</p> <p>The gross actuarial yield in respect of each issue of Fixed Rate Notes will be calculated on the basis of the Issue Price using the following formula:</p> $P = \frac{C}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$ <p>Where:</p> <p>"P" is the Issue Price of the Notes;</p> <p>"C" is the annualised Interest Amount;</p> <p>"A" is the principal amount of Notes due on redemption;</p> <p>"n" is time to maturity in years; and</p> <p>"r" is the annualised yield.</p> <p>Gross Actuarial Yield is not an indication of future price.</p>
		<p>Issue specific summary</p> <p>Gross Actuarial Yield: [●]</p> <p>Agent:</p> <p>The Issuer has appointed BNP Paribas Securities Services SCA, Brussels Branch, as the Agent.</p>
C.10	If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their	Not Applicable. Notes issued under the Programme do not contain any derivative components.

Section C – Securities		
	investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident:	
C.11	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question:	<p>Programme summary:</p> <p>Application has been made to NYSE Euronext Brussels for Notes issued under the Programme to be listed and to be admitted to trading on the NYSE Euronext Brussels' regulated market. As specified in the relevant Final Terms, a Series of Notes may be unlisted.</p>
		<p>Issue specific summary:</p> <p>[Application has been made]/[Application is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●]/[The Notes are not intended to be admitted to trading.]</p>

Section D - Summary Risk Factors		
D.2	Key information on the key risks that are specific to the Issuer:	<p>In purchasing the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. There are a number of factors which could materially adversely affect the Issuer's business and its ability to make payments due under the Notes. These factors include, amongst others, the following risks:</p> <ul style="list-style-type: none"> • the Issuer's revenues and the conduct of its regulated activities are dependent on the actions of regulatory bodies in Belgium and Europe (in particular in relation to tariffs and the Belgian TSO licence) and new decisions may alter the regulatory framework in a manner that has a negative impact on the Issuer's profitability; • changes in European energy supplies, trends in offtake and injection and interconnection capacity between EU Member States may impact the balance between production and consumption in the areas in which the Issuer operates and have a negative effect on its business; • unforeseen events, such as unfavourable weather conditions, may affect the reliability of the transmission systems operated by the Issuer and lead to liability claims and litigation against the Issuer which could lead to losses being incurred; • failure of the ICT systems used by the Issuer, or a breach of its ICT security measures, could impair the Issuer's ability to comply with the

Section D - Summary Risk Factors		
		<p>law and contractual requirements;</p> <ul style="list-style-type: none"> • the Issuer's business ventures, which tend to be large-scale, technically complex undertakings (including, for example, the Belgian Offshore development) could potentially be subject to delays or insurmountable technical difficulties and, as such, carry inherent financial risk; • the Issuer may be exposed to a cash flow risk if a high volume of 'green certificates' (financial support instruments for the renewable energy sector which the Issuer is obliged to purchase at a guaranteed minimum price) are issued under new Belgian laws; • compliance with environmental or city planning regulations and potential liability for (currently undiscovered) land contamination may result in significant additional costs being incurred by the Issuer thereby reducing profitability; • legal proceedings which the Issuer is involved in or becomes involved in, in the future may adversely affect its business; • acts of terrorism or sabotage that damage the Issuer's networks or operations may cause work failures or system breakdowns which could, in turn, have a material adverse effect on the Issuer's financial condition; and • changes in the economic climate including, but not limited to, a pronounced change in interest rates (which could have an impact on the financial charges passed on to the Issuer in subsequent regulatory tariff periods) and taxation levels, as well as the global financial crisis, and, in particular, the Eurozone crisis, may adversely affect the financial performance and position of the Issuer.
D.3	Key information on the key risks that are specific to the securities:	<p>There are also risks associated with specific types of Notes, and with the Notes and the markets generally, including:</p> <ul style="list-style-type: none"> • an optional redemption feature of Notes is likely to limit their market value and the market value is unlikely to rise above the redemption price during any period when the Issuer may elect to redeem the Notes. In addition, the Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes and at such times, an investor may only be able to reinvest its money at a significantly lower rate; • the terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority; • if the Issuer, the NBB, the Agent or any other person is required to

Section D - Summary Risk Factors		
		<p>make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the NBB, the Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted;</p> <ul style="list-style-type: none"> • the Notes will be issued in dematerialised form under the Belgian Company Code and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the NBB System. Transfers of interests in the Notes will be effected between the NBB System Participants. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the NBB System Participants through which they hold their Notes. The Issuer and the Agent will have no responsibility for the proper performance by the NBB System or the NBB System Participants of their obligations under their respective rules and operating procedures. A Noteholder must rely on the procedures of the NBB System, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Notes within the NBB System; and • Notes may have no established trading market when issued, and one may never develop, or may be illiquid. In such case, investors may not be able to sell their Notes easily or at favourable prices.

Section E- Offer:		
E.2b	Reasons for the offer and use of proceeds:	<p>Programme summary:</p> <p>The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p> <p>Issue specific summary:</p> <p>Reasons for the offer: [●]</p> <p>Use of proceeds: [●]</p>
E.3	A description of the terms and conditions of the offer:	<p>Programme summary:</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an offeror other than the Issuer will do so, and offers and sales of such Notes to an investor by such</p>

Section E- Offer:		
		<p>offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations, expenses and settlement arrangements. The investor must look to the relevant Authorised Offeror for the provision of such information and the Authorised Offeror will be responsible for such information. The Issuer has no responsibility or liability to an investor in respect of such information.</p> <p>Issue specific summary:</p> <p>Item [9] of Part B of these Final Terms specifies the terms and conditions of the offer applicable to the Notes.</p>
E.4	A description of any interest that is material to the issue/offer including conflicting interests:	<p>Programme summary:</p> <p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its respective affiliates in the ordinary course of business.</p> <p>Issue specific summary:</p> <p>[Save for [●], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
E.7	Estimated expenses charged to the investor by the Issuer or the offeror:	<p>Issue specific summary:</p> <p>[There are no expenses charged to the investor by the Issuer.] [The following expenses are to be charged to the investor by the [Issuer]: [●].]</p> <p>[Expenses may be chargeable to Investors by an Authorised Offeror in accordance with any contractual arrangements agreed between the Investor and an Authorised Offeror at the time of the relevant offer; these are beyond the control of the Issuer and are not set by the Issuer. Investors are invited to inform themselves on the costs and fees that will be charged by the relevant Authorised Offeror in relation to the subscription of Notes.]</p>

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with Notes issued under the Programme

Risks related to the regulatory framework at the European, federal and regional levels

The Issuer's revenues and the conduct of its regulated activities are dependent on the actions and decisions of regulatory bodies in Belgium and Europe. The principal related risks include the following:

Regulatory framework

The activities of the Issuer are subject to extensive European, national and regional legislation and regulation. The current regulatory framework for the activities of the Issuer is based upon the so-called 'Third Energy Package', consisting of a set of European directives and regulations relating to the European energy market.

New directives and regulations in preparation at the European level or existing directives awaiting transposition into national law (such as those included in the Third Energy Package) may modify the existing regulatory framework. Modifications to the regulatory framework including the Third Energy Package could have a negative impact on the Issuer.

The vast majority of the revenues (approximately 90 per cent.) and profits (approximately 80 per cent.) of the Issuer are generated by the tariffs set pursuant to specific regulations. These tariff regulations include various parameters (such as a fair remuneration requirement and certain debt/equity ratios) and changes to these parameters could have an adverse impact on the financial results of the Issuer. In addition, the Issuer currently operates under a multi-annual tariff scheme which could be revised at the end of each regulatory period and such revisions may have an adverse impact on the financial results of the Issuer. As transmission system operator (hereafter referred to as "TSO"), the Issuer performs various public service obligations, particularly in relation to the promotion of the development of renewable energy. The costs associated with the performance of these obligations may affect the short/midterm liquidity of the Issuer.

Some parameters for the determination of the fair remuneration of the Issuer under tariff setting regulations are subject to specific uncertainties which may negatively impact the Issuer's revenue, prospects and/or profit.

Belgian tariff-setting regulation

The Issuer's net profit depends to a large extent (approximately 70 per cent.) on the profit made from activities regulated by the Belgian authorities. This profit is mainly determined by a fair remuneration mechanism

linked to Belgian linear bonds (10-year OLOs). The OLO rates, which are dependent on the market conditions and can change annually, can directly impact the permitted level of fair remuneration for the Issuer's shareholders.

In addition, for the period 2012 - 2015, two 'incentive' components have been introduced by the Belgian Federal Regulator, the *Commission de Régulation de l'Électricité et du Gaz / Commissievoor de Regulering van de Elektriciteit en het gas* ("**CREG**") to improve the efficiency of Issuer's operations. The Issuer's net profit can be influenced by its ability to achieve these predefined efficiency improvement factors.

In Belgium, transmission tariffs are set pursuant to forecasts of volumes of electricity transmitted, costs and other income. Deviations between real volumes of electricity transmitted and budgeted volumes and between effectively incurred costs/revenues and budgeted costs/revenues can result in a receivable to be recovered in the future. The financial settlement of any such deviation should be taken into account for the setting of the tariffs for the next period and must be financed by the Issuer. However, in the short term, this process may have important transitory effects on the cash position of the Issuer.

In case of deviations between the forecasted costs and actual incurred costs, the CREG takes the final decision whether the incurred costs are not deemed unreasonable and determines whether or not any cross-subsidising between so-called 'Class I elements' (costs not subject to an incentive mechanism) and 'Class II elements' (costs subject to an incentive mechanism) exists. This decision can result in the rejection of costs incurred, which will thus not be taken into account for the setting of tariffs for the next period, and therefore will have an overall and negative impact on the Issuer's profitability.

Belgian TSO Licence

The Issuer was appointed as the Belgian TSO for a renewable period of 20 years from 17 September 2002.

The Belgian law of 29 April 1999 "*relative à l'organisation du marché de l'électricité/betreffende de organisatie van de elektriciteitsmarkt*"- (the "**Electricity Act**") provides that only one TSO can be authorised to manage and operate the electrical transmission system, provided that this TSO owns, directly or through a wholly-owned subsidiary, a substantial part of the network that covers at least three quarters of the national territory and at least two thirds of the territory of each region. This condition is currently only satisfied by the Issuer.

Besides the ownership obligations the Electricity Act further requires that the Issuer needs to act as a fully unbundled system operator implying a complete separation of the Issuer from generation and sales activities. Such appointment is subject to a certification procedure with the CREG

The licence of the Issuer may be terminated early or may not be renewed upon expiry of the 20 year period. In addition, the licence can be terminated by the Belgian federal government under certain circumstances, including:

- bankruptcy, winding-up, merger or demerger of the Issuer;
- serious breach of the Issuer's obligations under its licence; or
- where the Issuer is no longer certified as a fully owned unbundled system operator.

The early termination of the appointment of the Issuer as sole Belgian TSO before the expiry of the licence or the non-renewal of that appointment upon expiry of the licence may have a material adverse effect on the Issuer's activities, profits and financial situation. However, any other company would need to enter into contractual arrangements with the Issuer to be able to operate, as a TSO, the network owned by the Issuer.

Public service obligations

The Federal and Regional governments have authorised the issuance of 'green certificates' as a financial support instrument for generators of renewable energy. Under the federal and regional regulations, the Issuer has the obligation to buy these green certificates at a guaranteed minimum price. Whilst these costs are recoverable under the tariffs for public service obligations, the unforeseeable number of 'green certificates' to be financed by the Issuer may have a negative impact on the Issuer's cash flow.

Risks related to the operations of the issuer

Energy balance

Every year, the Issuer seeks to contract the reserves (ancillary services) needed to ensure continual balance between supply and demand in the Belgian region, taking into account export/import with neighbouring countries. To that end, the Issuer analyses, both at national and European level, how the growing proportion of intermittent renewable energy generation units can be integrated in the grid without compromising the energy balance. The growth across Europe in the number of cogeneration and renewable energy units connected to distribution systems and the future connection of large offshore wind farms also creates new challenges for operational grid management and requires the further development of its infrastructure.

These developments, changing trends in generation and consumption and the enhancement of interconnection capacity between EU Member States are dependent on the ability of the Issuer to secure permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents a risk to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Power outages

The transmission systems operated by the Issuer are very reliable. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur which interrupt the smooth operation of one or more infrastructure components. In most cases, these incidents have no impact on consumers' power supply because the meshed structure of the grids operated by the Issuer means that electricity can reach consumers via a number of different connections. However, in extreme cases an incident in the electricity system may lead to a local or widespread electricity outage. Such outages may be caused by natural phenomena, unforeseen incidents, cyber-attacks or operational problems, either in Belgium or abroad. The Issuer regularly holds crisis management drills so that it is ready to deal with the most unexpected and extreme situations. The general terms and conditions of its standard contracts limit the liability of the Issuer to a reasonable level while its insurance policy is designed to offset the financial repercussions that may derive from these risks.

Transmission disruption or a system breakdown

Transmission disruptions or system breakdowns that affect the Issuer's network may result in a failure to deliver electricity to customers or to inject energy from power plants, and may expose the Issuer to liability claims and litigation which could negatively impact the results of operations.

Transmission disruptions on the Issuer's network may be caused by operational hazards or unforeseen events including, but not limited to, an overload of the very high voltage network caused by major unscheduled foreign electricity flows, accidents, breakdowns or failures of equipment or processes, human errors, sabotage, acts of a terrorist nature, Information and Communication Technology ("ICT") systems and processes failures, intrusions in the ICT network, including computer viruses, performance below expected levels of capacity and efficiency, and natural events such as heavy storms, thunderstorms, earthquakes or landslides. The presence of unscheduled electricity flows on the Issuer's network is considered as an emergency situation allowing the TSO to take any emergency measures it deems appropriate, such as

disconnecting some or all electricity exports, requesting electricity-generating companies to increase or decrease their electricity production or requesting a reduction in the electricity consumption in the relevant area. The probability of the occurrence of one or more of the above mentioned events may increase if the competent authorities do not approve the necessary operational procedures and/or investments as proposed in the Issuer's development plans.

System breakdowns or blackouts may occur due to a major imbalance between the quantity of electricity injected in the network and that taken off in a given geographical area. Such imbalance may be created by a network failure, an incident at one or more power plants or the lack of sufficient on-line generation capacity at a given time in a given geographical area.

ICT risk

The Issuer's operations depend, to a large extent, on ICT systems, comprising processes, hardware and software, and include glass fibre and copper-based communication networks. The Issuer revises and updates its ICT processes and hardware, software and network protection (e.g. failover mechanisms) on an ongoing basis. However, important system hardware and software failures, computer viruses, cyber-attacks, accidents or security breaches, which could impair the Issuer's ability to provide all or part of the services required by law or under the contracts to which it is a party, could still occur despite such precautions being taken.

Environmental risks, public health risks or city planning constraints

The Issuer's operations and assets are subject to European, national and regional regulations dealing with environmental matters, city planning and zoning, building and environmental permits and rights of way. These regulations are often complex and subject to frequent changes (resulting in a potentially stricter regulatory framework or enforcement policy). The most significant environmental issues faced by the Issuer relate to soil pollution, polychlorinated biphenyls contamination of equipment, waste and electromagnetic fields ("EMF").

Compliance with existing or new environmental, soil sanitation, city planning and zoning regulations may impose significant additional costs on the Issuer. Such costs include expenses relating to the implementation of preventive or remedial measures or the adoption of additional preventive or remedial measures to comply with future changes in laws or regulations, in particular in respect of soil contamination. While the Issuer has set aside provisions and accruals in connection with such obligations in its financial statements, the provisions and accruals made by the Issuer may not be sufficient to cover all costs that are potentially required to be made in order to comply with these obligations, including if the assumptions underlying these provisions prove to be incorrect or if the Issuer is held responsible for additional, currently undiscovered contamination. Additional costs may also be incurred by the Issuer in respect of actual or potential liability claims, the defence of the Issuer in legal or administrative procedures or the settlement of third party claims. Resistance to actions or programmes in connection with environmental, city planning or zoning matters, may require the Issuer to incur additional costs relating to public enquiries, publicity measures or legal defence, which may adversely affect its financial results.

Although there are currently no legal requirements with respect to EMFs emanating from underground and overhead electrical cables, it cannot be excluded that the legal environment in this respect becomes more restrictive in the future. This may result in the Issuer incurring additional costs in managing environmental and public health risks or city planning constraints, as well as an increased risk of potential liability claims or administrative proceedings initiated by affected persons, or may have an impact on the way investment projects can be implemented. Furthermore, over the past few years, public concern about EMFs has been growing and residents have increasingly opposed new projects. Due to continuous actions from pressure groups and local residents, authorities may become more reluctant to deliver the necessary permits.

Risks of legal disputes and lawsuits

The Issuer carries out its activities in such a way as to reduce as much as possible the risk of legal disputes. Nevertheless, the outcome of legal proceedings in which the Issuer is involved or potential future litigation, is uncertain and may thus adversely affect the business, financial condition and results of operations of the Issuer.

Safety and welfare

The Issuer operates facilities that may cause significant harm to the human environment, including people. In the event of an attack, accident, error or negligence, persons working in or near electricity transmission facilities may be exposed to the risk of electrocution.

As a result, the Issuer may be exposed to potential liabilities that may have a material, negative impact on their financial position, require significant financial and managerial resources or possibly harm its reputation.

The safety and welfare of individuals (both the Issuer's staff and third parties) is a key priority and a daily preoccupation for the Issuer, and considerable resources are deployed to this end. Each year, a safety action plan is approved and implemented based on the development in safety figures. However, the Issuer cannot guarantee that these measures will prove wholly effective in all circumstances.

Inefficient internal control mechanisms

The multi-year tariff mechanism, which is based on a secured income incentive regulation, increases the need for year-on-year increases in the Issuer's overall efficiency. To this end, the efficiency of internal processes is monitored regularly, using performance indicators and/or audits, to ensure they are kept under proper control. This is overseen by the Audit Committee, which controls and monitors the work of the Internal Audit & Risk Management Department.

Acts of terrorism or sabotage

The Issuer's electricity network and assets are widely spread geographically and are potentially exposed to acts of terrorism or sabotage. Such events could negatively affect the Issuer's networks or operations and may cause network failures or system breakdowns. Network failures or system breakdowns could in turn have a material adverse effect on the Issuer's financial condition and operational results, particularly if the destruction caused by acts of terrorism or sabotage are of major importance (for example through the reduction of revenues due to the unavailability of some parts of the network).

Financial risks

Interest risk

The Issuer is partly financed by debt instruments with floating interest rates. A change in interest rates of financial instruments in the market can have an impact on the financial charges. These costs are qualified as Class I elements, and can be passed on in a subsequent regulatory tariff period (or in the same period in the event of an exceptional change in charges). The regulated tariffs are set pursuant to forecasts of interests. A fluctuation in interest rates of the Issuer's debt can have an impact on the actual financial charges by causing a time differential (positive or negative) between the financial costs effectively incurred by the Issuer and the difference between forecasted financial costs. This could cause transitory effects on the cash position of the Issuer.

In addition, appropriate financial instruments are used to further offset potential risks. Furthermore, the Issuer's financing policy seeks to bring the term of loans more into line with the lifetime of assets.

However, the Issuer cannot guarantee total protection in the event of significant movements in interest rates.

