



# Elia Group FY2015 results

At the heart of the European Electricity grid

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# Today's agenda

1. FY2015 achievements
2. Excelling in our expertise in 2015
3. Looking ahead - well positioned for further growth opportunities
4. Robust regulated financials
5. Conclusion and outlook

# Elia Group FY 2015 performance

<b>Investments</b> <b>€ 1,255 million<sup>1</sup></b> +52% yoy	<b>RAB*</b> <b>€ 6.7 billion</b> +12% yoy	<b>Normalised<sup>2</sup> Net profit</b> <b>€ 175.8 million</b> +15% yoy
<b>Dividend</b> <b>€1.55</b> 45% payout	<b>Normalised<sup>2</sup> RoE</b> <b>7.3%</b> +60 basis points yoy	<b>Leverage ratio</b> <b>0.57x</b> debt/(debt+equity)

\* Regulated Asset Base

<sup>1</sup> Includes 100% of the investments realized by 50Hertz

<sup>2</sup> The term “normalised” refers to performance measures before non-recurring items. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. Reported result at €210.6m.

# Elia Group FY2015 achievements

Chris Peeters  
Chief Executive Officer

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# 2015 highlights

## Operations

- Significant progress on crucial investments in Belgium and Germany
- Outperformance in realisation of investment plan in Germany
- Outstanding results in terms of grid reliability and adequacy
- Flow-based market coupling a major success

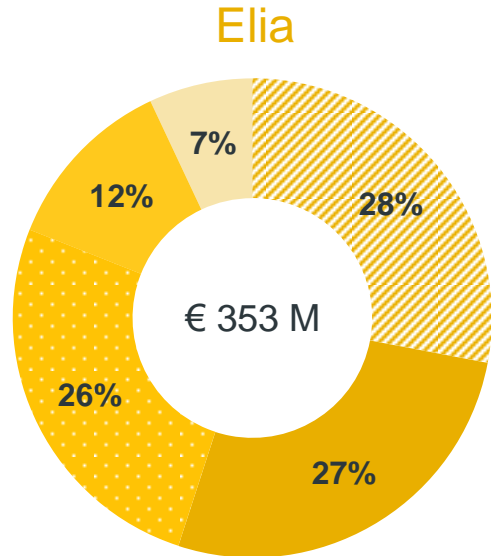
## Regulation

- CREG approves Elia's 2016-2019 tariffs
- Stable German regulatory (2014-2018) and strong legal framework for the realization of investments

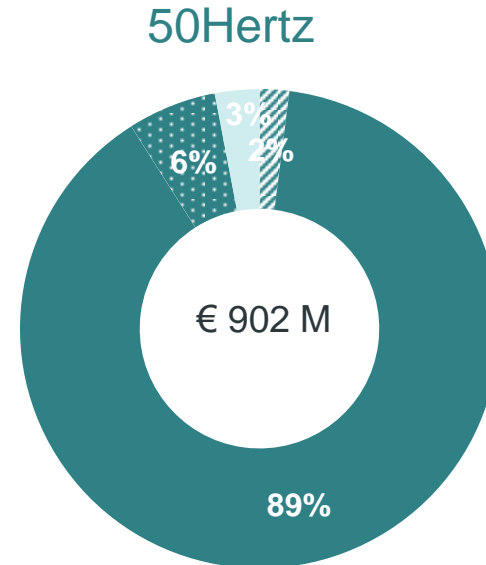
## Finance

- Normalised result at €175.8m (+14.6%), important one-off items leading to increased reported group net result at € 210.6m (up 25.4%)
- Proposed dividend of 1.55
- Successful debt capital market transactions by both 50Hertz and Elia Transmission

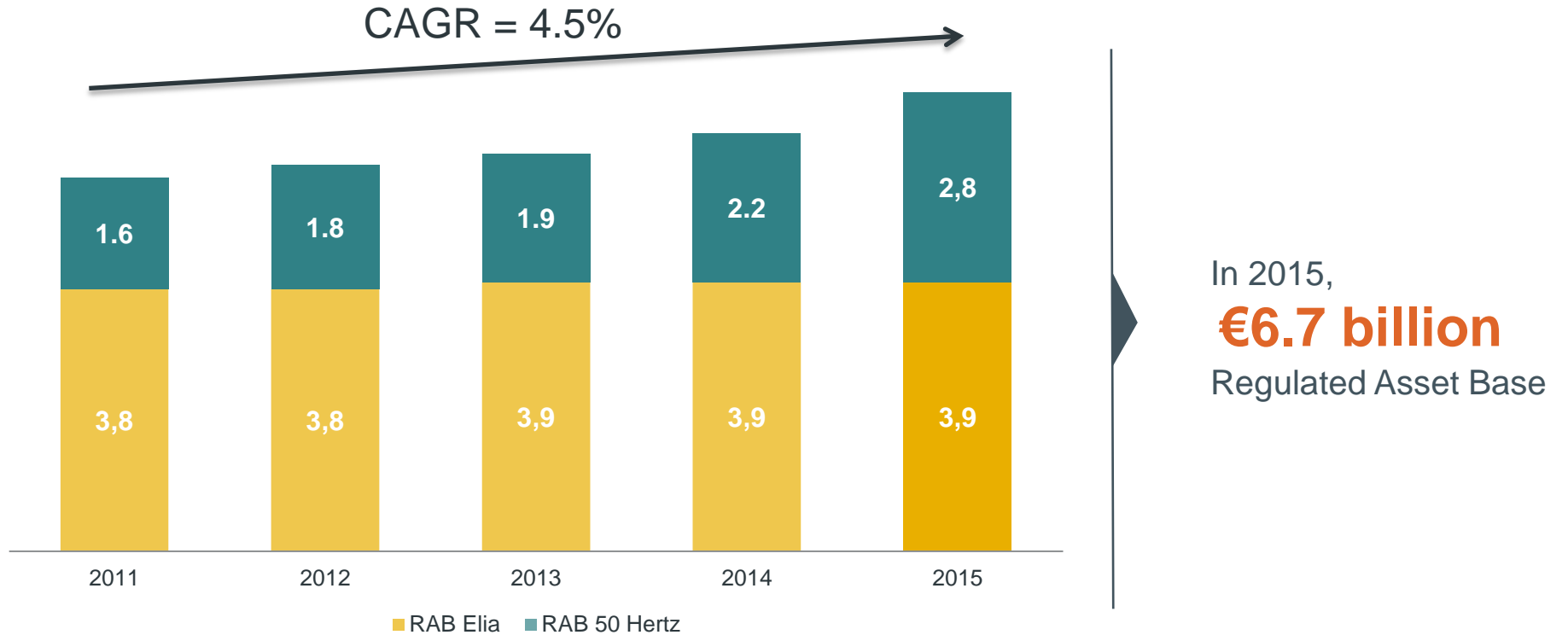
# Elia Group's investments in 2015



- Replacements
- Integrating renewables
- Internal consumption
- Interconnections
- Non electrical investments