Funding risk

Funding risk is the risk that the Issuer will be unable to access the funds that it needs when it comes to refinance its debt or through the failure to meet the terms of its credit facilities. As part of the Issuer's efforts to mitigate the funding risk, the Issuer aims to diversify its financing sources in debt instruments, and as a stock quoted company, the Issuer has access to the equity market.

Refinancing risk is managed through developing strong bank relationships with a group of financial institutions, through maintaining a strong and prudent financial position over time and through diversification of funding sources.

Short term liquidity risk is managed on a daily basis with funding needs being fully covered through the availability of credit lines and a commercial paper programme. (See section "*Financing of the Issuer and its affiliates*").

Credit, market, capital structure and liquidity risk

In its operations the Issuer faces credit, market, capital structure and liquidity risk.

The credit risk faced by the Issuer stems from uncertainties on the liquidity and solvency of its counterparties. Although the Issuer continuously assesses the liquidity and solvency of its counterparties, there is a risk that the Issuer may face difficulties in meeting its financial obligations. The Issuer limits this risk to the extent possible by monitoring cash flows continually, by making sure that credit facilities are available and by including in some contracts with suppliers and/or customers the requirement of an appropriate bank guarantee in favour of the Issuer.

Risks associated with financial debt outstanding

The ability of the Issuer to access global sources of financing to cover its financing needs or repayment of its debt could be impacted negatively by the deterioration of financial markets. On 31 December 2010, the aggregate financial indebtedness of the Issuer amounted to EUR 2,551,328,973.4. On 31 December 2011, the aggregate financial indebtedness of the Issuer amounted to EUR 2,552,395,873.3. (See section "*Financing of the Issuer and its affiliates*").

As at 30 June 2012, the ratio of equity to long-term and short-term debt amounted to 36.97 per cent.:63.03 per cent. The Issuer has the intention, as part of its financial strategy, to keep the ratio of equity to debt as close as possible to the level of 33 per cent.:67 per cent.

The Issuer's level of debt could:

- make it difficult for the Issuer to comply with its obligations, including interest payments;
- limit its ability to obtain additional financing to operate its business;
- limit its financial flexibility in planning for and reacting to industry changes; and
- place it at a competitive disadvantage as compared to less leveraged companies.

Extra need for capital expenditure and working capital could be financed by the Issuer in the form of bank loans, issuing bonds or other debt instruments. Financing costs of the Issuer related to the activity of TSO are qualified as Class I elements and are fully passed through into the tariffs.

If the Issuer does not generate positive cash flows it will be unable to fulfil its debt obligations

The ability of the Issuer to pay principal and interest on the Notes and on its other debt depends primarily on the regulatory framework and the regulated tariffs. (See section "*Regulatory framework*").

Changing conditions in the credit markets and the level of the outstanding debt of the Issuer can make the access to financing more expensive than anticipated and could increase the exposure to financial vulnerability. Consequently, the Issuer cannot assure investors that it will have sufficient cash flows to pay the principal, premium, if any, and interest on its debt. If the cash flows and capital resources are insufficient to allow the Issuer to make scheduled payments on its debt the Issuer may have to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance its debt. There can be no assurance that the terms of its debt will allow these alternative measures or that such measures would satisfy its scheduled debt service obligations. If the Issuer cannot make scheduled payments on its debt, it will be in default and, as a result:

- its debt holders could declare all outstanding principal and interest to be due and payable; and
- its lenders could terminate their commitments and commence foreclosure proceedings against its assets.

Credit rating

A rating agency has issued, and rating agencies may issue in the future, a credit rating for the Issuer. There is no assurance that the rating will remain the same for any given period or that the rating will not be lowered by the rating agency if, in its judgment, circumstances in the future so warrant. A decision by a rating agency to downgrade or withdraw the Issuer's credit rating could reduce the Issuer funding options and increase its cost of borrowing.

Dividends from subsidiaries

Approximately 70 per cent. of the Issuer's cash flow depends on regulated activities in Belgium. However the Issuer's cash flow depends also on dividends received from subsidiaries. Payment of dividends from 50Hertz Transmission GmbH to the Issuer are not subject to the tariff regulation in Belgium, but are subject to tariff regulation in Germany.

Risks associated with tax assessments

Tax laws and their interpretation by the tax authorities and courts are subject to changes, potentially with retroactive effect. Such changes can have a negative impact on the Issuer. Furthermore, although tax rules are applied with accuracy and precision, it is possible that the Issuer's own interpretation of tax laws does not correspond with that of the relevant authorities at the time of potential controls.

Tax audits may result in a higher taxable income or in a lower amount of tax losses carry forwards being available to the Issuer. The Issuer is currently involved in administrative and legal proceedings initiated against the tax authorities in the context of which the Issuer contests additional tax assessments that have been imposed following a tax audit in relation to the treatment of tariff deviations. Should the outcome of these tax disputes be negative for the Issuer, additional corporate income tax on excess tariffs may be due, potentially recoverable or neutralised in their entirety through the tariff mechanism.

Risks related to new business developments

The Issuer strives to anticipate new business opportunities relating to its core businesses within and beyond the Belgian regulated framework. Such new business activities can also include acquisitions.

The Issuer agreed with the Belgian regulator on a "transfer pricing" framework for both its regulated and non-regulated activities, which also provides a mechanism to determine whether or not the results of these activities can be included in the profit available for distribution to the shareholders or should be used for future tariff reductions. To incentivise the Issuer to develop its non-regulated activities, it has been agreed with the CREG that at least part of the positive results of these activities can be counted as profit and should not be used for tariff reductions. Losses deriving from these activities, however, are entirely borne by the

Issuer. The development of new non-regulated activities by the Issuer may therefore represent an additional financial risk for the Issuer.

A particular business development is that related to Belgian offshore. The Issuer has been appointed to develop, build, operate and maintain an offshore electrical grid, which will connect a group of offshore wind parks to the existing onshore electrical grid. This is a new, large-scale, long-lasting and technically complex undertaking dependent on a number of regulatory, technical and financial conditions being met. The Issuer has a good understanding of the risks involved in the project and works with all stakeholders to move forward with the project. However, the Issuer cannot fully guarantee that such a vast and complex undertaking may not face delays or be subject to insurmountable technical difficulties.

Risks related to macroeconomic factors

For some time now, all European economies have faced greater uncertainty and volatility, while the financial recovery expected after the multifaceted economic and financial crisis that emerged in 2007/2008 has not materialised, leaving European economies in a vulnerable condition.

Even if the current financial crisis can be resolved, there remains uncertainty about how to solve the underlying long-term structural economic problems, such as national account imbalances, large levels of long-term unemployment, diverging levels of competitiveness between EU countries, and the questioning of the current, orthodox economic model used. This uncertainty is causing considerable intra- and inter-state friction, and even the questioning of the EU as a useful political project, at a time where the policy goal in terms of the electricity market is for further integration of national electrical grids into a single European market and supergrid.

The close interconnection within the EU between macro-economic factors and an economic sovereignty which is split among EU, Member States and regions, further complicates the timely finding of solutions in terms of financial stability, economic growth, employment and political agreement among leaders whose electorates' expectations are very different per country.

Against this uncertain backdrop, an extended period of slow economic growth with high unemployment rates cannot be excluded. This may have a negative impact on volumes of electricity transmitted and on plans to develop the current grid and electricity generation assets (including renewable energy sources).

In addition, the impact of the financial crisis has magnified the volatility of factors influencing the profit of the Issuer resulting from the current fair remuneration mechanism, such as the Belgian 10-year linear bond.

HR risk

The Issuer pursues an active recruitment policy to maintain an appropriate level of expertise and know-how in a tight labour market. This is an on-going risk, bearing in mind the highly specialised and complex nature of its business.

Reputational risk

Circumstances may arise that have a negative impact on the Issuer's reputation.

The Issuer has an internal control mechanism to guarantee the confidentiality of data. Despite this, external parties can pass on information in their possession that could have an impact on the share price.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and waivers

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters relating to the Notes and affecting their interests generally, including the modification or waiver of any provision of the terms and conditions. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Directive on the taxation of savings income

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland). The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment to an individual were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council

meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Belgian Withholding Tax

If the Issuer, the NBB, the Agent or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the NBB, the Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

The Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding for any taxes imposed by tax authorities in the Kingdom of Belgium upon payments made by or on behalf of the Issuer in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding taxes, except that no such additional amounts shall be payable in respect of any Notes in the circumstances defined in Condition 7(a), (b), (c) and (d) of the terms and conditions of the Notes.

Change of law

The terms and conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Relationship with the Issuer

All notices and payments to be delivered to the Noteholders will be distributed by the Issuer to such Noteholders in accordance with the terms and conditions of the Notes. In the event that a Noteholder does not receive such notices or payments, its rights may be prejudiced but it may not have a direct claim against the Issuer therefor.

Reliance on the procedures of the NBB System, Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Notes will be issued in dematerialised form under the Belgian Company Code and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the NBB System.

Access to the NBB System is available through its NBB System Participants whose membership extends to securities such as the Notes. NBB System Participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), and Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Notes will be effected between the NBB System Participants in accordance with the rules and operating procedures of the NBB System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the NBB System Participants through which they hold their Notes.

The Issuer and the Agent will have no responsibility for the proper performance by the NBB System or the NBB System Participants of their obligations under their respective rules and operating procedures.

A Noteholder must rely on the procedures of the NBB System, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, the Notes within the NBB System.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

CRA Regulation risk factor

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such

general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued subject to a domiciliary, calculation and paying agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 31 January 2013 between the Issuer and BNP Paribas Securities Services SCA, Brussels Branch, as domiciliary agent and paying agent (the "**Agent**", which expression shall include any successor domiciliary agent and paying agent). The calculation agent for the time being (if any) is referred to below as the "**Calculation Agent**". The Noteholders (as defined below) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement are available for inspection at the specified office of the Agent. If the Notes are admitted to trading on the regulated market of NYSE Euronext Brussels, the applicable Final Terms will be published on the website of NYSE Euronext Brussels (www.nyx.com). If the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will be obtainable at the registered office of the Issuer and of the Agent only by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Agent as to its holding of such Notes and identity.

The final terms for the Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms incorporated by reference into the Notes and supplement these Conditions. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) incorporated by reference into the Notes.

1 Form, Denomination and Title

The Notes will be issued in dematerialised form in accordance with Article 468 et seq. of the Belgian Company Code (*Wetboek van Vennootschappen - Code des Sociétés*) and cannot be physically delivered. The Notes will be represented exclusively by book entry in the records of the clearing system operated by the National Bank of Belgium ("**NBB**") or any successor thereto (the "**NBB System**"). The Notes can be held by their holders through participants in the NBB System, including Euroclear and Clearstream, Luxembourg and through other financial intermediaries which in turn hold the Notes through Euroclear and Clearstream, Luxembourg, or other participants in the NBB System. The Notes are accepted for clearance through the NBB System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian law of 6 August 1993 on transactions in certain securities, its implementing Belgian royal decrees of 26 May 1994 and 14 June 1994 (each as amended or re-enacted or as their application is modified by other provisions from time to time) and the rules of the NBB System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition being referred to herein as the "**NBB System Regulations**"). Title to the Notes will pass by account transfer. The Noteholders will not be entitled to exchange the Notes into notes in bearer form.

If at any time the Notes are transferred to another clearing system, not operated or not exclusively operated by the NBB, these provisions shall apply *mutatis mutandis* to such successor clearing system and successor

clearing system operator or any additional clearing system and additional clearing system operator (any such clearing system, an "**Alternative Clearing System**").

Noteholders are entitled to exercise the rights they have, including voting rights, making requests, giving consents, and other associative rights (as defined for the purposes of Article 474 of the Belgian Company Code) upon submission of an affidavit drawn up by the NBB, Euroclear, Clearstream, Luxembourg or any other participant duly licensed in Belgium to keep dematerialised securities accounts showing such holder's position in the Notes (or the position held by the financial institution through which such holder's Notes are held with the NBB, Euroclear, Clearstream, Luxembourg or such other participant, in which case an affidavit drawn up by that financial institution will also be required).

The Notes are issued in the Specified Denomination(s) specified in the applicable Final Terms.

The Notes may have multiple Specified Denominations, provided that the larger Specified Denominations are integral multiples of the smaller Specified Denominations. If the minimum Specified Denomination of Notes of a series is €100,000, such Notes will only be tradeable in integral multiples of €100,000.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis specified in the applicable Final Terms.

In these Conditions, "**Noteholder**" and "**holder**" mean, in respect of any Note, the holder from time to time of the Notes as determined by reference to the records of the relevant clearing systems or financial intermediaries and the affidavits referred to in this Condition 1 and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Status

The Notes constitute (subject to Condition 3) direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3 Negative Pledge

(a) **Restriction:** So long as any Note remains outstanding (as defined in the Agency Agreement):

- (i) the Issuer will not, and it shall procure that none of its Material Subsidiaries will, create, grant or permit to subsist any Security Interest (other than a Permitted Security Interest) upon, or with respect to, the whole or any part of its business, undertaking, assets or revenues present or future to secure any Relevant Debt (as defined below) of any person, including the Issuer or any of its Material Subsidiaries, or any guarantee of or indemnity in respect of any Relevant Debt of any person, including of the Issuer or any of its Material Subsidiaries; and
- (ii) the Issuer will, and shall procure that its Material Subsidiaries will, procure that no other person creates, grants or permits to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of the business, undertaking, assets or revenues present or future of that other person to secure any of the Issuer's or any of its Material Subsidiaries' Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's or any of its Material Subsidiaries' Relevant Debt;

unless, at the same time or prior thereto, the Issuer's obligations under the Notes (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in Condition 10) of the Noteholders.

(b) **Definitions:** For the purposes of these Conditions:

- (i) **"IFRS 10 – Consolidated Financial Statements"** means International Financial Reporting Standard 10 for consolidated financial statements as issued by the IASB (International Accounting Standards Board) in May 2011 as amended from time to time.
- (ii) **"Material Subsidiary"** means a Subsidiary whose (a) turnover, or (b) total assets (in each case determined on a non-consolidated basis and determined on a basis consistent with the preparation of the consolidated accounts of the Issuer) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, are equal to) no less than 20 per cent. of the consolidated turnover or total assets (as the case may be) of the Issuer, all as calculated respectively by reference to the then latest audited accounts of such Subsidiary and the then latest audited consolidated accounts of the Issuer, provided that:
 - A. in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until consolidated accounts of the Issuer for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest audited accounts, adjusted as deemed appropriate by the auditors of the relevant Subsidiary from time to time (the **"Auditors"**); and
 - B. in the case of a Subsidiary in respect of which no audited accounts are prepared, its turnover and total assets shall be determined on the basis of pro forma accounts of the relevant Subsidiary prepared for this purpose by the Auditors on the basis of accounting principles consistent with those adopted by the Issuer.
- (iii) **"Permitted Security Interest"** means any Security Interest securing any Relevant Debt issued for the purpose of financing of all or part of the costs of the acquisition, construction or development of any project if the person or persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for such Relevant Debt.
- (iv) **"Relevant Debt"** means any present or future indebtedness in the form of, or represented by, bonds, notes or other transferable securities (*valeurs mobilières/effecten*) which are for the time being quoted or listed or capable of being quoted or listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue and any guarantee or indemnity of any such indebtedness.
- (v) **"Security Interest"** means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.
- (vi) **"Subsidiary"** means an entity from time to time which the Issuer controls; **control** for this purpose has the meaning as set out in IFRS 10 – "Consolidated Financial Statements".

4 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f). Such Interest Payment Date(s) is/are either specified in the applicable Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, "**Interest Payment Date**" shall mean each date which falls the number of months or other period specified in the applicable Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable Final Terms;

(y) the Designated Maturity is a period specified in the applicable Final Terms; and

- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

- (x) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations;

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is

EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(1)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 5).
- (e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**
 - (i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be

rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Agent, the Issuer, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.
- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

- 1 in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

- 2 in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or
- 3 in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

- 1 if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- 2 if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365
- 3 if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
- 4 if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360
- 5 if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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e:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- 6 if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30

- 7 if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30

- 8 if "**Actual/Actual-ICMA**" is specified in the applicable Final Terms,
if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of

days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"Determination Date" means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Interest Payment Date(s)

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

"Interest Accrual Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date

"Interest Amount" means:

- 1 in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- 2 in respect of any other period, the amount of interest payable per Calculation Amount for that period

"Interest Commencement Date" means the Issue Date or such other date as may be specified in the applicable Final Terms

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the applicable Final Terms

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Final Terms

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions of the applicable Final Terms

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Final Terms

"Reference Rate" means the rate specified as such in the applicable Final Terms

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms

"Specified Currency" means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Notes are denominated

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (i) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5 Redemption, Purchase and Options

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its Final Redemption Amount (which, unless otherwise provided in the applicable Final Terms, is its nominal amount).

(b) **Early Redemption:**

1 *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date

discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the applicable Final Terms.

- 2 *Other Notes:* The Early Redemption Amount payable in respect of any Note, upon redemption of such Note pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount, together with accrued interest, if applicable, unless otherwise specified in the applicable Final Terms.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Belgium or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified in the applicable Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice **period** as may be specified in the applicable Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date

fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified in the applicable Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the applicable Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Final Terms (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder of the relevant Note must deliver a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from the Agent within the notice period, to the specified office of the Agent. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Purchases:** The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price, in accordance with any applicable legislation.
- (g) **Cancellation:** All Notes so redeemed or purchased under this Condition will be cancelled and may not be reissued or resold.

As used in these Conditions, "**Relevant Date**" in respect of any Note means whichever is the later of: (a) the date on which payment in respect of it first becomes due; and (b) if any amount of the money payable is improperly withheld or refused on such date, the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days following the date on which notice is duly given by the Issuer to the Noteholders in accordance with Condition 12 that such payment will be made, provided that such payment is in fact made as provided in these Conditions. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to this Condition 5 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under Condition 7.

6 Payments

- (a) **Payment in euro:** Without prejudice to Article 474 of the Belgian Company Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the NBB System in accordance with the NBB System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB in respect of each amount so paid.

- (b) **Payment in other currencies:** Without prejudice to Article 474 of the Belgian Company Code, payment of principal in respect of the Notes, payment of accrued interest payable on a redemption of the Notes and payment of any interest due on an Interest Payment Date in respect of the Notes will be made through the Agent.
- (c) **Method of Payment:** Each payment referred to in Condition 6(a) will be made in euro by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.
- (e) **Appointment of Agents:** The Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed in the applicable Final Terms. The Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Agent or the Calculation Agent provided that the Issuer shall at all times maintain (i) an Agent, (ii) a Calculation Agent where the Conditions so require, and (iii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Payments on Business Days:** If any date for payment in respect of the Notes is not a Business Day, the holder shall not be entitled to payment until the next following Business Day, nor to any interest or other sum in respect of such postponed payment. For the purpose of calculating the interest amount payable under the Notes, the Interest Payment Date shall not be adjusted.

7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within the Kingdom of Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Kingdom of Belgium other than the mere holding of the Note; or
- (b) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or any agreement between the EU and any other country or territory providing for similar measures; or
- (c) **Non-Eligible Investor:** to a Noteholder, who at the time of issue of the Notes, was not an eligible investor within the meaning of Article 4 of the Belgian royal decree of 26 May 1994 on the deduction

of withholding tax or to a Noteholder who was such an eligible investor at the time of issue of the Notes but, for reasons within the Noteholder's control, either ceased to be an eligible investor or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the law of 6 August 1993 relating to certain securities; or

- (d) **Conversion into registered securities:** to a Noteholder who is liable to such Taxes because the Notes were upon its request converted into registered Notes and could no longer be cleared through the NBB System.

8 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9 Events of Default

If any of the following events occurs and is continuing:

- (a) **Non-Payment:** the Issuer fails to pay any principal or interest due in respect of the Notes when due and such failure continues for a period of 7 days in the case of principal and 15 days in the case of interest; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under these Conditions and the Notes which default is incapable of remedy, or, if capable of remedy is not remedied within 30 days after notice of such default shall have been given by any Noteholder to the Agent at its specified office; or
- (c) **Cross-Acceleration and Cross-Default:** (i) any other present or future indebtedness for borrowed money ("**Indebtedness**") of the Issuer or any of its Material Subsidiaries becomes due and payable, or becomes capable of being declared due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness provided that the aggregate amount of the Indebtedness, guarantees and indemnities in respect of which the relevant event mentioned in this paragraph (c) has occurred equals or exceeds €50 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this paragraph operates) and provided further that, for the purposes of this paragraph (c), the Issuer or any of its Material Subsidiaries shall not be deemed to be in default with respect to such Indebtedness, guarantee or indemnity if it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or
- (d) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries in an aggregate amount exceeding €25 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this paragraph operates), becomes enforceable and any step is taken to enforce any such mortgage, charge, pledge, lien or other encumbrance (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

- (e) **Insolvency:** the Issuer or any of its Material Subsidiaries becomes insolvent or bankrupt (*est déclaré en faillite/wordt failliet verklaard*) or unable to pay its debts as they fall due, stops or threatens to stop or suspends payment of all or substantially all of its debts, is under judicial reorganisation (*gerechtelijke reorganisatie/réorganisation judiciaire*), as applicable, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of or affecting all or substantially all of the debts or assets of the Issuer or any of its Material Subsidiaries; or
- (f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries or the Issuer or any of its Material Subsidiaries ceases to carry on all or substantially all of its business or operations, except in either case for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) in respect of any of its Material Subsidiaries, which is not insolvent (*déclaré en faillite/failliet verklaard*), or (ii) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (g) **TSO:** the Issuer ceases to be the Belgian TSO (Transmission System Operator).

then any Note may, by notice in writing given to the Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Agent.

10 Meeting of Noteholders and Modifications

- (a) **Meetings of Noteholders:** Meetings of Noteholders may be convened to consider matters relating to the Notes, including the modification or waiver of any provision of these Conditions. Any such modification or waiver may be made if sanctioned by an Extraordinary Resolution. For the avoidance of doubt, any such modification or waiver shall always be subject to the consent of the Issuer. An "**Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with these Conditions and the Belgian Company Code by a majority of at least 75 per cent. of the votes cast.

All meetings of Noteholders will be held in accordance with the Belgian Company Code with respect to Noteholders' meetings. Such a meeting may be convened by the board of directors of the Issuer or its auditors and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one fifth of the aggregate principal amount of the outstanding Notes. A meeting of Noteholders will be entitled (subject to the consent of the Issuer) to exercise the powers set out in Article 568 of the Belgian Company Code and generally to modify or waive any provision of these Conditions in accordance with the quorum and majority requirements set out in Article 574 of the Belgian Company Code, and if required thereunder subject to validation by the court of appeal, provided however that any proposal (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Resolutions duly passed in accordance with these provisions shall be binding on all Noteholders, whether or not they are present at the meeting and whether or not they vote in favour of such a resolution.

Convening notices for meetings of Noteholders shall be made in accordance with Article 570 of the Belgian Company Code, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (*Moniteur Belge/Belgisch Staatsblad*) and in a newspaper of national distribution in Belgium. Convening notices shall also be made in accordance with Condition 12 (Notices).

The Agency Agreement provides that, if authorised by the Issuer, a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Noteholders through the relevant clearing system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification and Waiver:** The Agency Agreement, any agreement supplemental to the Agency Agreement and these Conditions may be amended without the consent of the Noteholders for the purpose of (i) curing any manifest error, (ii) complying with mandatory provisions of law, or (iii) in the case of the Agency Agreement or any agreement supplemental to the Agency Agreement, in any manner which the Issuer and the Agent may deem necessary or desirable, provided that no such change shall be inconsistent with the Conditions nor, in the reasonable opinion of the Issuer, adversely affect the interests of the Noteholders. In addition, the Issuer shall only permit any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

11 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

12 Notices

All notices regarding the Notes will be valid if published through the electronic communication system of Bloomberg. For so long as the Notes are held by or on behalf of the NBB System, notices to Noteholders may also be delivered to the NBB System for onward communication to Noteholders in substitution for such publication. Any such notice shall be deemed to have been given to Noteholders on the calendar day after the date on which the said notice was given to the NBB System.

The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed and, in the case of a convening notice for a meeting of Noteholders, in accordance with Article 570 of the Belgian Company Code. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Agent may approve.

13 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

14 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

15 Governing Law and Jurisdiction

- (a) **Governing Law:** The Agency Agreement and the Notes (other than any matters relating to title to and the dematerialised form of such Notes) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that any matters relating to title to and the dematerialised form of the Notes, and Condition 10 and Condition 12 with respect to the rules laid down in the Belgian Company Code, shall be governed by, and construed in accordance with, Belgian law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 12. Nothing shall affect the right to serve process in any manner permitted by law.

CLEARING

The Notes will be accepted for clearance through the NBB System, and will accordingly be subject to the NBB System Regulations (as defined in "*Terms and Conditions of the Notes*").

The number of Notes in circulation at any time will be registered in the register of registered securities of the Issuer in the name of the NBB.

Access to the NBB System is available through those of its NBB System Participants whose membership extends to securities such as the Notes.

NBB System Participants include certain banks, stockbrokers (*beursvennootschappen / sociétés de bourse*), and Euroclear and Clearstream, Luxembourg. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Notes will be effected between NBB System Participants in accordance with the rules and operating procedures of the NBB System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the NBB System Participants through which they hold their Notes.

The Agent will perform the obligations of domiciliary agent included in the Clearing Agreement.

The Issuer and the Agent will not have any responsibility for the proper performance by the NBB System or its NBB System Participants of their obligations under their respective rules and operating procedures.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes.

In most cases, the general corporate purposes include (i) the refinancing of currently outstanding loans and other debt, (ii) the financing of the Issuer's investment programmes and (iii) financing that part of the funding needs that exceed the autofinancing capabilities of the Issuer at any given point in time.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be clearly stated and detailed in the applicable Final Terms.

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form certain statements of financial position, income statements, statements of comprehensive income and cash flow information relating to the Issuer. The information has been extracted from the audited consolidated financial statements of the Issuer for the year ended 31 December 2010 and 2011 and from the unaudited interim condensed consolidated financial statements of the Issuer for the six months ended 30 June 2011 and 30 June 2012.

*The consolidated financial statements of the Issuer have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**").*

Consolidated income statement as at 31 December 2011 and 31 December 2010

	31 December	
	2011	2010
	<i>(in million €)</i>	
Continuing operations		
Revenue	1.188,2	939,5
Raw materials, consumables and goods for resale.....	(5,9)	(5,9)
Gross profit	1.182,3	933,6
Other income.....	90,2	98,0
Services and other goods	(638,4)	(457,2)
Personnel expenses.....	(158,4)	(133,9)
Depreciation, amortization, impairment and changes in provisions	(140,9)	(127,5)
Other expenses	(26,8)	(31,1)
Results from operating activities, before non-recurring items (REBIT)	308,0	281,9
Gain on bargain purchase.....	0,0	286,5
Non-recurring services and other goods.....	0,0	(8,0)
Results from operating activities (EBIT)	308,0	560,4
Net finance costs	(128,6)	(123,2)
Finance income.....	14,2	21,8
Finance costs	(142,8)	(145,0)
Share of profit of equity accounted investees (net of income tax).....	1,4	(1,2)
Profit before income tax.....	180,8	436,0
Income tax expense	(43,3)	(34,0)
Profit from continuing operations.....	137,5	402,0
Profit for the period	137,5	402,0
Profit attributable to:.....		
Owners of the Company.....	137,5	401,7
Non-controlling interest.....	0,0	0,3
Profit for the period	137,5	402,0
Earnings per share (€)		
Basic earnings per share	2,28	7,36
Diluted earnings per share	2,28	7,36

Consolidated statement of comprehensive income as at 31 December 2011 and 31 December 2010

	31 December	
	2011	2010
	<i>(in million €)</i>	
Profit for the period	137,5	402,0
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges.....	(3,9)	(3,1)
Tax on effective portion of changes in fair value of cash flow hedges....	1,3	1,1
Defined benefit plan actuarial gains and losses.....	(16,3)	25,9
Tax on defined benefit plan actuarial gains and losses	5,5	(8,8)
Exchange differences on translation of foreign operations.....	0,1	0,0
Other comprehensive income for the period, net of income tax	(13,3)	15,1
Total comprehensive income for the period	<u>124,2</u>	<u>417,1</u>
Profit attributable to:		
Owners of the Company.....	124,2	416,8
Non-controlling interest.....	0,0	0,3
Total comprehensive income for the period	<u><u>124,2</u></u>	<u><u>417,1</u></u>

Consolidated statement of financial position as at 31 December 2011 and 31 December 2010

	31 December	
	2011	2010
	<i>(in million €)</i>	
Assets		
Non-current assets	5.145,1	4.994,1
Property, plant and equipment	3.150,5	3.010,9
Intangible assets	1.753,6	1.751,1
Trade and other receivables	120,3	114,7
Investments in equity-accounted investees	30,6	29,2
Other financial assets (including derivatives)	84,9	79,5
Deferred tax assets	5,2	8,7
Current assets	698,7	909,9
Inventories	16,3	14,5
Trade and other receivables	281,6	513,8
Income tax receivable	10,0	6,3
Cash and cash equivalents	385,6	366,0
Deferred charges and accrued revenues	5,2	9,3
Total assets	<u>5.843,8</u>	<u>5.904,0</u>
 Equity and liabilities		
Equity	2.046,9	2.007,2
Equity attributable to owners of the Company	2.046,9	2.007,2
Share capital	1.500,6	1.500,6
Share premium	8,5	8,5
Reserves	67,6	51,4
Hedging reserve	(23,3)	(20,7)
Retained earnings	493,5	467,4
Non-controlling interest	0,0	0,0
Non-controlling interest	0,0	0,0
Non-current liabilities	3.203,5	3.211,0
Loans and borrowings	2.918,5	2.917,3
Employee benefits	108,1	103,8
Derivatives	35,2	31,4
Provisions	53,7	44,6
Deferred tax liabilities	67,6	93,3
Other liabilities	20,4	20,6

	31 December	
	2011	2010
	<i>(in million €)</i>	
Current liabilities	593,4	685,8
Loans and borrowings.....	0,0	0,1
Provisions	24,5	43,6
Trade and other payables	366,1	448,8
Income tax payables	26,0	14,0
Accruals and deferred income.....	176,8	179,3
Total equity and liabilities	5.843,8	5.904,0

Consolidated statement of cash flows as at 31 December 2011 and 31 December 2010

	31 December	
	2011	2010
	<i>(in million €)</i>	
Cash flows from operating activities		
Profit for the period	137,5	402,0
Adjustments for:		
Net finance costs	134,3	124,0
Income tax expense	58,7	16,6
Profit or loss of equity accounted investees, net of tax	(1,4)	1,2
Depreciation of property, plant and equipment and amortisation of intangible assets.....	139,7	114,5
Gain on sale of property, plant and equipment and intangible assets.....	11,7	7,6
Impairment losses of current assets	12,2	1,0
Change in provisions	(25,3)	(2,6)
Change in fair value of derivatives	1,1	0,9
Change in deferred taxes.....	(15,3)	17,4
Changes in fair value of financial assets through profit or loss.....	(0,2)	3,3
Change in non-cash items	0,0	0,0
Gain on bargain purchase.....	0,0	(286,5)
Cash flow from operating activities	453,0	399,4
Change in inventories	(2,3)	0,3
Change in trade and other receivables	219,2	(43,0)
Change in other current assets.....	1,0	(12,7)
Change in trade and other payables	(53,4)	119,2
Change in other current liabilities.....	(42,3)	60,1
Changes in working capital	122,2	123,9
Interest paid.....	(139,6)	(135,7)
Income tax paid	(49,5)	(19,9)
Net cash from operating activities	386,2	367,7
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(288,3)	(199,5)
Acquisition of subsidiary net of cash acquired.....	0,0	(278,8)
Acquisition of equity accounted investees	0,0	(21,2)
Acquisition of investment.....	(0,8)	(0,0)
Proceeds from sales of investments	0,1	8,6
Interest received	7,1	2,3

	31 December	
	2011	2010
	<i>(in million €)</i>	
Net cash flow used in investing activities	(281,9)	(488,6)
Cash flow from financing activities		
Proceeds from issue share capital.....	0,0	299,7
Expenses related to issue share capital.....	0,0	(6,5)
Dividends paid (-).....	(84,5)	(66,6)
Repayment of borrowings (-).....	0,0	(210,0)
Proceeds from withdrawal borrowings (+).....	0,0	297,6
Non-controlling interest.....	0,0	(2,0)
Net cash flow from (used in) financing activities	(84,5)	312,2
Net increase (decrease) in cash and cash equivalents	19,8	191,3
Cash & Cash equivalents at 1 January.....	365,9	174,6
Cash & Cash equivalents at 31 December.....	385,7	365,9
Net variations in cash & cash equivalents.....	19,8	191,3

Consolidated income statement as at 30 June 2012 and 30 June 2011

	30 June	
	2012	2011
	<i>(in million €)</i>	
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 Issuer.....	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

Consolidated statement of comprehensive income as at 30 June 2012 and 30 June 2011

	30 June	
	2012	2011
	<i>(in million €)</i>	
Profit for the period	73,1	61,4
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	(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	(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

Consolidated statement of financial position as at 30 June 2012 and 31 December 2011

	30 June 2012	31 December 2011
	<i>(in million €)</i>	
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

	30 June 2012	31 December 2011
	<i>(in million €)</i>	
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

Consolidated statement of cash flows as at as at 30 June 2012 and 30 June 2011

	30 June	
	2012	2011
	<i>(in million €)</i>	
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

	30 June	
	2012	2011
	<i>(in million €)</i>	
Net cash flow 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 flow 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

BUSINESS DESCRIPTION OF ISSUER

1 Introduction

Elia System Operator SA/NV (the "**Issuer**" or "**ESO**") is a limited liability company (*société anonyme/naamloze vennootschap*) and was established under Belgian law by a deed dated 20 December 2001, published in the Appendix to the Belgian Official Gazette (*Moniteur belge/Belgisch Staatsblad*) on 3 January 2002, under the reference 20020103-1764. Its registered office is located at 1000 Brussels, Keizerslaan 20 (telephone number: +32 (0) 2 546 70 11) and it is registered in the Brussels Register of Legal Entities under the number 0476.388.378. The Issuer's shares are listed on the NYSE Euronext Brussels and the Issuer is a member of the BEL20. The Issuer's website can be accessed via www.elia.be.

The Issuer is the transmission system operator ("**TSO**") for the Belgian very high-voltage (380kV – 150kV), high-voltage (70kV – 30kV) electricity networks, and for the offshore grid in the Belgian territorial waters in the North Sea. The electricity transmission networks and related assets are owned by the Issuer's wholly-owned subsidiary, Elia Asset SA/NV ("**Elia Asset**"). The Issuer and Elia Asset operate as a single economic entity. The extension of the activities of the TSO related to offshore activities has been incorporated in the Electricity Act since 2012, and the Issuer has already started the study phase of such activities.

The Issuer was appointed as the sole TSO in Belgium by a ministerial decree of 13 September 2002 (published in the *Moniteur belge/Belgisch Staatsblad* of 17 September 2002 and with effect as of that date) for a 20-year period. The Issuer has also been designated as a distribution system operator in the Flemish Region for a 12 year period until 5 September 2014, the local transmission system operator in the Walloon Region for a 20 year period until 17 September 2022 and the regional transmission system operator in the Brussels-Capital Region for a 20 year period until 26 November 2021. The Issuer is allowed to ask for the renewal of these licences for the same duration.

Furthermore, by a decision of the CREG dated 6 December 2012, the Issuer has been certified as a fully unbundled system operator, subject to some changes to the Issuer's by-laws.

The Issuer manages the liquidity and financial needs of its Belgian activities (including Elia Asset's activities) and (if necessary) its investments in affiliates/joint ventures. The companies in which the Issuer holds a stake as a shareholder manage their financing needs on a decentralised level, without any recourse towards the Issuer).

In 2010, the Issuer expanded its activities on a broader European level by acquiring 60 per cent. of 50Hertz Transmission GmbH ("**50Hertz**"), one of Germany's four grid operators active in the northeast part of the country, in joint control with Industry Funds Management ("**IFM**"). 50Hertz has the same core business as Elia as it owns, operates, maintains and develops a 380kV-220kV transmission network in Germany.

2 Corporate purpose

Subject to the limits and conditions set forth in the Electricity Act, the Issuer may, according to Article 3 of its Articles of Association, engage in:

- the management of electricity networks, directly or via shareholdings in entities that own electricity networks and/or are active within the electricity sector, including related services;
- the performance of the following tasks in relation to the electricity networks mentioned above;

- the operation, maintenance and development of secure, reliable and effective networks, including the interconnectors from them to other networks in order to guarantee the continuity of supplies;
- the improvement, study, renewal and extension of networks, particularly in the context of a development plan, in order to ensure the long-term capacity of the networks and to meet reasonable demand for the transmission of electricity;
- the management of electricity flows on networks having regard to exchanges with other mutually connected networks and, in this context, ensuring coordination of the switching-in of production plants and determination of the use of interconnectors on the basis of objective criteria in order to guarantee a durable balance among the electricity flows resulting from the demand for and supply of electricity;
- providing secure, reliable and effective electricity networks and, in this connection, ensuring availability and implementation of the necessary support services and particularly emergency services in the event of defects in production units;
- contributing to security of supply by providing for adequate transmission capacity and network reliability;
- guaranteeing that no discrimination arises among network users or categories of network users, particularly in favour of affiliated or associated undertakings;
- the collection of revenues from congestion management;
- granting and managing third-party access to the networks;
- in the context of the foregoing tasks, endeavouring and taking care that market integration and energy efficiency are promoted according to the law applicable to the Issuer;
- instructing, under the control and supervision of the Issuer and in accordance with applicable law, one or more subsidiaries in carrying out certain of its activities set out above;
- carrying out, in Belgium and abroad, any operation which facilitates the achievement of its corporate purpose, and any public services mission imposed on it by law. However, the Issuer may not perform any activities with regard to the production or sale of electricity, other than production in the Belgian supply area in relation to support services and sales required by its coordination activity as network operator;
- carrying out any actions or transactions, whether of industrial, commercial, financial or any other nature, relating to moveable or immoveable property, which directly or indirectly relate to its corporate purpose. The Issuer may in particular be the owner of any property, moveable or immoveable, which it manages or exercise or acquire any rights in respect thereof which are necessary in order to perform its tasks; and
- acquiring interests under any form in any businesses or entities that may contribute to the achievement of the Issuer's corporate purpose, and the Issuer may in particular acquire interests (whether or not in the capacity of shareholder), cooperate or enter into any form of cooperation agreement, commercial, technical or of any other nature, with any Belgian or foreign person, business or company that carries on similar or related activities, provided, however, unless authorised under relevant legislation, that the Issuer may not hold direct or indirect membership rights in any form whatsoever in producers, distribution system operators, suppliers and

intermediaries any of which have to do with electricity and/or natural gas, or in affiliated or associated undertakings to the above-mentioned undertakings.