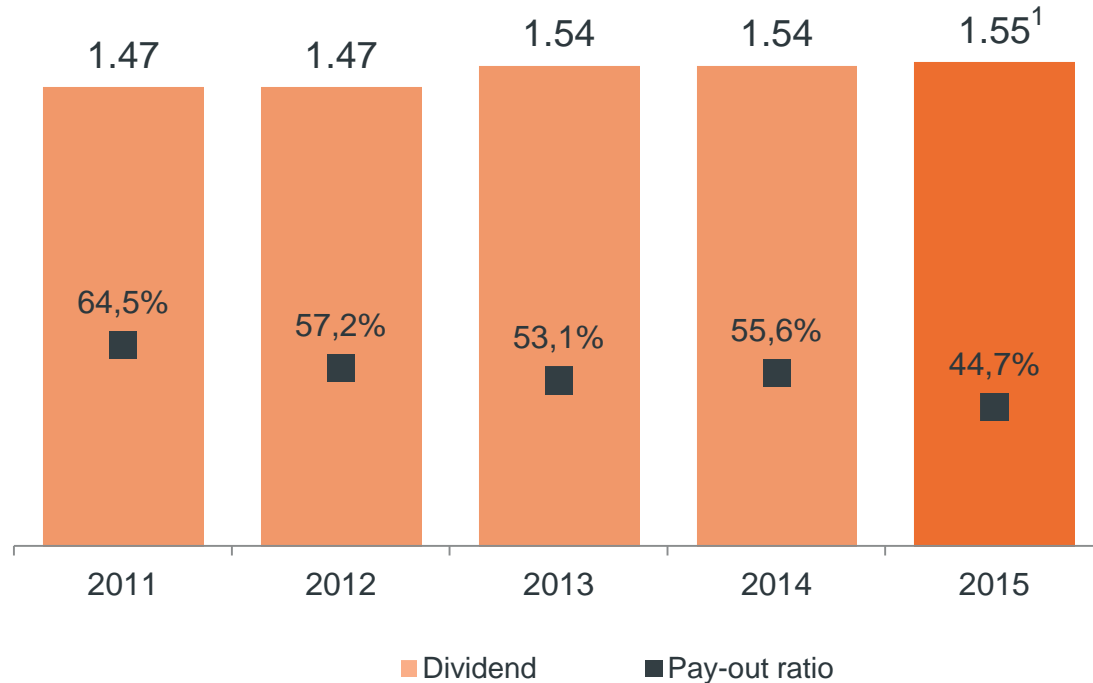


# Elia Group: Our growing Regulated Asset Base (RAB)





# Elia Group to propose a €1.55 dividend per share for 2015



Proven track record of **growing dividend over time**

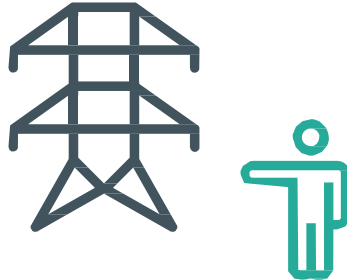
<sup>1</sup> Proposed dividend for 2015 AGM held on May 17 2016

# Elia Group

## Excelling in our expertise in 2015

# Key Activities

## Elia Group



1

### Infrastructure management

Operation, maintenance, planning and expansion of the on- and offshore high voltage infrastructure.



2

### Controlling the system

Secure operation and balancing of the whole electricity system, 24/7.

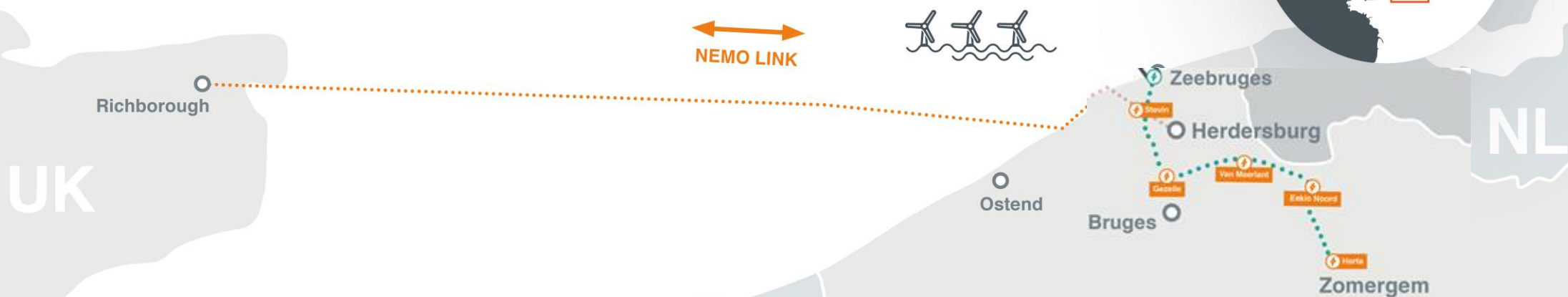


3

### Developing the EU market

Frontrunner in the development of the EU electricity market (NWE & CEE regions) to make the EU energy system more competitive, secure and sustainable.