The terms "producer", "distribution system operator", "supplier", "intermediary" and "subsidiary" have the meanings provided in Article 2 of the Electricity Act.

3 Business overview

The Issuer and Elia Asset (together "**Elia**") develops, operates and maintains the very high and high-voltage electricity grid (380kV to 70kV) in Belgium, which is regulated at the federal level. In addition, it operates a major part of the local high-voltage transmission and distribution system (70kV to 30kV) which is regulated at the regional level (together with the very high and high-voltage electricity grid system referred to above, the "**Grid**"). It provides the physical link between electricity generators, distribution system operators ("**DSOs**") and direct supply customers and manages interconnections with the electricity grids of neighbouring countries. It also manages the coordination of the flow of electricity across the national grid in Belgium, to enable secure and reliable delivery from electricity generators to customers.

All Belgian very high-voltage electricity network assets are fully owned and operated by Elia. Elia also owns (or has the right to use) and operates approximately 94 per cent. of the Belgian high-voltage electricity network.

The extension of the activities of the TSO to include offshore activities was incorporated in the Electricity Act in 2012, and the Issuer has already started the study phase of such activities.

In addition to its activities relating to the operation of the network, Elia also aims to improve the functioning of the open electricity market by acting as a market facilitator.

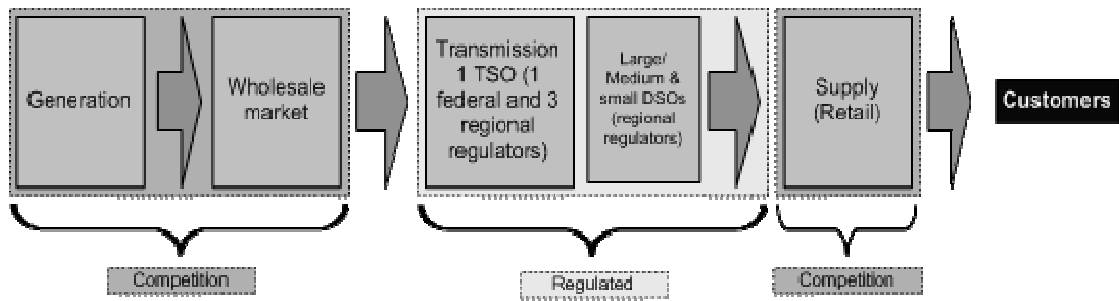
In line with its role as TSO in Belgium, the Issuer and Elia Asset own 100 per cent. of Elia Engineering NV/SA ("**Elia Engineering**") and Elia RE S.A. ("**Elia RE**"), and have financial participations in *Holdings des Gestionnaires de Réseaux de Transport* ("**HGRT**"), APX-Endex ("**APX**"), the Coordination of Electricity System Operators ("**Coreso**") and the Capacity Allocation Service Company for the Central West-European Electricity Market ("**CASCc-CWE**") (See section "*Business Description of Issuer – Organisational Structure*").

In addition to its role as TSO in Belgium, in 2010 the Issuer expanded its activities in Europe and, following its acquisition of 50Hertz in cooperation with Industry Funds Management ("**IFM**"), is now one of the top five transmission system operators in Europe (See section "*Business Description of Issuer – Key Strengths*").

3.1 Organisation of the Belgian electricity market

The main participants in the electricity market are the electricity producers, the TSOs and the DSOs, wholesale and retail suppliers, traders, customers and regulators.

The following chart shows the organisation of the Belgian electricity market.



3.1.1 Transmission system operation

Transmission system operation refers to the regulated activity relating to the very high voltage and high voltage electricity networks and the management of electricity flows on these networks. The operator of such a network is called a TSO. The main users of these networks are the electricity producers, the traders, the DSOs, the commercial suppliers and the large industries (electricity customers).

TSOs, such as the Issuer in Belgium, operate their electricity network independently of electricity producers and suppliers. The very high voltage electricity networks, such as the one operated by Elia and 50Hertz, are also used to import and export electricity internationally and for mutual assistance between TSOs according to international standards set by the European Network of Transmission System Operators for Electricity ("ENTSO-E") operation rules. Belgium's very high voltage-electricity network is connected to France, Luxembourg and the Netherlands.

3.2 Core business of Transmission System Operator in Belgium

The role of the transmission system operator is comprised of four different areas: infrastructure management and grid development; system operation; market facilitation; and related activities.

3.2.1 Infrastructure management and grid development

This activity consists of the: (i) ownership; (ii) maintenance; and (iii) development of the network to enable the transmission of electricity at voltages of 380kV to 30kV.

(i) Ownership

The grid is approximately 8,372 km long and consists of overhead lines, underground cables, transformers and substations.

The grid owned and operated by Elia is composed of three categories of voltage levels:

- the 380kV lines that are part of the backbone of the European network. Electricity generated at this voltage flows toward the Belgian regions and is also exported to foreign countries (France and the Netherlands);
- the 220kV and 150kV lines and underground cables that are strongly interconnected with the 380kV level and carry electricity in and between the Belgian electricity areas; and
- the high voltage network, consisting of the 70kV to 30kV lines and underground cables, which carries electricity from the higher voltage levels to the off-take points used by the DSOs and large corporate customers that are directly connected to Elia's network.

The use of different voltage levels is the result of technical and economical optimisation. Very high voltage is required for the optimal transmission of electricity over long distances with minimal energy loss while lower voltages are optimal for shorter distances and lower quantities.

(ii) Maintenance and replacement capital expenditures

Elia's policy with respect to network maintenance is based on a risk assessment approach that takes into account the meshed structure of its network. The main objectives are to reach maximum availability and reliability of the network with the highest efficiency so as to minimise the total cost of ownership. To implement this policy, Elia extensively monitors the network and performs routine preventative inspections.

Like most European TSOs, Elia is facing the challenges of an ageing network that was developed in the 1970s. To meet these challenges, Elia has developed a number of risk based models that are aimed at optimising asset replacement strategies. In the upcoming years, an increasing part of the capital expenditure plan will be allocated to replacement investments.

(iii) Grid development

Elia's network development is based on four investment plans: one federal plan and three regional plans. These investment plans identify the reinforcements to the networks that are required in order to achieve consistent and reliable transmission, to cope with the increase in consumption as well as new power plant requirements (conventional or renewable energy sources), the connection and the integration of renewable energy sources, and the increased import and export capacity with neighbouring countries.

The investment plans also take into account environmental and land-use constraints as well as applicable health and safety objectives.

(iv) Key projects of Elia

Investments in transmission systems are driven by various factors, such as the requirements of industrial customers and other system operators, the changing demand in terms of both the location and volume of energy taken from the network, the need to replace facilities at the end of their life cycle or to bring facilities in line with environmental requirements, the contribution to the opening up of the electricity market and the connection and integration of renewable energy sources.

The major projects which Elia intends to develop are:

- *Stevin*: The Stevin project intends to expand the existing 380kV network and provides a multifaceted solution to enable: (i) offshore wind power to be brought on land and transmitted to the domestic market; (ii) the creation of an interconnection between Belgium and the UK through a subsea connection (see Nemo project below); and (iii) the connection of decentralised (renewable) generation in the coastal region;
- *Brabo*: The Brabo project is essential for the further economic growth of the port of Antwerp and is necessary for a secure and sustainable supply of electricity inside and outside of Belgium. At a local level, the project will increase supply capacity to cope with growing electricity consumption in the port of Antwerp. At a national and international level, it will upgrade the north-south axis of the international interconnection grid. This will improve international trade opportunities and reduce reliance on Belgian generating facilities;

- *Alegro*: The purpose of this project is to build an interconnection between Germany and Belgium. Commissioning of Alegro is planned by 2017. This project is part of the trans-European energy network;
- *Nemo*: Interconnection with the UK: Elia and the National Grid have continued their joint works aimed at creating a subsea DC connection between their grids with a view to increasing market liquidity and enhancing security of supply in both the UK and Belgium. While the technical study was completed in 2011, significant steps were also taken in defining the regulatory framework specifically for interconnectors, with Nemo as the pilot project. The connection is due to be commissioned by 2017-2018; and
- *Belgian Offshore (North Sea)*: This project aims to develop a meshed offshore grid off the Belgian coast ensuring that the offshore wind farms in the North Sea can be optimally integrated into the onshore grid. The technical analysis is already well advanced, however the regulatory framework and other requirements related to this activity have yet to be issued.

3.2.2 System operation

Elia provides relevant market participants with access to its electricity network and seeks to ensure the stability of the Belgian power system so that electricity is transmitted in a stable, secure and reliable manner. Elia monitors the electricity flows on its network and seeks to balance in real time the total electricity injected into and taken off its network, taking into account the power exchanged with the neighbouring countries, through the procurement of the appropriate ancillary services. Elia also purchases electricity on the market to compensate for energy losses in the high voltage networks that are a consequence of the transmission of electricity.

Elia's network is the essential link between the supply of and demand for electricity both within Belgium and in the context of the EU's internal electricity market. To inject electricity into Elia's network, generation plants located in Belgium must be physically connected and receive access to (i.e. the right to use) the network. Elia's network is operated in such a way as to allow this electricity, as well as the electricity coming from neighbouring countries, to flow to the off-take points to which distributors, large corporate customers and foreign networks are connected. Parties accessing Elia's network are charged regulated tariffs based on their peak quarter-hourly demand and energy consumption.

As a system operator, Elia constantly monitors, controls and manages the electricity flows throughout the Belgian very high voltage and high voltage networks. to ensure the reliability, continuity and quality of the transmission by maintaining the frequency and voltage within internationally determined limits.

Elia's network is monitored 24 hours a day, seven days a week by three control centres (one national and two regional). These control centres continuously monitor electricity flows, frequency, voltage at each off-take point, load on each network component and the status of each circuit breaker. When a network component is switched off Elia's personnel takes appropriate measures to reinforce the operational reliability of the network and to safeguard the electricity supply to Elia's customers. Elia has the ability to remotely activate or de-activate certain network components.

Elia has adopted other measures designed to maintain reliability for its customers. These measures consist of both operational measures (such as capacity allocation, load flow forecasts

and compliance checks) and emergency procedures. Some of the measures have been adopted in cooperation with neighbouring TSOs (and approved by their respective regulator) and/or with Coreso, the regional coordination service centre, in order to promote coordinated action.

Ancillary services contracts are granted in accordance with public procurement rules. Part of the costs incurred by Elia as a result of the purchase of ancillary services is directly invoiced to the defaulting ARPs while the ancillary services (such as compensation for the electricity losses) are reflected in the network tariffs.

3.2.3 Market facilitation

In addition to its two core activities described above, Elia aims to improve the functioning of the open electricity market by acting as a market facilitator, both in the context of a single European electricity market as well as in the framework of the integration of renewable energy, in accordance with national and European policies.

Due to the central location of the Belgian network within continental Europe and the intensive cross-border commercial exchanges following the deregulation of the European electricity market, Elia's network is intensively used by other market participants for cross-border import and export and for the transit of electricity.

Elia's income from or charge due under the inter-TSO compensation mechanism for EU cross-border trade is passed through to the home market participants by a tariff reduction or increase.

Elia has played an important role in initiatives such as: (i) the design and implementation of the Belgian power hub; (ii) the trilateral market coupling between France, the Netherlands and Belgium; (iii) the creation of the first regional technical co-ordination centre for Central West Europe, Coreso, in cooperation with RTE and National Grid, (the French and UK TSOs); (iv) the set-up of a joint services company, CASC-CWE, for the allocation of cross-border capacity within Central West Europe, together with the French, Dutch and German TSOs; and (v) the creation of a pentilateral market coupling between the Benelux countries and France. The Issuer is also a stakeholder in a number of European initiatives aiming to optimise market operation: APX, HGRT and ENTSO-E.

Elia's initiatives which aim to enhance market facilitation and integration include:

- being one of the founding shareholders (60 per cent.) in Belpex SA/NV ("**Belpex**"). Belpex allows producers, suppliers, large industrial consumers and traders to optimise their portfolio in the short-term at a transparent and internationally competitive market price. As explained in "*Business Description of Issuer – Organisational Structure – Group structure related to the role as TSO in Belgium – APX and Belpex*", Elia has exchanged its shareholding in Belpex for a 20 per cent. stake in APX, which now controls Belpex;
- being a founding shareholder of Coreso. Coreso is the first regional technical coordination centre aiming at improving the reliability across Central Western European region. Coreso is shared by several transmission system operators and develops forecast management of electricity transits across this region (See section "*Business Description of Issuer – Organisational Structure - Group structure related to the role as TSO in Belgium – Coreso*");
- owning 8.33 per cent. of the shares of CASC-CWE, a service company which acts as a single auction office for the yearly and monthly allocation of power transmission

capacity on the common borders between the five countries based on standardised systems and rules (See section "*Business Description of Issuer – Organisational Structure - Group structure related to the role as TSO in Belgium – CASC-CWE*"); and

- holding an equity interest of 24.5 per cent. in HGRT, itself a 52.8 per cent. shareholder of the French-based electricity power exchange Powernext SA ("**Powernext**"). The latter offers, *inter alia*, standard hourly day-ahead electricity contracts for delivery on the French hub (See section "*Business Description of Issuer – Organisational Structure - Group structure related to the role as TSO in Belgium – HGRT*").

3.2.4 Related activities

Elia has developed and is in the process of developing a number of activities which are ancillary to its core business.

(i) Elia Engineering

Elia Engineering manages all investment projects and major transformation works involving Elia's grid, as well as the connection of customers' infrastructure and (electric) asset related projects ordered by industrial clients.

Strategic acquisitions and projects

As part of its drive to be a key player in developing the power transmission industry, Elia aims to anticipate and promote the construction and management of the infrastructure needed to integrate renewable sources of power into the grid.

Two major investments were realised:

- in 2010, the Issuer more than doubled its transmission capacity by acquiring a 60 per cent. stake in the German transmission system operator 50Hertz, with the rest being acquired by IFM; and
- in 2011, the Elia Group invested in, and acted in an advisory capacity for, the construction of a high-voltage offshore line off the East Coast of the United States.

(ii) Asset valorisation

Besides asset valorisation via electricity tariffs, supplementary income is generated via certain complementary activities. The most important are currently related to telecom activities:

- making high voltage towers available to telecom operators. Elia owns voltage towers and makes them available to several telecom operators as supporting structures for their mobile network antennas;
- making fibre optic cables available. Elia owns fibre optic cables in Belgium that are used for its internal communication. If there is demand from the market and if Elia has spare fibre optic capacity, this extra capacity (no bandwidth) is made available to third parties in exchange for a fee; and
- making bandwidth available. As notified to the IBPT (the Belgian Telecom Regulator), Elia makes data transmission bandwidth capacity available to a closed users' group on an exclusive basis.

3.3 Regulatory framework

3.3.1 The European legal framework

The European Union, through a number of directives and regulations, has been promoting the "unbundling" of national electricity companies. The most recent directives and regulations have continued the liberalisation trend establishing common rules for an international market in electricity as well as providing conditions for the fair access to national networks for the cross-border exchange of electricity.

3.3.2 Electricity Directive

In respect of electricity, the Third Energy Package (the "**Third Energy Package**") includes a new Electricity Directive (Directive 2009/72/EC, the "**Third Electricity Directive**") and a new Regulation on Cross-Border Exchanges (Regulation 714/2009). The Third Energy Package also includes a Regulation establishing an Agency for the Cooperation of Energy Regulators (Regulation 713/2009), which is entitled to handle electricity matters.

For transmission activities, Member States have been required by EU law to implement provisions regarding: (i) the appointment of the TSOs; (ii) the separation of generation and supply activities from the operation of the network (the so-called unbundling); (iii) network access; and (iv) the creation of independent regulators.

(i) Appointment of the TSO

Member States are required to appoint one or more TSOs. Belgium has elected to appoint a single TSO. The duration of such appointment is not specified by EU law and, consequently, is determined at the national level by each Member State.

(ii) Unbundling

TSOs are required to be "unbundled" from electricity generation companies and/or companies active in the supply of electricity. More precisely, the company that is appointed as TSO must, in terms of its legal form, its organisation and its decision-making process, be independent from companies active in the generation or supply of energy.

(iii) Network access

EU law requires each Member State to implement a regulated third-party access regime based on published tariffs that are applied to all network users in a non-discriminatory manner. The tariffs, or at least the methodologies for their calculation, have to be pre-approved by an independent regulator and must make allowance for the investments necessary for the long-term viability of the network.

(iv) Independent regulators

EU law requires that each Member State establishes (an) independent regulator(s) specific to the energy industry. The regulator's main task is to ensure non-discrimination amongst users and efficiency of the market through, *inter alia*, the setting or approval of the tariffs (or at least the methodology for their calculation). In addition, the regulator must monitor the management and allocation of the interconnection capacity, the mechanism for managing congested capacity and the level of transparency and competition in the market. Furthermore, the regulator may also act as the dispute settlement authority for complaints made by network users against the TSO.

3.3.3 Regulation on Cross-Border Exchanges

(i) Cross-border exchanges in electricity

This Regulation determines conditions for access to the network for cross-border exchanges in electricity. This Regulation provides rules applicable to cross-border capacity allocation methods and to the establishment of a compensation mechanism for cross-border flows of electricity. It also provides the basic principles applicable to setting cross-border transmission charges. These charges must be transparent, take into account the need for network security, reflect actual, not unreasonable costs, be applied in a non-discriminatory manner and must not be distance-related. Furthermore, any revenues resulting from the allocation of capacity must be taken into account by regulatory bodies when setting the national tariffs.

(ii) The Belgian legal framework

The Belgian legal framework was implemented in Belgium, at the federal level, when the first EU Directive on the internal electricity market was transposed by the law of 29 April 1999 "*relative à l'organisation du marché de l'électricité/betreffende de organisatie van de elektriciteitsmarkt*" (the "**Electricity Act**"). The Third Energy Package has entered into force, and the Third Electricity Directive was implemented into law at federal, Flemish and Brussels level. Implementation at Walloon level still has to be completed.

The federal level is responsible for matters relating to the transmission grid and tariff setting of all network-related activities, and the three regions are responsible for distribution and local transmission of electricity over networks whose nominal voltage is equal to or lower than 70kV.

The Electricity Act forms the overall basis of and contains the main principles applicable to the regulatory framework. In addition, the Belgian federal government has enacted several royal decrees governing aspects of the generation of electricity, the operation of the transmission network (including the royal decree of 19 December 2002 on the grid code for the operation of the national transmission system and access to the system, the "**Federal Grid Code**"), access to the transmission network, public service obligations and accounting requirements with respect to the transmission network and market regulation by the CREG.