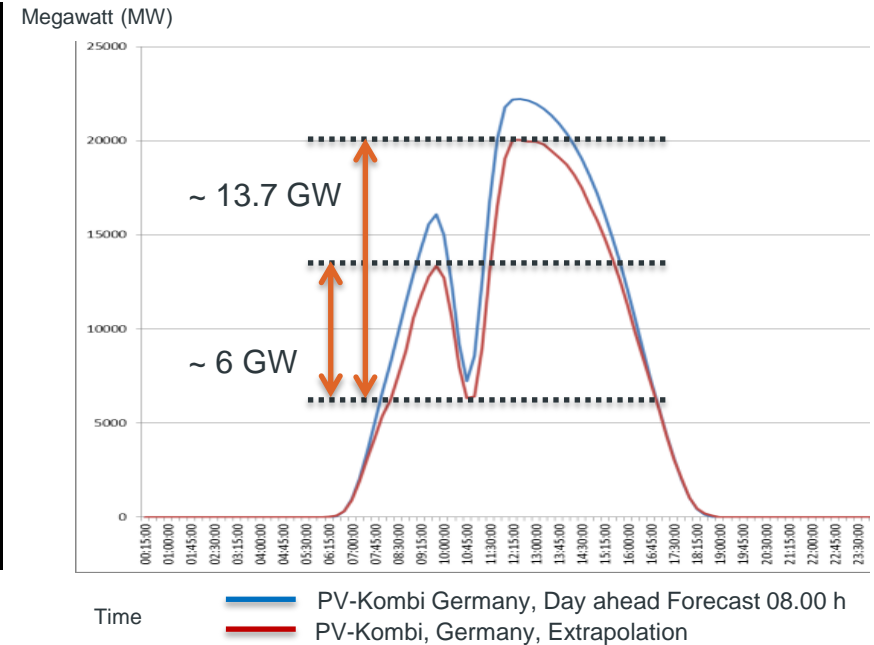
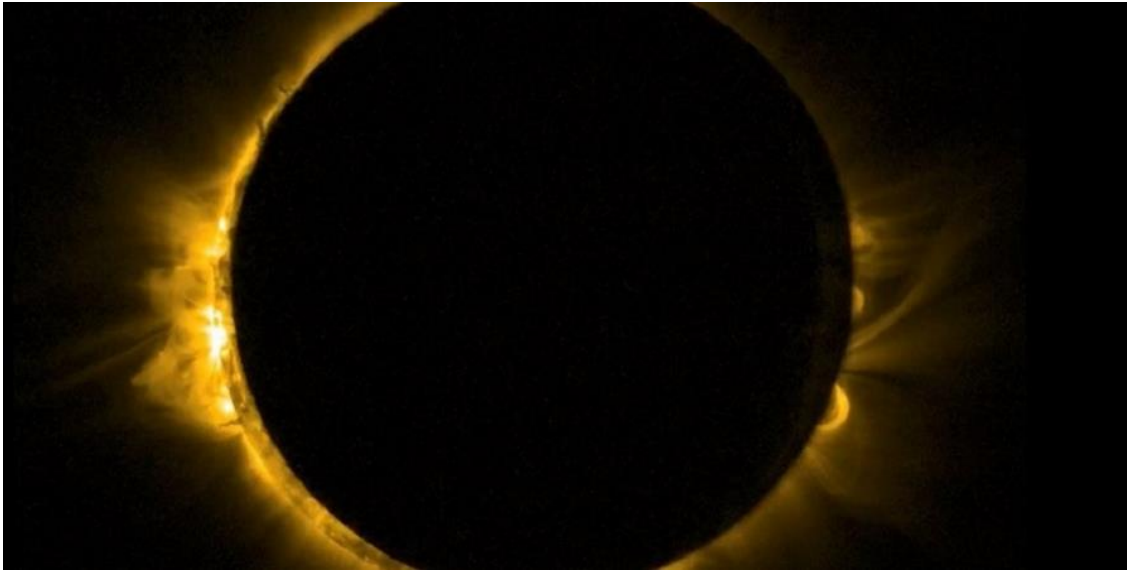
# Infrastructure management: Nemo-Link & Stevin projects



- ..... Nemo link (offshore)
- ..... Route Stevin (onshore)

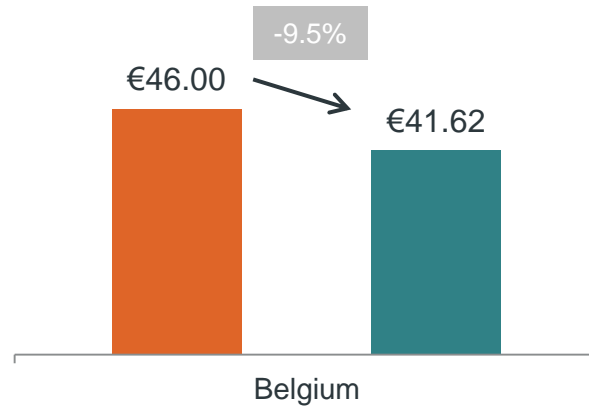


# Controlling the system: Solar eclipse – 20 March 2015



- **The market products** developed and introduced in the last years worked well
- TSOs properly **secured the system** via additional security measures

# Developing the EU market – Flow based market coupling



■ Avg price 3m before flow based    ■ Avg price 3m since start flow based

- **More efficient analysis** of the related commercial transactions and physical flows is enabled
- Makes it possible to **increase price convergence**, leading to **significant economic gains**.

# Elia Group

## Looking ahead - well positioned for further growth opportunities

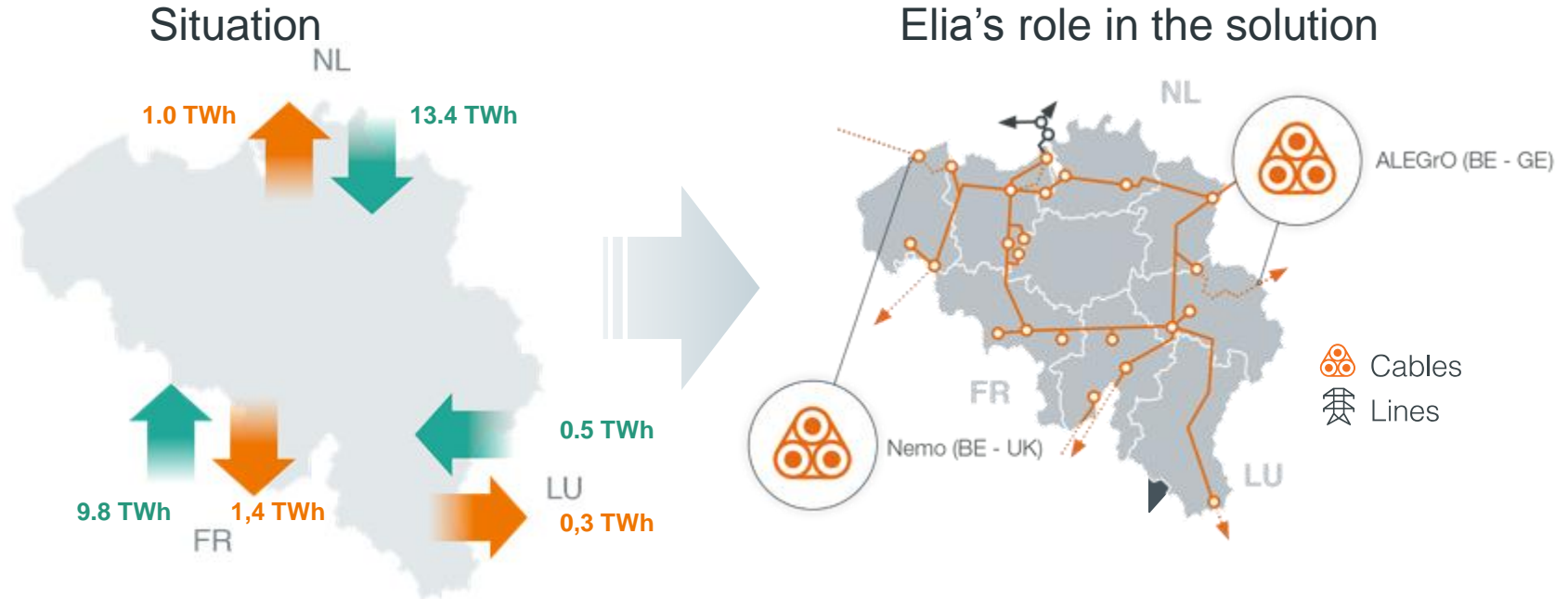
# Elia Group, a unique positioning at the heart of Europe