The Electricity Act entrusts the operation of the national very high-voltage (380kV, 220kV and 150kV) electricity network to a single TSO, to be designated by the federal government for a renewable period of 20 years, upon the proposal of the historical network owners. The Electricity Act states that only one system operator can be authorised to manage and operate the transmission system, provided that such TSO owns, alone or jointly, that portion of the network that covers at least three fourths of the national territory and at least two thirds of the territory of each region. This condition is currently only satisfied by Elia.

The amendment to the Electricity Act of 8 January 2012 changed the Act substantially in order to comply with the third electricity directive.

In addition to the fact that the scope of the transmission grid was extended to the territorial waters of Belgium, the choice for a fully unbundled Operator has been made. The certification procedure of the directive has been transposed. The certification process of Elia took place between March and December 2012. The CREG's final decision of 10 December confirms that Elia complies with the ownership unbundling rules. This positive decision is however related to modifications to Elia's by-laws.

The regions are responsible for regulating the distribution and local transmission of electricity over networks whose nominal voltage is equal to or lower than 70kV. However, tariff setting related to these networks is governed by federal provisions.

3.3.4 Regulatory authorities

The CREG was established at the federal level in Belgium as the regulator for the supervision of the liberalised part of the gas and electricity market. The functions of the CREG include the supervision of the TSO, the supervision of the application of the technical regulations and public service obligations at the federal level and also the approval of both TSO and DSO tariffs and the control of the accounts of certain enterprises involved in the electricity sector. More specifically, with regards to the Issuer, the CREG is competent for:

- the approval of the standard terms of the three main contracts used by the Issuer at the federal level: connection, access and ARP;
- the approval of the capacity allocation system at the borders between Belgium and neighbouring countries;
- the approval of the appointment of the independent members of the Board of Directors; and
- the approval of the tariffs for connection and access to, and use of, the Issuer's network.

Operation of electricity networks of voltages equal to or below 70kV falls within the jurisdiction of the respective regional regulators: the Flemish Regulator for the Electricity and Gas Markets (*Vlaamse Regulator van de Elektriciteits- en Gasmarkt*) ("**VREG**") for the Flemish Region, the Walloon Commission for Energy (*Commission wallonne pour l'Energie*) ("**CWaPE**") for the Walloon Region, and the Brussels Commission for Energy (*BruxellesGazElectricité/Brussel Gas Elektriciteit*) ("**Brugel**") for the Brussels Capital Region.

Their role includes the issue of supply licences, technical regulations for grids less than 70kV, certification of co-generation facilities and facilities which generate renewable power, issue of and management of green power certificates and supervision of the respective local or regional TSO and the DSOs. Each of them may require any operator (including the Issuer) to abide by any specific provision of the regional electricity rules under the threat of administrative fines or other sanctions. Currently, the regional regulators have no authority with regard to tariff setting, which falls under the sole jurisdiction of the CREG.

3.3.5 Grid Codes

A Grid Code contains the rules governing access to the electricity network by the network users (producers, distributors, suppliers and end users when they are directly connected to the Issuer's network) and their respective rights and duties, as well as the rights and duties of the TSO. There are six Grid Codes (one federal and five regional), four of which apply to the Issuer. All four codes deal with similar issues, mostly technical, but apply to different networks: they establish, amongst other matters, the procedure for the connection of a user to the network, the rights and duties of each network user, the parties' balancing obligations, the procedure for metering the volume of electricity transmitted and emergency procedures in the event of an incident or an anticipated blackout.

3.3.6 Public Service obligations

Public authorities define public service obligations in various fields (promotion of renewable energy, social support, fees for use of roads etc). Costs incurred in respect of those obligations are covered by tariff surcharges applied at the level of the entity that has defined the public service obligation. A federal obligation leads to a federal surcharge, a regional obligation leads to a regional surcharge.

3.3.7 Tariffs

A substantial part of the Issuer's income is generated from regulated tariffs charged for the use of the electricity transmission system.

(i) General principles of tariff setting

The tariffs are based on budgeted costs reduced by income generated as a result of non-tariff activities and based on the estimated volumes of electricity transported through the Grid.

The calculation of the tariffs is based upon a provisional methodology, which was fixed by the CREG on 24 November 2011. The four-year tariff proposal (2012-2015) introduced by Elia in line with this provisional methodology was approved by the CREG on 22 December 2011. The beginning of 2012 was the start of the second four-year regulatory period which runs from 1 January 2012 to 31 December 2015. Once approved, the tariffs are published and are not negotiable by individual customers.

There are different types of tariffs for different types of services:

- connection charges paid by customers to the Issuer under Connection Contracts;
- charges for the use of the network paid by the customers to the Issuer under Access Contracts;
- balancing fees paid by the ARPs to cover their imbalances; and
- a tariff for public service obligations or other taxes, levies, additional charges and contributions.

For tariff purposes, Belgian GAAP is applicable.

The Issuer may submit to the CREG, in the course of any four-year tariff period, a reviewed tariff proposal to reflect the offer of new services, amendments to the current services or exceptional circumstances and events beyond the control of Elia.

(ii) Parameters for the determination of tariff

The tariff levels are determined based on the following key parameters: (i) fair remuneration, (ii) "Class I elements" (not subject to an incentive mechanism), (iii) the predefined "Class II elements" (subject to incentive mechanism), (iv) compensation for decommissioning of assets, (v) incentive for realisation of the replacement investments, and (vi) settlement of deviations from budgeted values.

Fair remuneration

Fair remuneration is the return on capital invested in the network. It is based on the average annual value of the Regulated Asset Base ("**RAB**"), which is calculated annually, taking into account, *inter alia*, new investments, depreciations and changes in working capital requirements. Since 1 January 2012, the following formula is used to calculate fair remuneration, assuming consolidated capital and reserves make up more than 33 per cent. of the RAB, as is the case at present:

A: [33 per cent. x average RAB x [(OLO n)+(beta x risk premium)]] plus

B: [(S – 33 per cent.) x average RAB x (OLO (n) + 70 base points)]

for which:

$RAB(n) = RAB(n-1) + \text{investments}(n) - \text{depreciation}(n) - \text{divestments}(n) - \text{decommissioning}(n) \pm \text{change in working capital need}$

OLO (n) = the average rate of Belgian ten-year linear bonds for the year in question

S = the consolidated capital and reserves/average RAB, in accordance with Belgian GAAP

Beta = calculated over a historical seven year period, taking into account available information on the Issuer's share price in this period, compared with the Bel20 index over the same period. The value of the beta multiplied by the risk premium cannot be lower than 0.7.

In respect of A: The rate of remuneration (in per cent.) as set by the CREG for year 'n' is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO(n)) and a premium for market risk for shares, weighted using the applicable beta factor. The tariff regulations set the risk premium at 3.5 per cent. The CREG incites to have the Issuer's actual capital and reserves as close as possible to 33 per cent., this ratio being used to calculate a reference value of capital and reserves.

In respect of B: If the Issuer's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: [(OLO n + 70 base points)].

The Electricity Act also provides for the possibility for the regulator to set higher remuneration rates for capital that is invested to finance projects of national or European interest. In the absence of the regulator's decision implementing this provision of the Electricity Law, this measure has not yet been carried out.

Class I elements

This category of costs (and revenues) over which Elia has no direct control are not subject to incentive mechanism by the CREG, and are an integral part of the costs used to determine the tariffs. The tariffs are set based on forecasted values for these costs.

The most important costs consist of the following items: depreciation of tangible fixed assets, ancillary services and taxes, partially compensated by revenues from non-tariff activities (for example cross border congestion revenues). This also includes financial charges/revenues for which the principle of financial embedded debt has been confirmed. As a consequence, all actual and reasonable finance costs related to debt financing are included in the tariffs.

Class II elements

The costs (and revenues) over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to the application of a productivity and efficiency improvement factor predefined by the CREG. This factor indicates the efforts that Elia must make to control such costs, which may positively or adversely impact the net profit of the Issuer.

Compensation for decommissioning of assets

In its operations the Issuer from time to time decommissions certain of its fixed assets. Such decommissioning decreases the total value of the RAB. The decrease of the RAB is covered by the tariffs and consists of the costs of the net book value of the decommissioned assets and the historical excess value as fixed by regulatory framework. The historical excess value is part of the net profit of the Issuer as compensation of the decrease of the RAB value and is not part of distributable profit.

Incentive on replacement investments

The CREG has also put an incentive on replacement investments. With this incentive, the CREG ensures that all necessary replacement investments to guarantee the current quality of the grid are realised in a timely manner by the Issuer. If those investments exceed 90 per cent. of the reference investment budget, an additional profit is attributed to the Issuer, subject to a cap of 10 per cent. of the reference investment budget.

Settlement of deviations from budgeted values

The actual volumes of electricity transmitted may differ from the forecasted volumes. If the transmitted volumes are higher (or lower) than those forecasted, the deviation is booked to an accrual account during the year in which it occurs and such deviation from budgeted values creates a "regulatory debt" (or a "regulatory receivable"). The same mechanism applies to Class I elements.

The regulatory framework provides that the above mentioned deviations, at the end of the regulatory period, are taken into account by the Issuer as part of the budgeted amounts for setting the tariffs for the next regulatory period. *Agreement with the CREG on transfer pricing (cost and revenue allocation between regulated and non-regulated activities).*

An agreement was entered into between the Issuer and the CREG in January 2010 for an unlimited term with regard to the development of the new activities by the Issuer and how the Issuer could be remunerated for these activities in the future. This agreement sets out:

- a mechanism to allocate costs accurately to different activities and to ensure that Belgian tariffs would not be adversely affected by the Issuer carrying out activities other than Belgian regulated activities.
- a mechanism to remunerate the Issuer for developing its activities profitably, leading to a reduction in the tariffs for Belgian customers and providing additional profit for the Issuer:
 - o income generated as a result of operational activities outside Belgium (such as consulting activities) should be allocated as follows: 40 per cent. to future tariff reductions with the remaining 60 per cent. (before

tax, tax being on charge of the Issuer) being considered as an additional profit of the Issuer. In case of negative margin, this shall be entirely (100 per cent.) borne by the Issuer.

- o the profit (dividends and capital gains) resulting from financial participations in other companies which the CREG accepted as being part of the RAB, should be allocated as follows: for 40 per cent. to future tariff reductions with the remaining 60 per cent. (before tax, tax being on charge of the Issuer) being considered as an additional profit of the Issuer. Any loss shall be entirely (100 per cent.) borne by the Issuer.
- o a mechanism to ensure that the impact of financial participations in other companies not considered as part of the RAB by the CREG (such as, participations in regulated activities outside of Belgium, including the participation in 50Hertz) will be neutral for the Belgian tariffs. All costs and all revenues related to these activities should be borne by the Issuer.

4 Key strengths

Elia's business relies on a number of strengths, including the following:

- Factual monopoly and unique resources in Belgium: Elia currently has a factual monopoly for operating the very high voltage network at the federal level and the high voltage network at the regional levels. In addition, Elia has unique resources as it owns 100 per cent. of the very high voltage network at federal level and owns (or has the right to use) 94 per cent. of the high voltage network at the regional level. As such, Elia is the sole company that fulfils the conditions provided by law to obtain the federal and regional TSO licences.
- Highly reliable and resilient network: Elia not only operates and owns the transmission network as asset manager but also acts as system operator, seeking to balance, in real time, generation and demand of electricity on its network. The integration of both activities allows Elia to develop synergies, which in turn increase the efficiency of the network. In addition, Elia's network design is a meshed structure, comparable to a spider web, allowing virtually all off-take points to be supplied by two or more routes and using various voltage levels. This meshed configuration is designed to significantly reduce the risk of power interruptions.
- Increased visibility on results through a stable four year tariff framework: Elia's risk profile is limited due to the nature of its activity and the regulated environment in which it operates. A new tariff mechanism took effect on 1 January 2012 for a four year period whereby the approved tariffs are fixed for a four-year period, increasing the visibility on Elia's results. In this new mechanism, an incentive mechanism is provided whereby part of the cost reductions on controllable costs can be distributed to the shareholders in case of outperformance.
- Recognised expertise and leadership in the construction of the regional market of Central West Europe: Elia is a recognised driving force in the construction of the regional market for electricity in the CWE region comprising the Benelux countries, France and Germany. The mechanism developed for the trilateral market coupling (Belgium, the Netherlands and France) served as a model for the extension to the pentilateral mechanism within Central West Europe.

- Creating a top five TSO in Europe through the acquisition of 50Hertz: As a result of the acquisition of a 60 per cent. stake in 50Hertz, the Issuer will become the fourth largest TSO in Europe (in terms of regulated asset base). This top five position will give the Issuer the critical mass to play a leading role in reshaping the electricity market. In addition, 50Hertz offers complementary knowledge and experience in domains with strong development potential in the future, such as connecting onshore and offshore wind energy generation with the mainland as well as with future North Sea and Baltic Sea grids.
- Financial strength: Elia's regulatory framework includes a number of elements that contribute to the creation of a solid long-term financial basis for the Issuer. Firstly, Elia's optimal leverage ratio is set by the regulator and financial expenses are hence included in Elia's tariffs. Secondly, the tariff structure allows all costs (to the extent not deemed unreasonable by the regulator) over which Elia has no direct control ("non-controllable costs") to be recovered through future tariffs. In addition, part of Elia's profit must by law be used to fund future investments (and not be distributed to shareholders). Finally, Elia's future investment plans always have to be approved by the government and the regulators before being launched, which ensures their inclusion in the tariffs.
- A 75-year old business with experienced employees and management: Although the Issuer was only incorporated in 2001, its activities started in 1937. Together with 50Hertz, Elia employs around 1,800 people, who have accumulated a wide and strong knowledge and expertise in all aspects of TSO activities.

5 Strategy

Elia's strategy is derived from the regulated environment in which Elia operates, and focuses on operational excellence in its core business as well as customer satisfaction within a sustainable development framework.

Elia also seeks to consolidate its role in the development of the Central and Western European ("CWE") market in a context of regional integration, including the integration of wind energy and the development of the future North Sea grid. The acquisition of 50Hertz fits within this strategy, both in terms of strengthening Elia's role in the construction of the regional CWE market and contributing to shareholder value, and should enable diversification of regulatory risk.

Elia intends to take advantage of its unique asset base, both in Belgium and through 50Hertz in Germany, and other key strengths to implement the following elements of its strategy.

- Operational excellence in the core business: Elia's core strategic focus is on the operation, maintenance and development of its very high voltage and high voltage electricity networks. Elia intends to create value through continuous improvement of its operational efficiency and effectiveness, while keeping quality and reliability at the current high level, within the framework of a multi-annual regulated tariff system and an integrated structure, composed of transmission activities, network services and engineering activities. The acquisition of 50Hertz is contributing to the improvement of operational excellence through the sharing of best practices, experience and resources, the selection of common standards, the pooling of purchase power and the development of market tools.
- Focus on the development of Elia's core electricity transmission network to meet the long-term energy needs of its customers with the development of adequate transmission capacities: Within its development plans, the focus will be on, among other things, increasing transmission capacities with neighbouring networks (as this is a pre-requisite for the further integration of national power markets) and connecting the contemplated onshore and offshore renewable energy sources.

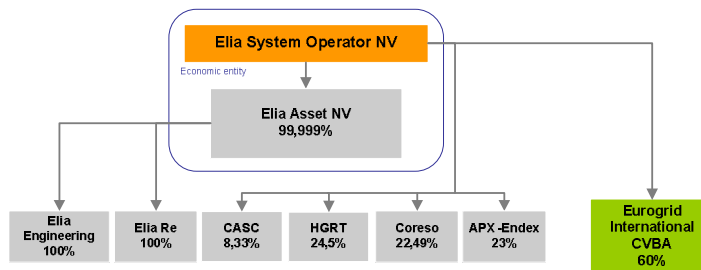
- Improving the functioning of the open electricity market through market facilitation: As market facilitator, Elia is working to improve the functioning of CWE electricity markets, which is of major importance to the Belgian markets. As part of this strategy, Elia has taken a leading role in a number of initiatives, such as the incorporation of Belpex and its subsequent integration in APX-Endex B.V. ("APX"), the development of an intraday bilateral trading hub in Belgium, the creation of intraday mechanisms including the participation in CASC-CWE and the creation of a regional market in CWE.
- Pursuing a leading role in the construction of a regional market in Central West Europe and the common European electricity market: The acquisition of 50Hertz is intended to strengthen Elia's role in the construction of the CWE market and to establish Elia's position for the future integration of the European network. Elia is a driving force behind the implementation of a pentilateral market coupling mechanism between the Benelux countries, France and Germany, that is due to be launched in the upcoming months. Both Elia and 50Hertz play a major role in the extension of this mechanism to the Nordic countries that is expected to be implemented a few months later. In addition, Elia and 50Hertz actively contribute to a common European electricity market through cooperation with all TSOs within the ENTSO-E.
- Building a constructive relationship with regulators and market players: An important element for Elia is to build a constructive relationship with the various regulators and to be permanently involved in the evolution of the regulatory framework at European, Belgian and German levels, taking into account the interests of Elia's customers and stakeholders. For example, Elia has established a consultation body in Belgium with representatives of employers' organisations, large consumers, traders, producers, suppliers and DSOs to develop a better understanding of its needs within the context of legal and regulatory constraints.
- Supporting energy and climate policies in Belgium and in Europe: Elia contributes to the achievement of European targets in relation to the integration of renewable energy sources and reduction of CO2 emissions. To this aim, Elia intend to continue delivering the planned investment programme and to adequately develop transmission capacity, in particular for renewable energy sources and CHP plants in close cooperation with its respective DSOs.
- Pursuing environmental sustainability: Elia actively pursues environmental sustainability and is involved in the development of EU R&D programmes in cooperation with the European Commission. Elia will continue to promote environmentally friendly activities to minimise the impact of the businesses on the environment.

6 Organisational structure

6.1 Group structure related to the role as TSO in Belgium

As at 31 December 2012, the subsidiaries which the Issuer has control of ("**control**" as defined in International Financial Reporting Standard 10 for consolidated financial statements as issued by the IASB (International Accounting Standards Board) in May 2011 and as amended from time to time) are Elia Asset, Elia Engineering and Elia RE.

Overview of the Issuer 's group on 31 December 2012



6.1.1 Principal Subsidiary Elia Asset

To perform some of the tasks legally required to be performed by a TSO, DSO, regional or local TSO, the Issuer acts with its wholly owned (99.99 per cent.) subsidiary, Elia Asset, which owns the very high voltage and owns (or has rights to use assets owned by third parties) the high voltage electricity network. Elia Asset is controlled by the Issuer, which owns all shares, with the exception of one share owned by Publi-T. Together, the Issuer and Elia Asset constitute a single economic unit.

6.1.2 Elia Engineering

The Issuer, mainly through Elia Asset, acquired all shares of Elia Engineering on 26 December 2003.

6.1.3 APX and Belpex

The Issuer was one of the founders of the Belgian power exchange Belpex. Belpex allows producers, suppliers, large industrial consumers and traders to optimise their portfolio in the short term at transparent and internationally competitive market prices.

On 31 October 2010, the Issuer and TenneT agreed to the sale of their shares in Belpex (jointly representing 70 per cent. of the total outstanding share capital of Belpex) to the Dutch power and gas exchange APX. At the same time, the Issuer acquired a 20 per cent. shareholding in APX following subscription to a capital increase of APX. The Issuer held, prior to the integration of Belpex in APX, a 60 per cent. stake in Belpex.