The Elia Group encompasses two leading TSOs in two European regions, with **Elia in Belgium**, **50 Hertz in Germany**



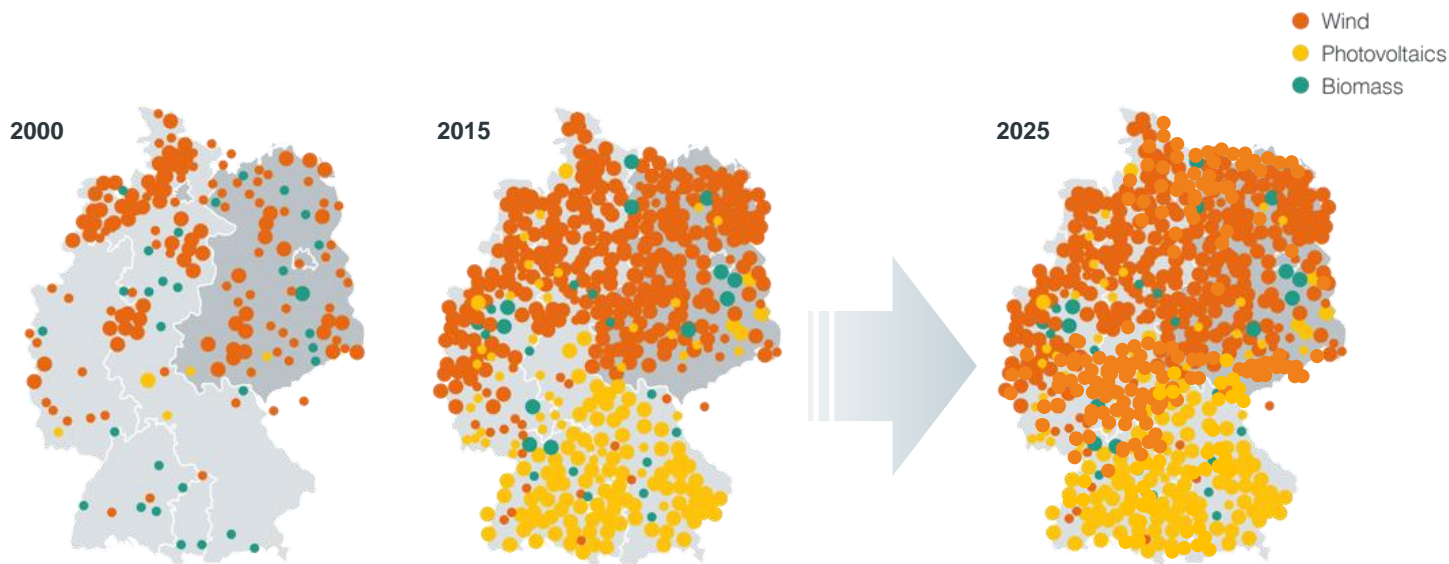
# Belgium – Preparing for a new energy reality



- Increasing Belgian interconnectivity crucial for **preparing a post nuclear era**
- Already **significant imports in Belgium** due to the continued outages of nuclear plants