The APX group is a leading provider of power and gas exchange services for the wholesale market in Europe, operating transparent platforms for short-term and futures trading including central clearing and settlement and data distribution services in the Netherlands, the United Kingdom and Belgium. The Issuer has a 23 per cent. shareholding in APX, while the remaining shares are held by TenneT (56.1 per cent.) and NederlandseGasunie (20.9 per cent.). The Issuer is represented in the decision making bodies of APX.

6.1.4 CASC-CWE

Elia owns 8.33 per cent. of the shares of CASC-CWE, a public company limited by shares (SA), incorporated under Luxembourg Law on 1 October 2008. CASC-CWE is the Capacity Allocation Service Company for the CWE electricity market. It acts as a single point of contact for the implementation and operation of services relating to the auctioning of power transmission capacity on the common borders between the five countries of the CWE region. The shareholders of CASC CWE are the Issuer and the TSOs: Creos, EnBWTransportnetze AG, Transpower, RTE, Amprion and TenneT.

6.1.5 Coreso

The establishment of Coreso in 2008 by Elia, National Grid and RTE aims at increasing the operational coordination between TSOs, in order to enhance the operational security of the networks and the reliability of power supplies in Central West Europe.

Coreso also contributes to a number of EU objectives, namely the operational safety of the electricity system, the integration of large-scale renewable energy generation (wind energy) and the development of the electricity market in Central West Europe comprising France, Belgium, the Netherlands, Germany and Luxembourg. This geographical area is characterised by major energy exchanges and the co-existence of traditional generation facilities with an increasing share of renewable generation, whose output may fluctuate with changing weather conditions. Optimised management of electricity systems and corresponding network infrastructure, specifically interconnections between power networks, are very important in this context.

Elia owns 22.49 per cent. of the shares of Coreso, a Belgian public company limited by shares (SA).

6.1.6 HGRT

The Issuer owns 24.50 per cent. of the shares of HGRT (the other shareholders are RTE, the French TSO and TenneT, the Dutch TSO). This is a French holding company that owns 52.80 per cent. of the shares in Powernext, the French power exchange. Powernext is a trading platform available to all European electricity traders. Powernext is both an optional and anonymously organised exchange. In terms of trading, Powernext offers, among others, standard hourly contracts with physical delivery the day after trading within the French hub.

6.1.7 Elia RE

Following the events of 11 September 2001 in the USA, the Issuer's insurance policy covering the overhead network was terminated and the insurance premium relating to Elia's network related assets coverage was significantly increased. The Issuer also faced market rates for insurance against industrial risks which it deemed unacceptable. As a response to these developments, the Issuer created a captive reinsurance company, Elia RE. Elia RE was incorporated in 2002, under the form of a Luxembourg public limited liability company (*société anonyme*) for the purpose of reinsuring all or part of the risks of Elia, and is held by Elia Asset.

Since its incorporation, Elia has entrusted Elia RE with three of its insurance programmes: the overhead network, electrical installations and buildings, and civil liability.

In practice, the Issuer enters into an insurance agreement with an insurer, which reinsures a portion of the risks with Elia RE. Therefore, there is no direct transfer of money from the Issuer or Elia Asset to Elia RE. The Issuer's insurance premiums, as well as reinsurance premiums paid to Elia RE by insurers, correspond to standard market rates.

6.2 Eurogrid International and affiliates

6.2.1 General

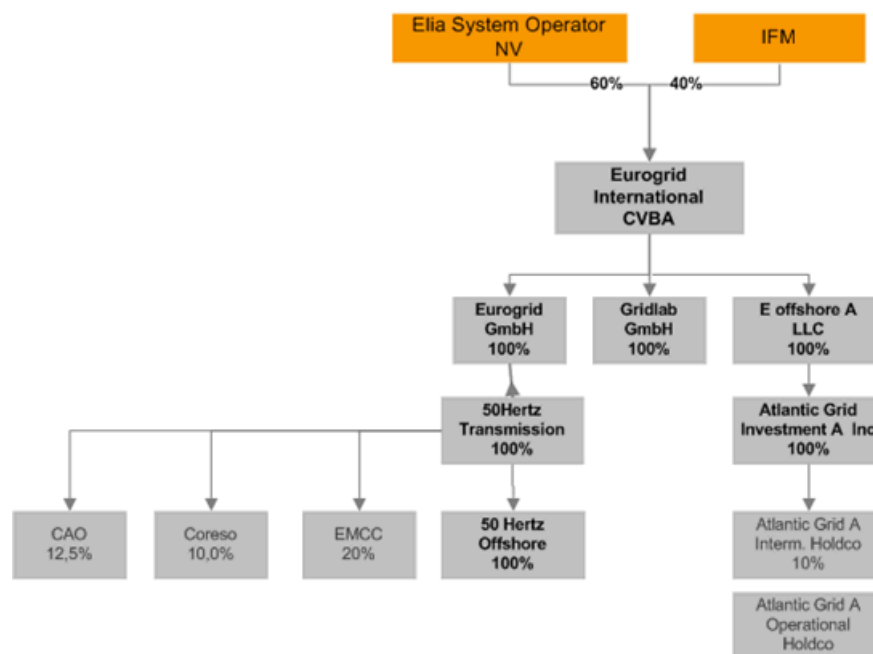
60 per cent. of the shares in Eurogrid International CVBA ("**Eurogrid International**") are owned by the Issuer and 40 per cent. are owned by IFM Luxembourg No. 2.S.à.r.l. Eurogrid International owns a 100 per cent. stake in Eurogrid GmbH ("**Eurogrid**") which holds 100 per cent. of the shares of 50Hertz and its affiliates and subsidiaries.

Eurogrid is also the holding company, that has owned 100 per cent. of 50Hertz since 2010, and manages and organises the financing structures need by 50Hertz and its affiliates.

Eurogrid successfully issued in October 2010 an inaugural €500m tranche from its €2.5 billion EMTN Eurobond programme. The proceeds from the issue will be used for general corporate purposes, including the capital expenditure programme of its subsidiary 50Hertz.

Since the acquisition of 50Hertz in 2010, Eurogrid International founded GridLab GmbH ("**GridLab**") and acquired a stake in the AWC project.

The structure of Eurogrid International is as follows:



6.2.2 Business overview of 50Hertz

(i) 50Hertz – Transmission System Operator

50Hertz is one of four TSOs in Germany. 50Hertz has the same core business as Elia as it owns, operates, maintains and develops a 380kV - 220kV transmission network in an area covering the five former Eastern German states of Thuringia, Saxony, Saxony-Anhalt, Brandenburg and Mecklenburg-Western Pomerania as well as Berlin and Hamburg. 50Hertz's control area covers approximately 109,000 km² with more than 18 million inhabitants and companies contributing approximately 20 per cent. of Germany's gross domestic product. 50Hertz is the second largest TSO in Germany after TenneT TSO GmbH ("**TenneT**") (formerly *transpowerstromübertragungs GmbH*) in terms of total control area and has the youngest asset base among the German TSOs. In addition, 50Hertz's network is situated uniquely at the crossroads between the West and North Eastern European electricity markets due to the central location of its very high voltage network between Scandinavia, Poland, the Czech Republic and Central Western Europe.

(ii) 50Hertz Offshore

50Hertz Offshore was formed to facilitate the connection of offshore wind farms to the 50Hertz control area and to provide for a transparent accounting of the costs and capital

employed. 50Hertz Offshore is expected to incur all the capital expenditure and other costs related to these offshore connections.

In accordance with the German Energy Industry Act (*Energiewirtschaftsgesetz* — "EnWG"), 50Hertz is obliged to construct and operate the grid connections to offshore wind farms that have started construction prior to 31 December 2015. Furthermore, §17(2a) EnWG requires the German TSOs to share the costs of constructing and operating the grid connections to the offshore wind farms, based on electricity supply volume in their respective control areas. Accordingly, 50Hertz is entitled to be reimbursed, over time, by the other German TSOs for their share of costs and to include in the tariff calculation its own share of expenses incurred in the construction and operation of the offshore facilities.

Under German law, 50Hertz and 50Hertz Offshore may be subject to claims for damages in case of a culpable delay of grid connection or for interruption of its respective operations. Under the present regulations, it is possible that 50Hertz may not be compensated for investments made in respect of offshore wind farms which are delayed or cancelled, and consequently may suffer losses from such investments.

6.2.3 Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the Federal Network Agency (*Bundesnetzagentur* – "BNetzA") in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the respective federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, *inter alia*, in charge of ensuring non-discriminatory third-party access to grids and monitoring the grid-use tariffs levied by the TSOs. 50Hertz and 50Hertz Offshore are subject to the authority of the BNetzA.

6.2.4 Tariff setting in Germany

A new tariff regulation mechanism was established in Germany by the Ordinance on Incentive Regulation 2007 (*Verordnung über die Anreizregulierung der Energieversorgungsnetze* (*Anreizregulierungsverordnung* — "ARegV")), which sets out the basic rules for incentive regulation of TSOs and other network operators. According to ARegV, from 1 January 2009, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the BNetzA for each TSO and for each regulatory period. The revenue cap is principally based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. The system operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, and the first regulatory period started on 1 January 2009 and will end on 31 December 2013. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under certain fixed circumstances that are accounted for in the relevant legislation) are allowed to agree to individual tariffs according to Article 19 of StromNEV (for example, in the case of sole use of a network asset). The BNetzA has to approve such individual tariffs.

In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations, subject to specific regulatory mechanisms.

6.2.5 Investments related to the role of Market facilitator

- 50Hertz, together with several other TSOs, established CAO as a joint cross border services company. These TSOs own equal shares of 12.50 per cent. each in CAO. CAO was formed to provide congestion management services for cross border exchanges in electricity on behalf of the participating TSOs within the Central East European power markets. CAO began operations in November 2008; and
- EMCC: 50Hertz, together with Energinet.dk, TenneT, the European Energy Exchange AG and Nord Pool Spot AS, established EMCC as a joint cross Danish-German border service company. The partners each own 20 per cent. of the shares in the company. EMCC was formed in order to implement and comply with the requirements of EC Regulation No. 1228/2003. EMCC began operations at the end of September 2008.

6.2.6 GridLab

Since 2008, 50Hertz and the Brandenburg University of Technology in Cottbus worked together on the establishment of a simulator for the energy grid. In December 2010, the training simulator was relocated to GridLab.

GridLab is a wholly owned subsidiary of Eurogrid International. Its objective is to become the European training and research centre for system security of electric grids.

6.2.7 Atlantic Wind Connection project (E-Offshore and its Affiliates)

In mid-July 2011, Eurogrid International acquired, through E-Offshore (which was established in 2011 and is 100 per cent. owned by Eurogrid International), an interest in the Atlantic Wind Connection by purchasing a minority interest from Atlantic Grid Investments.

The goal of the project is the development of a high-voltage direct current ("HVDC") offshore backbone, which will enable the connection of up to 6,000 MW of offshore wind generation off the coasts of New Jersey, Delaware, Maryland and Virginia and help relieve the congestions observed within the onshore grids of these States. This offshore backbone will enable the integration of around 12 offshore wind parks into the PJM interconnection transmission system. The development and realisation of this offshore network is split up into five different segments. The whole investment amounts to USD 5.5 billion. The participation of Eurogrid International includes up to 10 per cent. in the first segment and a minority participation of 5 per cent. in the other four segments. Eurogrid International committed €2.7 million, which relates to 10 per cent. of the expected development costs of the project, in order to get it approved by PJM (Regional Transmission Expansion Planning approval). Most of these development costs were already incurred in 2011 and 2012.

7 Administrative, management and supervisory bodies of the Issuer

The respective roles and responsibilities of the management bodies of the Issuer are, to a large part, governed by the provisions of the Electricity Act, the Corporate Governance Decree and the Articles of Association. The Issuer is also subject to the Belgium Company Code.

The Corporate Governance Decree and the Electricity Act, as amended, set out certain specific rules regarding the organisation and corporate governance of the TSO, with a view to guaranteeing its independence and impartiality. These rules relate more specifically to the transparency of the shareholder structure, the appointment of independent directors, the establishment of a Corporate Governance Committee, an Audit

Committee and a Remuneration Committee, the application of rules related to conflicts of interests and opposition of interests with dominant shareholders and the establishment of an Executive Committee. The independence of the TSO requires in particular that half of the members of the Board of Directors are independent directors and that all members of the Corporate Governance Committee are independent directors. Additionally, the members of the Board of Directors may not be members of the supervisory board or the board of directors of, or of the bodies that by statute represent, an undertaking that fulfils any of the following functions: the production or supply of electricity.

7.1 Board of directors

The Board of Directors of both the Issuer and Elia Asset are composed of the same 14 non-executive members. The mandate of all directors will expire immediately after the 2017 annual General Shareholders' Meeting to be called to approve the annual accounts for the financial year ending on 31 December 2016.

The current members of the Board of Directors are:

Name	Position	Board committee membership	Principal outside interests as at 31 December 2012
Luc Van Nevel	Independent director and Chairman	—	Chairman of the Board of Directors of Vanobake NV (La Lorraine Group) and Latexco Inc. (Georgia, USA), director of PinguinLutosa NV, Berry Floor NV and Jensen Group NV
Francis Vermeiren	Non-independent director and Vice Chairman	Member of the Remuneration Committee	Mayor of Zaventem and honorary chairman of the Flemish Regional Parliament. Chairman of the Board of Directors of Publi-T CVBA/SCRL, Director of Asco Industries NV
Thierry Willemarck	Independent director and Vice Chairman	Chairman of the Corporate Governance Committee	Managing Director of Touring Club and Touring NV Board member of ACTA Assistance SA, ACTA Assurance, Chairman of General Lease NV
Jennifer Debatisse	Non-independent director	—	Head of strategy and organisation at Sibelga
Clement De Meersman	Independent director	Chairman of the Audit Committee	Professor at the KUL (University of Leuven) Faculty of Engineering, strategy, innovation and leadership Chairman of the Board of Directors of Deceuninck Turkey, Deceuninck North-America and Ireland, Director of ANL Plastics NV,; ING Oost- en West-Vlaanderen

Jacques de Smet	Independent director	Member of the Audit Committee and Member of the Remuneration Committee	Managing director of GEFOR SA, Director of F.E.I.B. VZW and Director of Duferco Immobilière NV, and Duferco Développement NV
Claude Grégoire	Non-independent director	Member of the Audit Committee	Managing Director of Socofe SA/NV, Director of Fluxys SA/NV, Publi-T and vice-chairman of Fluxys G SA/NV, Mayor of Jalhay
Philip Heylen	Non-independent director	—	Deputy Mayor for culture, tourism, libraries, monuments and cults of Antwerp; Director of Havenbedrijf Antwerpen, Publigas CVBA, AMUZ VZW (Chairman), Koninklijke Vlaamse Opera
Jean-Marie Laurent Josi	Independent director	Chairman of the Remuneration Committee	Managing Director of "COBEPA" Director of Banque Degroof, Zetes, Belron, Sapec, Carneuse, Holding, Cobehold NV
Miriam Maes	Independent director	Member of the Corporate Governance Committee	Chief Executive Officer of FORESEE (Climate Change Consulting Company); Member of the "10 per cent. Working Group" (UK) for reduction of the energy consumption, Member of the supervisory board of Assystem
Jane Murphy	Independent director	Member of the Corporate Governance Committee	Senior Corporate Lawyer - PricewaterhouseCoopers Business Advisors Vice-chairman of the Chamber of Commerce Canada-Belgium-Luxemburg
Dominique Offergeld	Non-independent director	—	Chief Finance Officer of ORES SCRL Director (vice-chairman) of Institut des Radioéléments
Steve Stevaert	Non-independent director	—	Chairman of GaultMillau Benelux NV and Dinh Vu Industrial Zone (Vietnam), Director of Network Research Belgium NV and Ethias NV

Leen Van den Neste	Non-independent director	—	Chairman of the Executive Committee of VDK Spaarbank NV Director of Familiehulp VZW, Artevelde Hogeschool VZW
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The Issuer's business address serves as the business address of each of the board members.

7.1.1 Conflict of interest

As a Belgian listed company, the Issuer is not aware of any potential conflicts of interest between any duties owed to the Issuer by the persons listed in the table above and the other duties or private interests of those persons.

As a Belgian public company, the Issuer must follow the procedures set out in Article 523 of the Belgian Company Code regarding conflicts of interest within the Board of Directors and Article 524 of the Belgian Company Code regarding intra-group operations.

Each director and member of the Executive Committee has to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the Issuer.

Article 523 of the Belgian Company Code contains a special procedure, which must be complied with if a director has a direct or indirect conflicting interest of a patrimonial nature in a decision or transaction within the authority of the Board of Directors.

No such conflicts of interest have arisen and the procedure has not been applied in the financial years 2012 and 2011.

Article 524, ter of the Belgian Company Code provides for a similar procedure as Article 523 of the Belgian Company Code in the event of a conflict of interest of members of the Executive Committee.

No such conflicts of interest have arisen and the procedure has not been applied in the financial years 2012 and 2011.

Representatives of the federal government

In accordance with Article 9, §10bis of the Electricity Act and the Articles of Association, the Belgian Government may, by royal decree, appoint to the Board of Directors two representatives of the federal government taken from two different language lists.

These representatives have a consultative vote when attending meetings of the Board of Directors.

Additionally, within a period of four working days, they may lodge an appeal with the federal minister responsible for energy against any decision by the Board of Directors that they consider to be contrary to the guidelines of the government's general policy with regard to the national security of supply in relation to energy or against any decision by the Board of Directors with respect to the budget that the Board of Directors requires to prepare each financial year. This period runs from the day of the meeting at which the decision in question was taken provided that the representatives on the Board of Directors were duly given notice

thereof and, otherwise, as from the day on which those representatives or one of them took cognisance of the decision. The appeal is of suspensive effect. If the federal minister responsible for energy has not set aside the decision in question within a period of eight working days from the appeal, the decision becomes final.

As at 31 December 2012, no such representatives have been appointed by royal decree.

7.2 Committees of the board of directors

The Board of Directors of both the Issuer and Elia Asset has established: (i) a Corporate Governance Committee; (ii) an Audit Committee and (iii) a Remuneration Committee, as required by the Electricity Act.

7.2.1 Corporate Governance Committee

The Corporate Governance Committee is comprised of not less than three members, all of whom are required to be independent and non-executive members of the Board of Directors.

The current members of the Corporate Governance Committee are:

- Thierry Willemarck, Chairman;
- Miriam Maes; and
- Jane Murphy.

7.2.2 Audit Committee

The Board of Directors has set up an Audit Committee. The Audit Committee is required to be composed of at least three members, who should be non-executive directors. A majority of its members should be independent directors. At least one member should have the required expertise in the field of accounts and audit.