# Germany - The *Energiewende* drives long-term opportunities

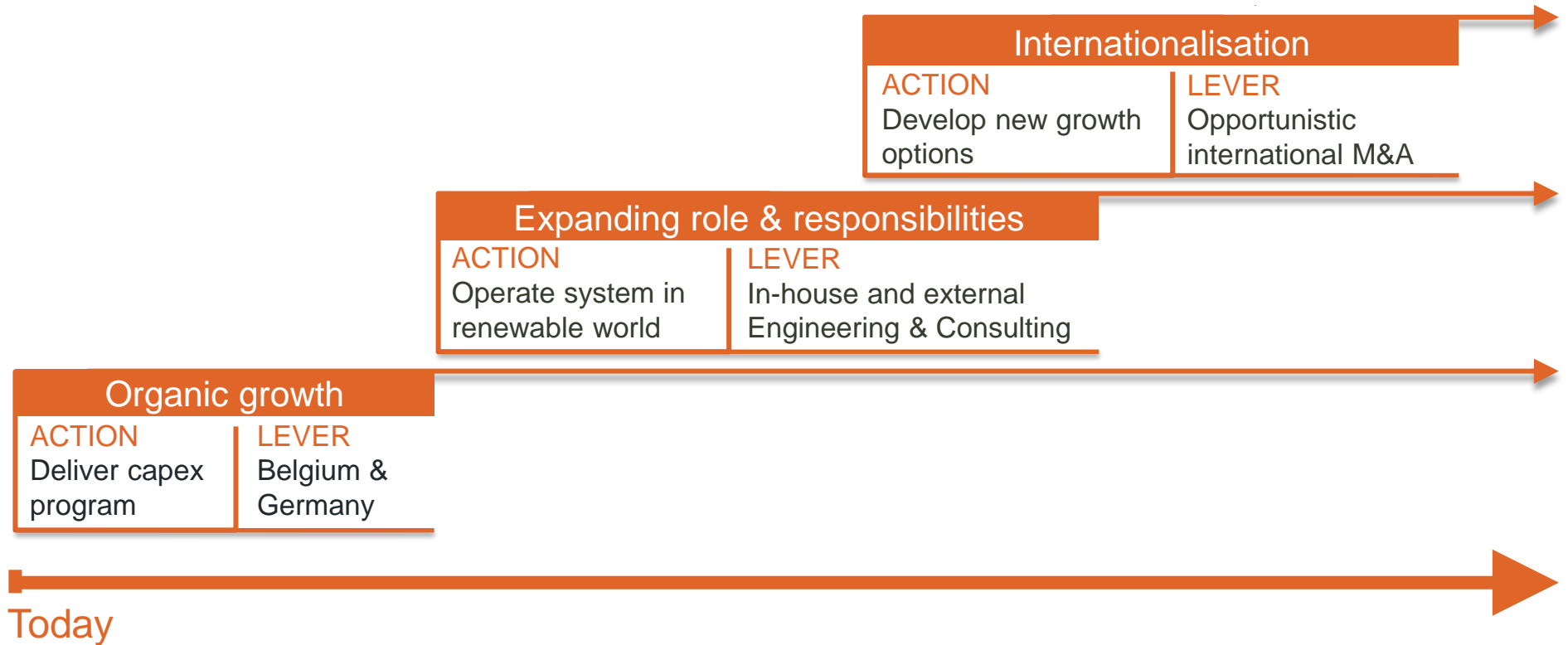
Area proportional to installed capacity



- Grid extension to **evacuate RES energy** from Northern to Southern Germany
- In the 50Hertz region **50% of the installed capacity** renewable and in 2015 more than **45% of the consumed energy** came from renewable energy sources

Source: 50Hertz, TenneT, Amprion, TransnetBW

# Elia Group's strategy



# Elia Group

## Robust regulated financials

Catherine Vandendorre  
Chief Financial Officer

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# One Elia Group, two TSOs' Models

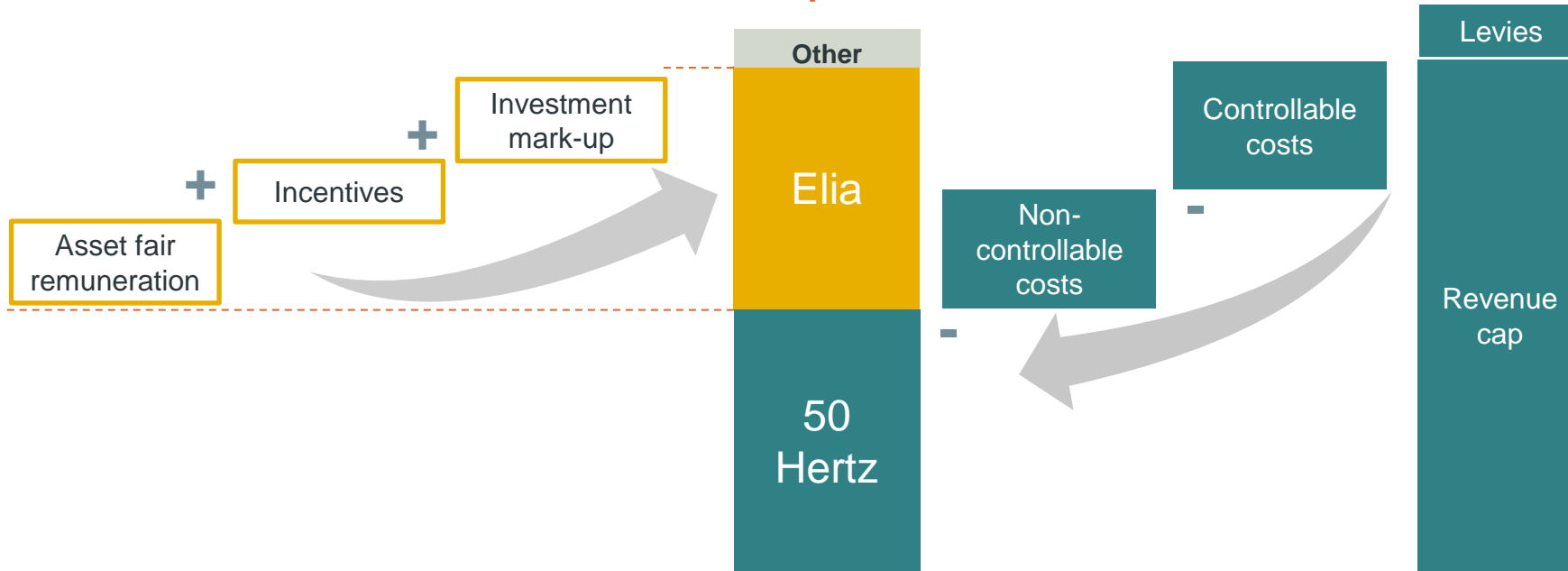


A cost + model  
in Belgium



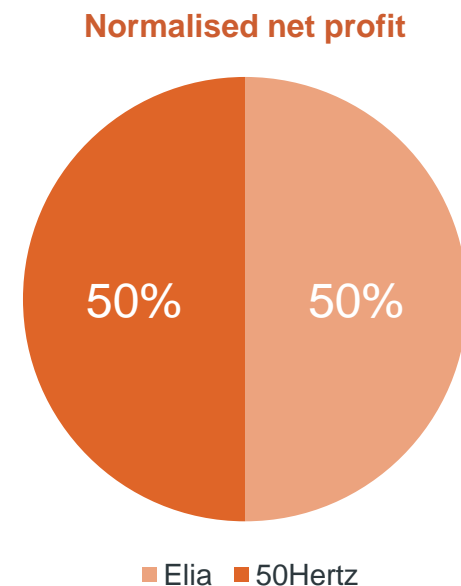
A revenue-cap model  
in Germany

## Elia Group's net profit



# Elia Group: consolidated key figures

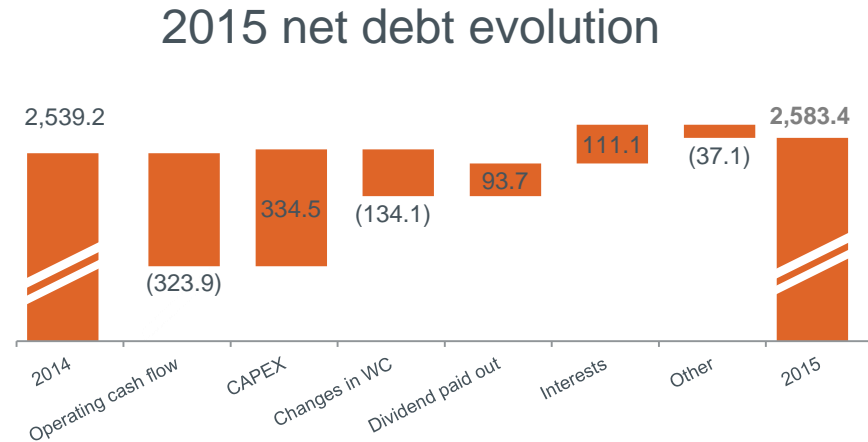
(in million EUR)	2014	2015
Total revenues	836.3	851.4
EBITDA	402.6	442.8
EBIT	289.7	336.4
<i>Non-recurring items</i>	13.8	33.5
Normalised EBIT	275.9	302.9
Net financial costs	(100.6)	(92.8)
<b>Net profit</b>	<b>167.9</b>	<b>210.6</b>
<i>Non-recurring items</i>	14.5	34.8
<b>Normalised profit</b>	<b>153.4</b>	<b>175.8</b>
<i>Normalised earnings per share (EUR)</i>	2.53	2.89



- Normalised profit increased by **14.6%** by thanks to strong operations in Belgium and the realisation of an investment volume of more than €900 million in Germany
- **Important one-offs** realised mainly following the commissioning 2<sup>nd</sup> offshore connection (Baltic 2) in Germany

## Elia Group: conservative financial policy

(in € million)	2014	2015
Net debt	2,539.2	2,583.4
Leverage (D/D+E)	0.54x	0.57x
Net debt / EBITDA	6.3	5.8
EBITDA / Gross interest	3.6	4.3
Average cost of debt	3.78%	3.49%
% fixed of gross debt	88.8%	90.6%



- Fairly **stable net debt**
- Thanks to refinancing exercise in 2014 accounted for a full year **average cost of debt decreased**
- **Improved credit metrics** – higher leverage as result of advanced refinancing of bond coming to maturity in 2016

## Elia: key figures

(in € million)	2014	2015
Total revenues	836.3	851.4
EBIT	195.5	218.0
Normalised EBIT	197.4	215.1
Finance result	(100.6)	(92.8)
<b>Net profit</b>	<b>73.7</b>	<b>92.2</b>
<i>Normalised net profit</i>	<i>75.0</i>	<i>88.0</i>

### Investments

**€ 353 million**

+39% yoy

### RAB

**€ 3.9 billion**

+1% yoy

### Normalised RoE

**4.6%**

+60 bps yoy

### Leverage ratio

**0.62x**

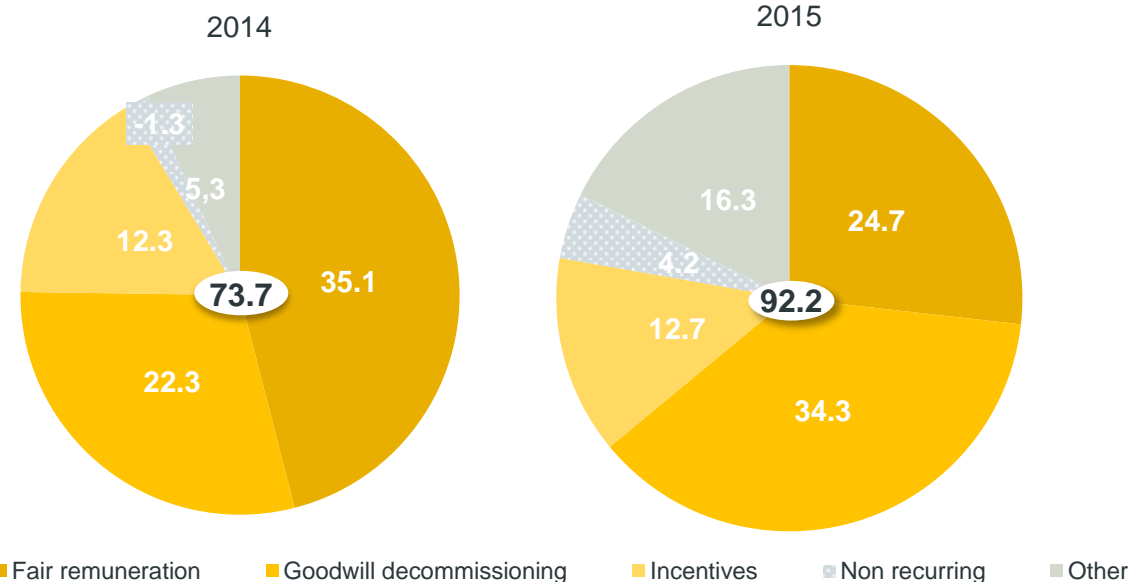
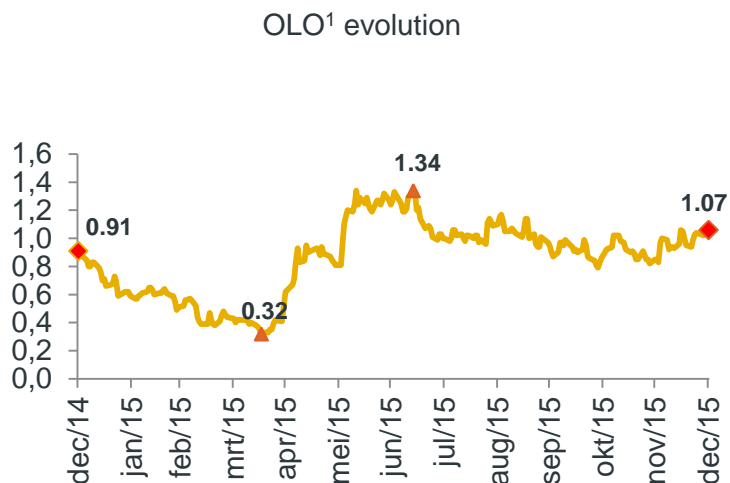
debt/(debt+equity)

- **Stable regulated revenues**, increase in total revenues mainly coming from Elia Grid International
- Increasing by 9% compared to 2014, the **regulated profit amounts to € 75m**