Without prejudice to the legal responsibilities of the Board of Directors, the Audit Committee shall have at least the following roles:

- verifying the Issuer's accounts and controlling the budget;
- monitoring the financial reporting process;
- monitoring the effectiveness of the Issuer's internal control and risk management systems;
- monitoring the internal audit and its effectiveness;
- monitoring the statutory audit (*contrôle legal/wettelijkecontrole*) of the annual accounts, including any follow-up on any questions and recommendations made by the statutory auditors and, as the case may be, by the external auditor charged with the audit of the consolidated accounts;
- reviewing and monitoring the independence of the statutory auditors, and, as the case may be, of the external auditor charged with the audit of the consolidated accounts, in particular regarding the provision of additional services to the Issuer;
- making proposals to the Board of Directors on the (re)appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the terms of their engagement;

- as the case may be, investigating the issues giving rise to any resignation of the statutory auditors, and making recommendations regarding any required action in that respect;
- monitoring the nature and extent of the non-audit services provided by the statutory auditors; and
- reviewing the effectiveness of the external audit process.

The Audit Committee reports regularly to the Board of Directors on the exercise of its duties, and at least when the Board of Directors sets up the annual accounts, and where applicable the condensed financial statements intended for publication.

The current members of the Audit Committee are:

- Clement De Meersman, Chairman;
- Jacques de Smet; and
- Claude Grégoire.

7.2.3 Remuneration Committee

The Remuneration Committee of the Issuer is comprised of not less than three members, all of which are required to be non-executive directors and the majority of which are required to be independent directors.

The current members of the Remuneration Committee are:

- Jean-Marie Laurent Josi, Chairman;
- Jacques de Smet; and
- Francis Vermeiren.

7.3 Executive committee

The current members of the Executive Committee are listed in the table below.

Name	Function
Jacques Vandermeiren	Chairman of the Executive Committee and Chief Executive Officer
Jan Gesquière	Vice-Chairman of the Executive Committee and Chief Financial Officer
Markus Berger	Chief Officer Asset Management
Roel Goethals	Chief Officer European Activities & Participations
Hubert Lemmens	Chief Innovation Officer
Frank Van Den Berghe	Chief Officer Energy & System Management
Catherine Vandenborre	Chief Corporate Officer

7.3.1 Corporate governance

Corporate governance within the Issuer is based on two systems: the system for companies listed on the stock exchange (including the Belgian Corporate Governance Code (the "CGC"), which the Issuer has adopted as a benchmark) and the system provided for by the Electricity Act and the Corporate Governance Decree.

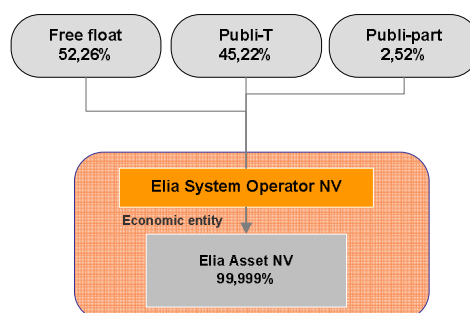
The CGC is based on a "comply or explain" system: Belgian listed companies are requested to follow the CGC, but may deviate from its provisions and guidelines (though not the principles) provided they disclose the justifications for such deviation.

The Issuer's Board of Directors follows the CGC, but deviates from it in certain instances in view of the Issuer's particular situation. These deviations include the following:

- Provision 4.6, second section CGC: the members of the Board of Directors are appointed for a term of six years. This six-year period diverges from the period of four years recommended by the CGC, a fact justified by the technical, financial and legal specificities and complexities associated with the tasks of the TSO.
- Provisions 4.2, 4.6, first section and 5.3 CGC: the Issuer does not have a nomination committee that makes recommendations to the Board of Directors regarding the appointment of the non-independent directors. This arrangement is justified by the fact that the Board of Directors constantly seeks consensus, wherever possible. The Corporate Governance Committee acts as a nomination committee for the appointment of the independent directors.
- Provision 1.4 CGC: the powers and duties entrusted to the Executive Committee are not included in the terms of reference of the Board of Directors. This is explained by the fact that these powers and duties are already described in the Electricity Act, the Articles of Association and the terms of reference of the Executive Committee.

7.4 Major shareholders

The major shareholders of the Issuer are the following:



Publi-T CVBA/SCRL ("**Publi-T**") is a Belgian cooperative company with limited liability, with its registered office at GalerieRavenstein 4 (bte 2)/Ravensteingalerij 4 (bus 2), 1000 Brussels, Belgium (enterprise number 0475.048.986 (Brussels)). According to a transparency notification dated 30 March 2011, no person ultimately controls Publi-T.

Publi-T's shareholding currently gives it the right to appoint half of the board members of the Issuer. Under the Issuer's bylaws and a shareholders' agreement, Publi-T's shareholding and board representation allows it to block board resolutions and certain shareholders' resolutions.

Publipart SA/NV ("**Publipart**") is a Belgian limited liability company, with its registered office at Rue Royale 55/Koningstraat 55, 1000 Brussels, Belgium (enterprise number 0875.090.844 (Brussels)). According to a transparency notification dated 11 May 2010, Publipart is controlled by Publilec CVBA/SCRL, a Belgian cooperative company with limited liability, with its registered office at Rue Fivé 150, 4100 Seraing, Belgium (enterprise number 0219.808.433 (Liège)), which owns 64.93per cent. of the shares of Publipart.

According to a transparency notification dated 30 March 2011, Publi-T and Publipart are acting in concert in the meaning of the transparency act (the "**Transparency Act**" means the Belgian law of 2 May 2007 on the publication of important participations in issuers of which the shares are admitted to trading on a regulated market and holding various measures). According to this transparency notification Publi-T, on the one hand, and Arcofin CVBA, Arcopar CVBA, Arcoplus CVBA, Auxipar NV, Arcosyn NV and Interfinance CVBA, on the other hand, are acting in concert within the meaning of the Transparency Act.

7.5 Share capital

The issued share capital of the Issuer (as of 31 December 2012) amounted to EUR 1,510,374,746.01 (fully paid up) and is divided into 60,555,809 shares without nominal value. The share capital as of 31 December 2011 amounted to EUR 1,505,371,981.53 (fully paid up) and was divided into 60,355,217 shares.

All shares have identical voting, dividend and liquidation rights, but the class A and the class C shares carry certain special rights regarding the nomination of candidates for appointment to the Board of Directors and the voting of shareholders' resolutions.

The Issuer's shares are listed on NYSE Euronext Brussels in the continuous segment (Elia -ISIN: BE0003822393).

8 Financing of the Issuer and its affiliates

The Issuer manages the liquidity and arranges the debt financing of its Belgian activities (including Elia Asset's activities) and (if necessary) its investments in affiliates/joint ventures. The loans, bonds and other debt instruments are issued by the Issuer. The Issuer meets its financing needs through diversified sources of debt funding.

No third parties have granted guarantees in respect of the indebtedness of the Issuer.

The companies in which the Issuer holds a stake as a shareholder manage their financing needs on a decentralised level, without any recourse towards the Issuer. Eurogrid International arranges the financing structures and instruments needed by 50Hertz Transmission GmbH and its affiliates.

8.1 Outstanding interest-bearing loans and borrowings

The long term financing of the Issuer is structured through a range of financial instruments: (i) shareholder loans, (ii) institutional bonds issued in 2004 and 2005 with different maturities, and (iii) loans issued by the European Investment Bank. The Issuer is currently not in default under any covenants set out in these agreements. The impact of the finance costs resulting from the issuance of debt instruments under the EMTN programme are (i) delta (positive/negative) between actual total yield and the total yield related to the new debt instruments, and (ii) extra interest costs related to the higher debt level of the Issuer. As finance costs are qualified as Class I elements (pass through in the tariffs), the potential increase of finance costs should have no impact on the net profit of the Issuer.

The following table includes, at the dates indicated, the loans and debt instruments of the Issuer and Eurogrid.

30.06.2012	Maturity	Amount	Contractual maturities				
			Face value	Less than 1 year	1-2 years	3-5 years	More than 5 years
(in million €)							
The Issuer							
Shareholders Loan tranche A	2022	495,8	495,8	0,0			495,8
Eurobond issues 2004 / 10 years	2014	499,5	500,0	0,0	500,0		
Eurobond issues 2004 / 15 years	2019	498,8	500,0	0,0			500,0
Eurobond issues 2009 / 7 years	2016	498,8	500,0	0,0		500,0	
Eurobond issues 2009 / 4 years	2013	499,8	500,0	500,0			
European Investment Bank	2016	40,0	40,0	0,0		40,0	
European Investment Bank	2017	20,0	20,0	0,0		20,0	
Total Issuer		2.552,7	2.555,8	500,0	500,0	560,0	995,8
Eurogrid							
Eurobond issues 2010 / 10 years	2020	298,1	300,0	0,0			300,0
Total Eurogrid		298,1	300,0	0,0	0,0	0,0	300,0
Total		2.850,8	2.855,8	500,0	500,0	560,0	1.295,8

Credit facilities, including the amounts used and unused

Short term financing needs or potential refinancing issues of the Issuer are covered through the following range of financial instruments: (i) confirmed credit facilities agreed with different banks on a bilateral basis, (ii) an unconfirmed credit facility, and (iii) a commercial paper programme. In July 2012, the Issuer agreed an additional credit facility of 155 million euro with a maturity of three years.

Financial covenants in the bilateral loan agreements are limited to a equity/debt ratio (30/70) of the Issuer, Elia Asset and Elia Engineering on a consolidated basis. The Issuer is currently not in default under any covenants set out in these agreements. This ratio is continuously monitored by the Issuer. Based on simulations carried out by the Issuer and taking into account the actual balance structure and a stable level of equity, the potential increase of the debt level resulting from the use of the EMTN programme, should not endanger the actual ratio equity/debt as predefined in the loan agreements. The EMTN programme will mainly be used by the Issuer for refinancing the outstanding bonds coming to maturity in 2013, 2014, 2016 and 2019.

The following table includes, at the dates indicated, the loans and debt instruments of the Issuer and Eurogrid.¹

30.06.2012	Maturity	Available amount	Amount	
			used	not used
(in million €)				
The Issuer				
Confirmed credit line	30/06/2015	195,00	0,00	195,00
Confirmed credit line	30/06/2015	195,00	0,00	195,00
Confirmed credit line	30/06/2015	155,00	0,00	155,00
Confirmed credit line	01/06/2014	75,00	0,00	75,00
Uncommitted Credit Line Facility	-	100,00	0,00	100,00
Belgian dematerialised treasury notes	-	250,00	0,00	250,00
Total Issuer		970,0	0,0	970,0
Eurogrid				
Confirmed credit line	14/06/2016	210,00	0,00	210,00
Confirmed credit line	not limited	72,00	0,00	72,00
Total Eurogrid		282,0	0,0	282,0
Total		1.252,0	0,0	1.252,0

9 Legal and arbitration proceedings

9.1 Tax proceedings

The Issuer received a tax assessment in early 2008 in view of taxation of the remaining tariff surpluses as at 31 December 2004. The income taxes paid totalled €93.8 million. This sum included an administrative charge of 10 per cent. and an increased rate resulting from insufficient prepayments. Having consulted its tax advisor and the CREG, and given that similar tariff surpluses accounted for by other companies in the sector were not taxed, the Issuer decided to file a complaint. This was rejected by the tax authorities. In response, the Issuer has filed a judicial claim for the full amount, including a moratorium on interest.

In 2009 the tax authorities made a similar decision on the increase of tariff surpluses in 2005 and 2006. The Issuer received a tax assessment of €35.8 million, including an administrative charge of 10 per cent. and an increase due to insufficient prepayment, and decided to file a similar complaint in line with the case of 2004.

The tariff surpluses that led to the additional assessment will be systematically settled in tariffs over the years to come (via a refund to consumers) in accordance with a CREG decision, resulting solely in a timing difference between a surplus generated in the past and a refund in the subsequent years.

As the Issuer disagreed with the tax authorities view, the Issuer filed a judicial claim against such tax assessments.

If the Issuer's complaint is rejected, the corporate income tax paid on the remaining surpluses will automatically be offset by 'recoverable taxes' on the refund given to consumers in 2005, 2006 and 2007 and

¹ Eurogrid is consolidated at 60 per cent. using the proportionate method in the Consolidated Financial Statements of the Issuer.

subsequent periods resulting in a full recovery of the basic amount of the corporate income tax. If a balance is still outstanding, it will be settled using the tariff mechanism.

On 23 December 2011, the Brussels Court of First Instance ruled in favour of the Issuer in its tax dispute with the Belgian tax authorities. As a result of the court ruling, the tax authorities must reimburse the Issuer €118.4 million, consisting of €80.2 million in taxes that were paid twice, €5.1 million in prepayments, €8.5 million in administrative tax increases and €24.6 million in interest. However, the tax authorities lodged an appeal on 6 February 2012, thus suspending the effects of the Court of First Instance's judgment. The appeal is still pending and The Court of Appeal in Brussels is not expected to rule on the case until 2014 at the earliest.

9.2 Legal proceedings

On 31 December 2012, the Issuer was, in the ordinary course of its operations, involved in approximately 85 civil and administrative litigation proceedings, as plaintiff or as defendant. Five of these proceedings related to claims exceeding a value of €600,000.

The Issuer has a provision for litigation and contingent liabilities which, as at 31 December 2011, amounted to €3,301,619.75 (IFRS) and €6,465,695.74 (Belgian GAAP). This provision does not cover claims initiated against the Issuer but for which damages have not been quantified or in relation to which the plaintiff's prospects are considered by the Issuer as being remote.

The summary of legal proceedings set out below, although not an exhaustive list of claims or proceedings in which the Issuer is involved, describes what the Issuer believes to be the most significant of those claims and proceedings. Subsequent developments in any pending matter as well as additional claims that may arise from time to time, including additional claims similar to those described below, could arise.

The Issuer cannot predict with certainty the ultimate outcome of the pending or threatened proceedings in which the Issuer is or was, during the previous 12 months, involved and some of which may have significant effects on the Issuer's financial position or profitability as they could result in monetary payments to the plaintiff and other costs and expenses, including costs for modifying parts of the Issuer's network or (temporarily or permanently) taking portions of the network out of service. While payments and other costs and expenses that the Issuer might have to bear as a result of these actions are covered by insurance in some circumstances, other payments may not be covered by the insurance policies in full or at all. Accordingly, each of the legal proceedings described in the summary below could be significant to the Issuer, and the payments, costs and expenses in excess of those already incurred or accrued could have a material adverse effect on the Issuer's results of operations, financial position or cash flows.

The nature of the principal civil and administrative proceedings in which the Issuer is involved, either as a defendant or a plaintiff, is as follows (by categories of similar proceedings):

9.2.1 Legal proceedings brought against the Issuer:

These include:

- claims for compensation for the consequences of electrical fall-out or disturbance;
- judicial review of building permits and zoning plans for substations, overhead lines and underground cables or zoning plans;
- claims, lodged by both public authorities and citizens, aimed at the relocation of overhead lines and underground cables and/or at the compensation for relocation costs; and

- claims by citizens seeking compensation for the nuisance caused by the presence of the transmission lines (for example, due to the perceived potential health risks caused by EMFs, noise, interruptions of telephone and radio connections, aesthetic or other damages).

9.2.2 Legal proceedings brought by the Issuer:

These include:

- judicial review of decisions refusing to issue a building permit or against expropriation decisions;
- claims seeking compensation of repair costs due to the damage caused to underground cables, towers and overhead lines; and
- claims contesting taxes imposed on high voltage pylons by several Belgian municipalities.

9.2.3 Legal proceedings involving the intervention of the Issuer:

These include the following:

Ancillary services

Electrabel and the Issuer did not reach an agreement regarding the prices for ancillary services for 2012. This dispute resulted in the competent Minister pronouncing a ministerial decree on 23 December 2011 fixing the prices for ancillary services for 2012. Electrabel lodged an application for annulment of this decision to the Counsel of State. As a concerned party, the Issuer intervened in these court proceedings. Any negative impact of the Counsel of State decision can be passed through the tariffs.

G-Tariffs

By the Decision of 22 December 2011, the CREG approved the Issuer's tariffs for the period 2012-2015. These tariffs included, for the first time: (i) a feed-in tariff to be paid by certain generation units; (ii) a tariff for certain auxiliary services to be paid by generation units; and (iii) a volume fee to be paid by access responsible parties (together, the "**G-Tariffs**").

In January 2012, three electricity producers (Electrabel, E.ON and EdF Luminus) each lodged an application for annulment of the CREG's decision before the Brussels Court of Appeal.

The Issuer has sought leave to intervene in support of the submissions lodged by the CREG relating to the court proceedings. The Court of Appeal should normally grant this leave to intervene. The delivery of the judgment of the Court of Appeal is now scheduled for 12 February 2013, but the court hearing might be adjourned.

Even if the Court of Appeal annuls the G-Tariffs, this component of the Issuer's tariffs will be replaced by another tariff component issued by the CREG. Hence, the impact of the Court of Appeal decision could impact the working capital needs of the Issuer but should not have an impact on the net profit of the Issuer.

TAXATION

EU Directive on the Taxation of Savings Income

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding tax system in the case of Switzerland). The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Belgian Taxation on the Notes

The following is a general description of the main Belgian tax consequences of acquiring, holding, redeeming and/or disposing of the Notes. It is restricted to the matters of Belgian taxation stated herein and is intended neither as tax advice nor as a comprehensive description of all Belgian tax consequences associated with or resulting from any of the aforementioned transactions. Prospective investors are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Notes, including under the laws of their countries of citizenship, residence, ordinary residence or domicile.

The summary provided below is based on the information provided in this Prospectus and on Belgium's tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Prospectus and with the exception of subsequent amendments with retroactive effect.

Belgian Withholding Tax

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 25 per cent. Tax treaties may provide for lower rates subject to certain conditions and formalities.

In this regard, "**interest**" means the periodic interest income, any amount paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not on the maturity date, or upon purchase by the Issuer) and, in case of a disposal of Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

However, payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (the "**Tax Eligible Investors**", see hereinafter) in an exempt securities account (an "**X Account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the NBB System. Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the NBB System enables Tax Eligible Investors to receive gross interest income on their Notes and to transfer Notes on a gross basis.

Participants to the NBB system must enter the Notes which they hold on behalf of Tax Eligible Investors in an X Account.

Tax Eligible Investors are those listed in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax ("*arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*" / "*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing*") which include, *inter alia*:

- (i) Belgian corporations subject to Belgian corporate income tax;
- (ii) institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Belgian code on income tax of 1992 ("*code des impôts sur les revenus 1992*" / "*wetboek van de inkomstenbelastingen 1992*", the "**BITC1992**");
- (iii) state regulated institutions ("*institutions parastatales*" / "*parastatalen*") for social security, or institutions which are assimilated therewith, provided for in article 105, 2° of the royal decree implementing the BITC 1992 ("*arrêté royal d'exécution du code des impôts sur les revenus 1992*" / "*koninklijk besluit tot invoering van het wetboek inkomstenbelastingen 1992*", the "**RD/BITC 1992**");
- (iv) non-resident investors provided for in article 105, 5° of the RD/BITC 1992;
- (v) investment funds, recognised in the framework of pension savings, provided for in article 115 of the RD/BITC 1992;
- (vi) tax payers provided for in article 227, 2° of the BITC 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the BITC 1992;
- (vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with article 265 of the BITC 1992;
- (viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and
- (ix) Belgian resident corporations, not provided for under (i) above, when their activities exclusively or principally consist of the granting of credits and loans.