<sup>1</sup> Denotes 10-year Belgian Government Bond



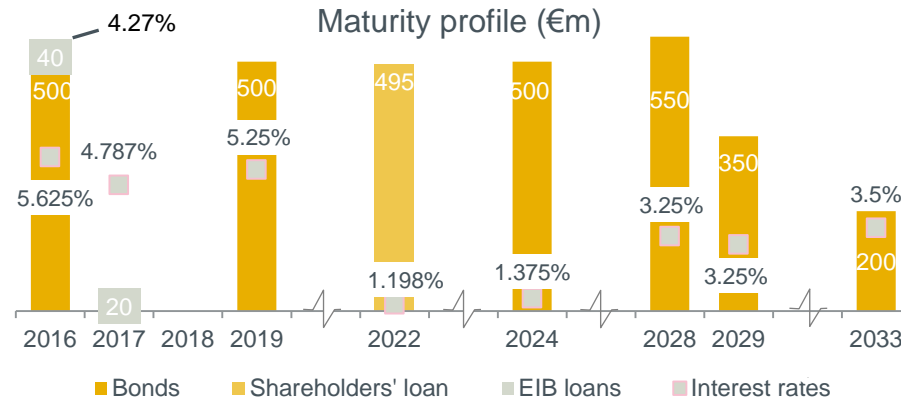
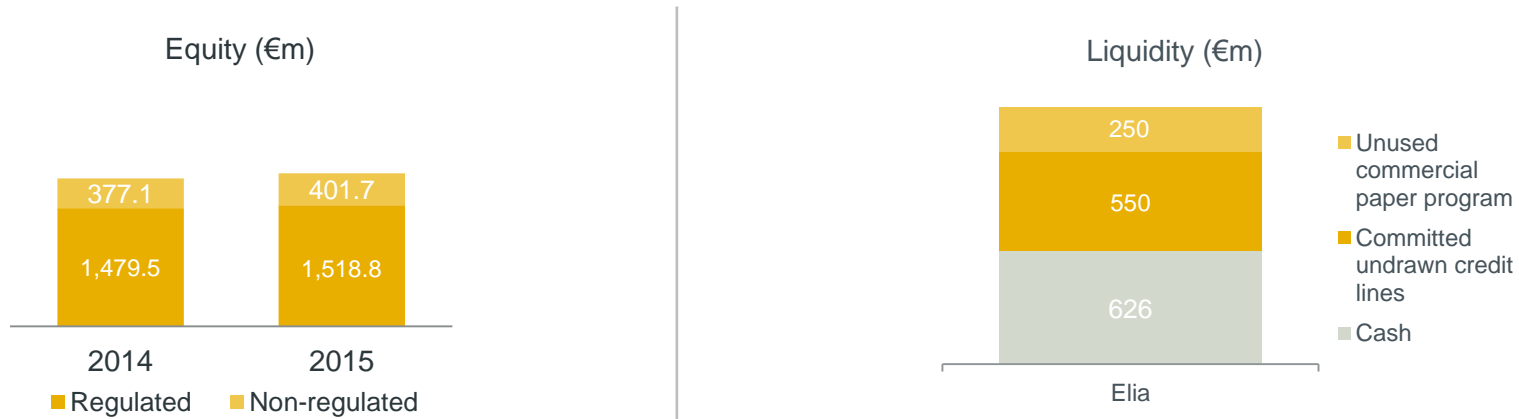
# Elia: cost + model with allowed regulated net profit



- Regulated profit increased thanks to **strong operational year** compensating persisting pressure on long term interest rates
- The remainder is mainly coming from changes in the **IAS 19 movements**, the **lower provisions for damages** to our electrical installations and a **non-recurring increase** in the share of the **profit of HGRT**

<sup>1</sup> Denotes 10-year Belgian Government Bond

# Elia: balance sheet with a manageable debt maturity profile



**S&P's rating: A- (Neg)**

## 50Hertz: key figures

(in € million)	2014	2015
Total revenues	1,022.8	1,495.6
EBIT	281.2	305.4
Normalised EBIT	244.1	233.2
Net finance costs	(29.8)	(18.9)
Net profit	156.8	197.3
<i>Normalised net profit</i>	<i>130.6</i>	<i>146.3</i>

Investments

€ 902 million

+58% yoy

RAB

€ 4.6 billion

+31% yoy

Normalised  
RoE

11.4%

+40 basis points yoy

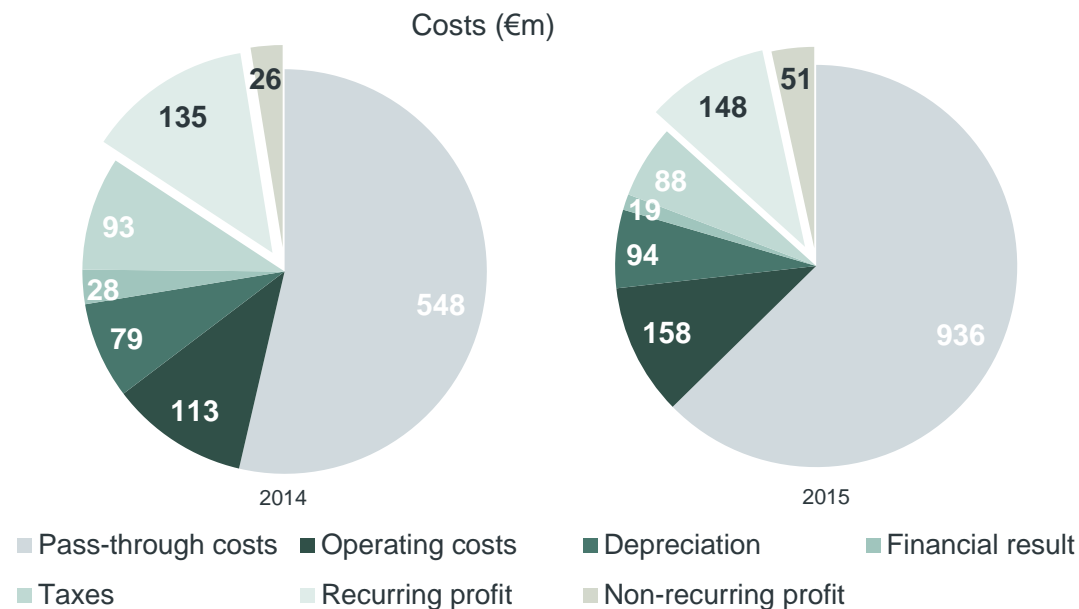
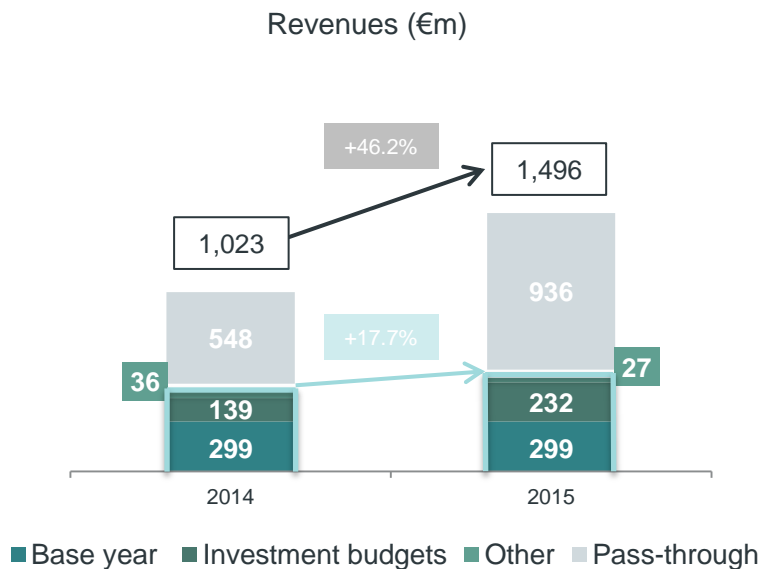
Leverage ratio