Tax Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

Participants to the NBB System must keep the Notes which they hold on behalf of the non-Tax Eligible Investors in a non-exempt securities account (an "**N Account**"). In such instance, all payments of interest are subject to withholding tax (currently at the rate of 25 per cent.), which is withheld by the NBB and paid to the Belgian Treasury.

Transfers of Notes between an X Account and an N Account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N Account (to an X Account or N Account) gives rise to the payment by the transferor non-Tax Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.
- A transfer (from an X Account or N Account) to an N Account gives rise to the refund by the NBB to the transferee non-Tax Eligible Investor of an amount equal to withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.

- Transfers of Notes between two X Accounts do not give rise to any adjustment on account of withholding tax.

Upon opening of an X Account for the holding of Notes, a Tax Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Belgian Minister of Finance. There are no ongoing declaration requirements for Tax Eligible Investors save that they need to inform the Participants of any changes to the information contained in the statement of their tax eligible status. Participants are required to annually provide the NBB with listings of investors who have held an X Account during the preceding calendar year.

An X Account may be opened with a Participant by an intermediary (an "**Intermediary**") in respect of Notes that the Intermediary holds for the account of its clients (the "**Beneficial Owners**"), provided that each Beneficial Owner is a Tax Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that: (i) the Intermediary is itself a Tax Eligible Investor; and (ii) the Beneficial Owners holding their Notes through it are also Tax Eligible Investors. The Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the NBB System, provided that Euroclear or Clearstream only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

Belgian income tax and capital gains

(a) Belgian resident individuals

Belgian resident individuals, i.e., natural persons who are subject to Belgian personal income tax ("*personenbelasting*" / "*impôt des personnes physiques*") and who hold the Notes as a private investment, do not have to declare interest in respect of the Notes in their personal income tax return, provided that withholding tax has effectively been levied on the interest.

Nevertheless Belgian resident individuals may elect to declare interest in respect of the Notes in their personal income tax return. Interest income which is declared in this way will in principle be taxed at a flat rate of 25 per cent. (or at the relevant progressive personal income tax rate(s) taking into account the taxpayer's other declared income, whichever is more beneficial). The Belgian withholding tax levied may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, except to the extent the capital gains are realised outside the scope of the management of one's private estate or except to the extent they qualify as interest (as described in "*Belgian Withholding Tax*" above). Capital losses are in principle not tax deductible.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

(b) Belgian resident companies

Interest attributed or paid to corporations which are Belgian residents for tax purposes, i.e. which are subject to Belgian corporate income tax ("*vennootschapsbelasting*" / "*impôt des sociétés*"), as well as capital gains realised upon the disposal of Notes are taxable at the ordinary corporate income tax rate of in principle 33.99 per cent. (or the relevant progressive corporate income tax rate(s) in the case of certain corporations with limited profits). Capital losses realised upon the disposal of the Notes are in principle tax deductible.

(c) **Belgian legal entities**

Belgian legal entities subject to Belgian legal entities tax ("*rechtspersonenbelasting*"/"*impôts des personnes morales*") and which do not qualify as Tax Eligible Investors will not be subject to any further taxation on interest in respect of the Notes over and above the withholding tax.

Belgian legal entities which qualify as Tax Eligible Investors and which consequently have received gross interest income are required to declare and pay the 25 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains qualify as interest (as described in "*Belgian Withholding Tax*" above). Capital losses are in principle not tax deductible.

(d) **Organisations for Financing Pensions**

Interest and capital gains derived by Organisations for Financing Pensions in the meaning of the Law of 27 October 2006 on the activities and supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax. Capital losses are in principle not tax deductible. Subject to certain conditions, any Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

(e) **Belgian non-residents**

Noteholders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through a permanent establishment in Belgium will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes, provided that they qualify as Tax Eligible Investors and that they hold their Notes in an X Account.

Tax on stock exchange transactions

A tax on stock exchange transactions ("*taxe sur les opérations de bourse*"/"*beurstaks*") will be levied on the acquisition and disposal of Notes on the secondary market if executed in Belgium through a professional intermediary. The tax is due at a rate of 0.09 per cent. on each acquisition and disposal separately, with a maximum amount of Euro 650 per transaction and per party and collected by the professional intermediary.

A tax on repurchase transactions ("*taxe sur les reports*"/"*repotaks*") at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of Euro 650 per transaction and per party).

However neither of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status, and certain Belgian institutional investors as defined in Article 126.1 2° of the code of miscellaneous duties and taxes ("*Code des droits et taxes divers*"/"*wetboek diverse rechten en taksen*") for the tax on stock exchange transactions and Article 139, second paragraph, of the same code for the tax on repurchase transactions.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 31 January 2013 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

As set out in the Dealer Agreement, the Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Non-exempt Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (iii) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means

Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the UK Financial Services and Markets Act 2000 by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000 received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the UK Financial Services and Markets Act 2000 does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the UK Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Prospectus. No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which have a denomination of less than €100,000 (or its equivalent in any other currency) issued under the Programme.

Final Terms dated [●]

Elia System Operator SA/NV
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR 3,000,000,000
Euro Medium Term Note Programme

Any person making or intending to make an offer of the Notes may only do so:

- (i) in those Non-exempt Offer Jurisdictions mentioned in Paragraph 8(vi) of Part B below, provided such person is [of a kind specified] in that paragraph and that such offer is made during the Offer Period specified for such purpose therein; or
- (ii) otherwise] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the [Relevant] Member State), and includes any relevant implementing measure in the [Relevant] Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [] [and the supplement(s) to it dated [] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive] (the **Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms. The Prospectus has been published on [Issuer's/financial intermediaries/ regulated market/ competent authority] website.

- 1**
- (a) Series Number: []
 - (b) Tranche Number: []
 - (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [] on [[]/the Issue Date] [Not Applicable]

- 2 Specified Currency or Currencies: []
- 3 Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
- 4 Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]
- 5 (a) Specified Denominations: []
- (b) Calculation Amount: []
- 6 (a) Issue Date: []
- (b) Interest Commencement Date: [[]/Issue Date/Not Applicable]
- 7 Maturity Date: [[]/[Interest Payment Date falling in or nearest to []]
- 8 Interest Basis: [[] per cent. Fixed Rate]
[[] +/- [] per cent. Floating Rate]
[Zero Coupon] (see paragraph [13/14/15] below)
- 9 Redemption: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
- 10 Change of Interest Basis: [] [Not Applicable]
- 11 Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
- 12 (a) Status of the Notes: Senior
- (b) Date of Board/Committee approval for issuance of Notes obtained: The Issuer has authorised the issue of the Notes at a meeting of the Board of Directors held on [] [and a meeting of a duly authorised Committee of the Board of Directors held on []]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 13 Fixed Rate Note Provisions [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)] []
- (f) Determination Dates: [[] in each year] [Not Applicable]

14	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(a) Interest Period Date(s):	[]
	(b) Specified Interest Payment Dates:	[]
	(c) First Interest Payment Date:	[]
	(d) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(e) Business Centre(s):	[]
	(f) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[]
	(h) Screen Rate Determination:	
	– Reference Rate and Relevant Financial Centre:	Reference Rate: [] month [LIBOR/ EURIBOR]. Relevant Financial Centre: [London/Brussels/[]]
	– Interest Determination Date(s):	[]
	– Relevant Screen Page:	[]
	(i) ISDA Determination:	
	– Floating Rate Option:	[]
	– Designated Maturity:	[]
	– Reset Date:	[]
	(j) Margin(s):	[+/-][] per cent. per annum
	(k) Minimum Rate of Interest:	[[] per cent. per annum/Not Applicable]
	(l) Maximum Rate of Interest:	[[] per cent. per annum/Not Applicable]
	(m) Day Count Fraction:	[[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond basis] 30E/360 (ISDA)]
15	Zero Coupon Note Provisions	[Applicable/Not Applicable]
	(a) Amortisation Yield:	[] per cent. per annum
	(b) Reference Price:	[]
	(c) Day Count Fraction in relation to Early Redemption Amounts:	[[30/360][Actual/360][Actual/365]]

PROVISIONS RELATING TO REDEMPTION

- 16** Notice periods for Condition 5(c): Minimum period: [30][] days
Maximum period: [60][] days
- 17** Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice periods: Minimum period: [15][] days
Maximum period: [30][] days
- 18** Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice periods: Minimum period: [15][]days
Maximum period: [30][]days
- 19** Final Redemption Amount: [] per Calculation Amount
- 20** Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 21** Form of Notes: Dematerialised form
- 22** Financial Centre(s): [Not Applicable/[]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **Elia System Operator SA/NV**:

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

[Not Applicable] [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] and to be listed on the [] with effect from [].]

2 RATINGS

[The Notes to be issued [are not/have been/are expected to be] specifically rated [] by [].]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: [].]

[Name of rating agency]: []

[] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). As defined by [] a [] rating means that the obligations of the Issuer under the [Programme] [Notes] are []. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Ratings:

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers][[] (the "**Manager[s]**") as discussed under "Subscription and Sale", so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business][So far as the Issuer is aware, the following persons have an interest material to the issue/offer: []]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: []

(ii) Estimated net proceeds: []

(iii) Estimated total expenses: []

5 GROSS ACTUARIAL YIELD (*Fixed Rate Notes only*)

Indication of gross actuarial yield:

The gross actuarial yield in respect of this issue of Fixed Rate Notes is [].

The gross actuarial yield is calculated at the Issue Date on the basis of the Issue Price, using the formula below. It is not an indication of future yield.

$$P = \frac{C}{r} (1 - (1 + r)^{-N}) + A(1 + r)^{-N}$$

Where:

"P" is the Issue Price of the Notes;

"C" is the annualised Interest Amount;

"A" is the principal amount of Notes due on redemption;

"n" is time to maturity in years; and

"r" is the annualised yield.

6 HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/[]] rates can be obtained from [Reuters].]

7 OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) Any clearing system(s) other than the NBB System, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/[]]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Agent(s) (if any): []

8 DISTRIBUTION

(i) Names and addresses of Manager(s): [Not Applicable] []

(ii) Underwriting/placing obligations of the Manager(s): [Not Applicable] []

(iii) Date and material features of the underwriting/placing agreement: [Not Applicable] []

(iv) Total commission and concession: [[] per cent. of the Aggregate Nominal Amount][]

(v) U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA not applicable

(vi) Additional selling restrictions: [Not Applicable/give details²]

(vii) Non-exempt Offer:

(a) Non-exempt Offer: [Not Applicable][An offer of the Notes may be made by the Managers [and []] (together [with the Managers], the "**Initial Authorised Offerors**") [and any other Authorised Offerors in accordance with

² Certain forms of Notes may only be offered and sold to Tax Eligible Investors, including for example Notes with a maturity of more than one year which are issued in tranches when the actuarial return of one tranche exceeds the actuarial return from the initial issue until maturity by more than 0.75 points.

Also consider whether any further transfer restrictions result from the Notes being cleared through the NBB System.

paragraph [] below] other than pursuant to Article 3(2) of the Prospectus Directive in [] (the "**Non-exempt Offer Jurisdictions**") during the period from [] until [] (the "**Offer Period**"). See further paragraph [] below.

(b) General Consent: [Applicable][Not Applicable]

9 TERMS AND CONDITIONS OF THE OFFER

- (i) Offer Price: [Issue Price] [Not Applicable] []
- (ii) Conditions to which the offer is subject: [Not Applicable/[]]
- (iii) Description of the application process: [Not Applicable/[]]
- (iv) Details of the minimum and/or maximum amount of application: [Not Applicable/[]]
- (v) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/[]]
- (vi) Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/[]]
- (vii) Manner in and date on which results of the offer are to be made public: [Not Applicable/[]]
- (viii) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/[]]
- (ix) Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/[]]
- (x) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/[]]
- (xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/[]]
- (xii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. The Initial Authorised Offerors identified in paragraph [] above [and any additional financial intermediaries who have or obtain the Issuer's consent to use the Prospectus in connection with the Non-exempt Offer and who are identified on the website of [] as an Authorised Offeror] (together, the "**Authorised Offerors**").

ANNEX
SUMMARY OF THE NOTES

[•]

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

Final Terms dated [●]

Elia System Operator SA/NV
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR 3,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] [and the supplement(s) to it dated [●] which [together] constitute[s] a base prospectus] (the **Prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on [Issuer's/financial intermediaries/regulated market/competent authority] website.

- | | | |
|----------|--|--|
| 1 | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [] on [[]/the Issue Date] [Not Applicable] |
| 2 | Specified Currency or Currencies: | [] |
| 3 | Aggregate Nominal Amount of Notes: | [] |
| | (a) Series: | [] |
| | (b) Tranche: | [] |
| 4 | Issue Price: | [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []] |
| 5 | (a) Specified Denominations: | [] |
| | (b) Calculation Amount: | [] |
| 6 | (a) Issue Date: | [] |
| | (b) Interest Commencement Date | [[]/Issue Date/Not Applicable] |
| 7 | Maturity Date: | [] |
| | | [Interest Payment Date falling in or nearest to []] |
| 8 | Interest Basis: | [[] per cent. Fixed Rate]
[[] +/- [] per cent. Floating Rate]
[Zero Coupon]
(see paragraph [13/14/15] below) |
| 9 | Redemption[/Payment] Basis: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the |

- Maturity Date at [] per cent. of their nominal amount.
- 10** Change of Interest Basis: [] [Not Applicable]
- 11** Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
- 12** (a) Status of the Notes: Senior
- (b) Date of Board/Committee approval for issuance of Notes obtained: The Issuer has authorised the issue of the Notes at a meeting of the Board of Directors held on [] [and a meeting of a duly authorised Committee of the Board of Directors held on []]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 13** Fixed Rate Note Provisions [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [] per cent. per annum [payable in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [] in each year
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
- (e) Day Count Fraction: [30/360][Actual/Actual (ICMA)] []
- (f) [Determination Dates: [] in each year] [Not Applicable]
- 14** Floating Rate Note Provisions [Applicable/Not Applicable]
- (a) Interest Period Date(s): []
- (b) Specified Interest Payment Dates: []
- (c) First Interest Payment Date: []
- (d) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (e) Business Centre(s): []
- (f) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (g) Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the Agent): []
- (h) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [] month [LIBOR/EURIBOR] Relevant Financial Centre: [London/Brussels/ []]
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (i) ISDA Determination:

	– Floating Rate Option:	[]
	– Designated Maturity:	[]
	– Reset Date:	[]
	(j) Margin(s):	[+/-][] per cent. per annum
	(k) Minimum Rate of Interest:	[] per cent. per annum
	(l) Maximum Rate of Interest:	[] per cent. per annum
	(m) Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]
15	Zero Coupon Note Provisions	[Applicable/Not Applicable]
	(a) Amortisation Yield:	[] per cent. per annum
	(b) Reference Price:	[]
	(c) Day Count Fraction in Amounts:	[[30/360][Actual/360][Actual/365]] []
PROVISIONS RELATING TO REDEMPTION		
16	Notice periods for Condition 5(c):	Minimum period: [30][] days Maximum period: [60][] days
17	Call Option	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[] per Calculation Amount]
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[]
	(ii) Maximum Redemption Amount:	[]
	(d) Notice periods:	Minimum period: [15][] days Maximum period: [30][] days
18	Investor Put:	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[]
	(b) Optional Redemption Amount:	[] per Calculation Amount
	(c) Notice periods:	Minimum period: [15][] days Maximum period: [30][] days
19	Final Redemption Amount:	[] per Calculation Amount
20	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 21 Form of Notes: Dematerialised form
- 22 Financial Centre(s) [Not Applicable/[]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **Elia System Operator SA/NV**:

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [Not Applicable][Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] and to be listed on the [] with effect from [].]
- (ii) Estimate of total expenses related to admission to trading: []

2 RATINGS

[The Notes to be issued [are not/have been/are expected to be] specifically rated [] by [].]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally: [].]

[Name of rating agency]: []

[] is established in the EU and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**").

Ratings:

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers][[] (the "**Manager[s]**") as discussed under "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business][So far as the Issuer is aware, the following persons have an interest material to the issue/offer: []]

4 GROSS ACTUARIAL YIELD (*Fixed Rate Notes only*)

Indication of gross actuarial yield:

The gross actuarial yield in respect of this issue of Fixed Rate Notes is [].

The gross actuarial yield is calculated at the Issue Date on the basis of the Issue Price, using the formula below. It is not an indication of future yield.

$$P = \frac{C}{r} (1 - (1+r)^{-n}) + A(1+r)^{-n}$$

Where:

"P" is the Issue Price of the Notes;

"C" is the annualised Interest Amount;

"A" is the principal amount of Notes due on redemption;

"n" is time to maturity in years; and

"r" is the annualised yield.

x

5 [HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

6 OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) Any clearing system(s) other than the NBB System, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/[]]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Agent(s) (if any): []

7 DISTRIBUTION

U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA not applicable

Additional selling restrictions: [Not Applicable/give details]³

³ Certain forms of Notes may only be offered and sold to Tax Eligible Investors, including for example Notes with a maturity of more than one year which are issued in tranches when the actuarial return of one tranche exceeds the actuarial return from the initial issue until maturity by more than 0.75 points.

Also consider whether any further transfer restrictions result from the Notes being cleared through the NBB System.

GENERAL INFORMATION

- (1) Application has been made to the FSMA to approve this document as a prospectus. Application has been made to NYSE Euronext Brussels for Notes issued under the Programme to be listed and to be admitted to trading on NYSE Euronext Brussels' regulated market.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the Kingdom of Belgium in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 29 November 2012 and a resolution of the management committee of the Issuer, passed on 18 January 2013.
- (3) There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2012 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2011.
- (4) Except as disclosed on page 104, neither the Issuer nor any of its subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
- (5) Notes have been accepted for clearance through the facilities of the NBB System, Euroclear and Clearstream, Luxembourg. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of the NBB System is Boulevard de Berlaimont 14, BE-1000 Brussels. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

- (6) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.
- (7) Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- (8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (9) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:
 - (i) the Agency Agreement;
 - (ii) the constitutional documents of the Issuer;

- (iii) the audited consolidated financial statements of the Issuer for each of the two financial years ended 31 December 2010 and 31 December 2011, in each case together with the audit reports in connection therewith;
- (iv) the unaudited interim condensed consolidated financial statements of the Issuer for the six months ended 30 June 2012 and 30 June 2011, in each case, together with the review report of the auditors in connection therewith;
- (v) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity);
- (vi) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and
- (vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

This Prospectus, the Final Terms for Notes that are listed and admitted to trading on NYSE Euronext Brussels' regulated market and each document incorporated by reference will be published on the website of NYSE Euronext Brussels (www.nyx.com).

- (10) Copies of the latest annual report and audited consolidated annual financial statements of the Issuer and the latest unaudited interim condensed consolidated financial statements of the Issuer may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of the Agent during normal business hours, so long as any of the Notes is outstanding.
- (11) KPMG Bedrijfsrevisoren BCVBA of Bourgetlaan 40, 1130 Brussels, Belgium and a member of the "*Instituut van de Bedrijfsrevisoren/ Institut des Réviseurs d'Entreprises*" and Ernst & Young Bedrijfsrevisoren BCVBA of De Kleetlaan 2, B-1831 Diegem, Belgium and a member of the "*Instituut van de Bedrijfsrevisoren/ Institut des Réviseurs d'Entreprises*" have audited, and rendered unqualified audit reports on, the consolidated financial statements of the Group for the years ended 31 December 2010 and 31 December 2011.
- (12) The Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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