0.60x

debt/(debt+equity)

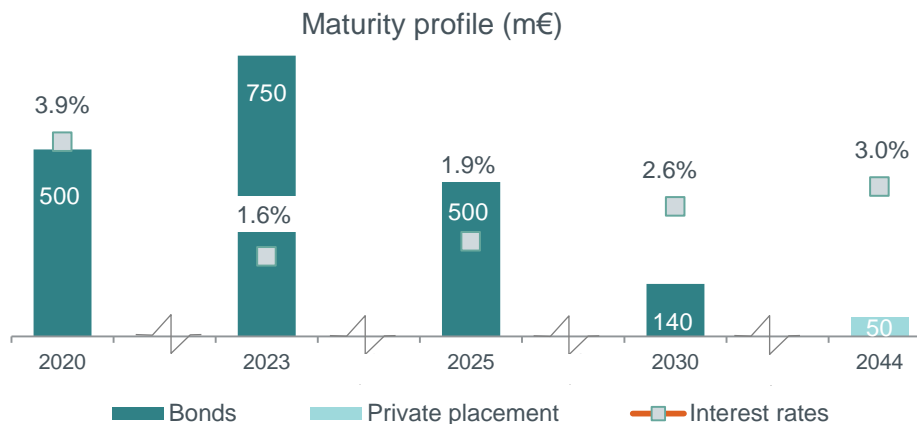
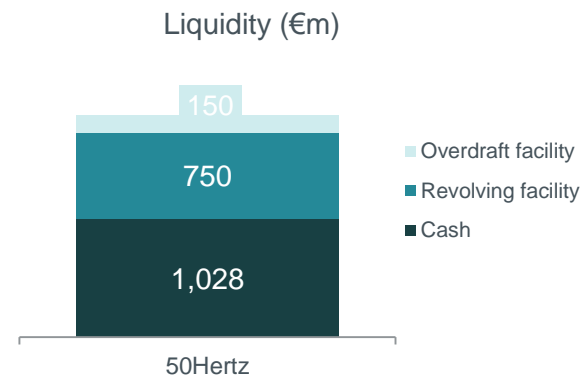
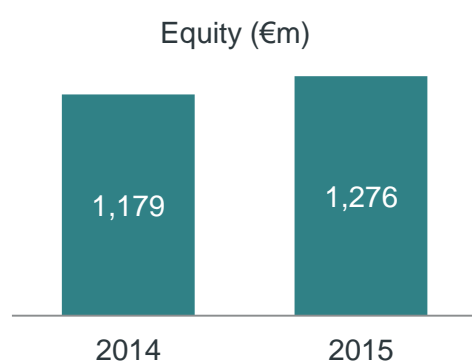
- Realisation of **important investment volume** together with **important one-off items** driving the increased results
- Decreased net finance costs as a result of **significant lower discount effect** on long term provisions

# 50Hertz: revenue cap resulting in net profit



- Increase in revenues mainly **driven by pass-through costs**, especially on the energy side
- Higher revenues from investment activities resulting in **higher profit**, partly offset by the **higher operating costs and depreciation**

# 50 Hertz: strong balance sheet



**Moody's rating: Baa1**

# Other - Expanding Elia Group's role & responsibilities

## GRID Consulting

### Elia Grid International (Non-regulated)

Elia Grid International (EGI) embodies the international ambitions of the Elia Group. By offering consultancy and engineering services on the international energy market, EGI develops power system projects for third parties.

2015 revenue: €12.7m

## International Projects

### NEMO Project (Regulated)

The Nemo Link® interconnector will consist of subsea and underground cables connected to a converter station and an electricity substation in Belgium and the United Kingdom, which will allow electricity to flow in either direction between the two countries.

NEMO to generate operational profit from 2019

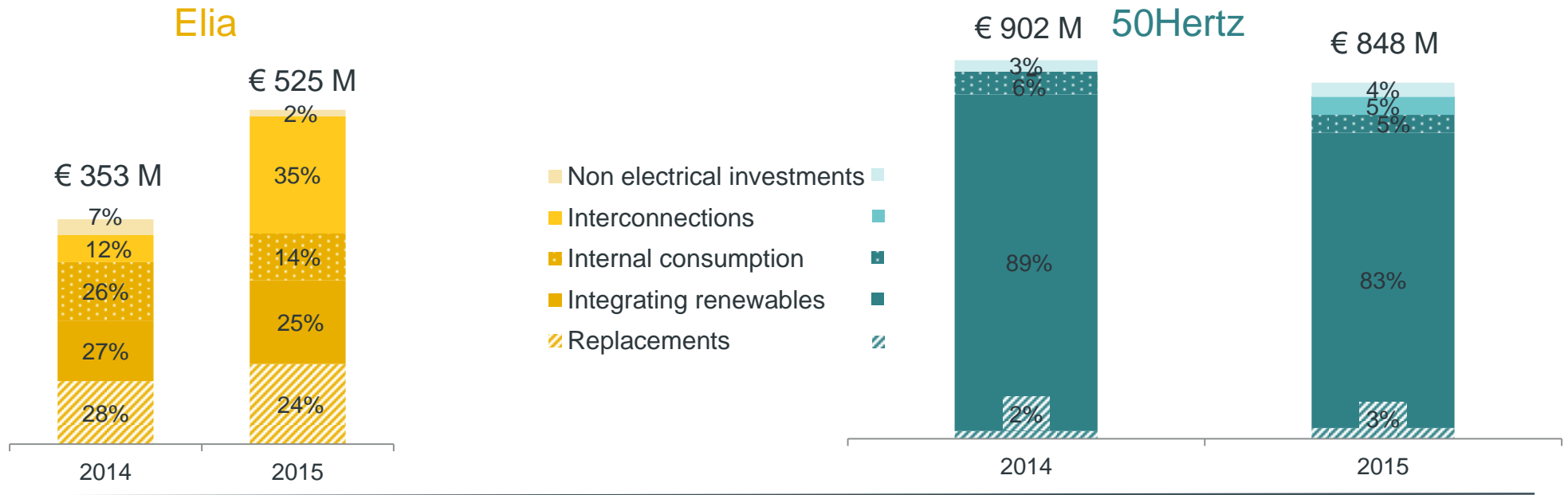
# Elia Group

## Conclusion and outlook

Chris Peeters  
Chief Executive Officer

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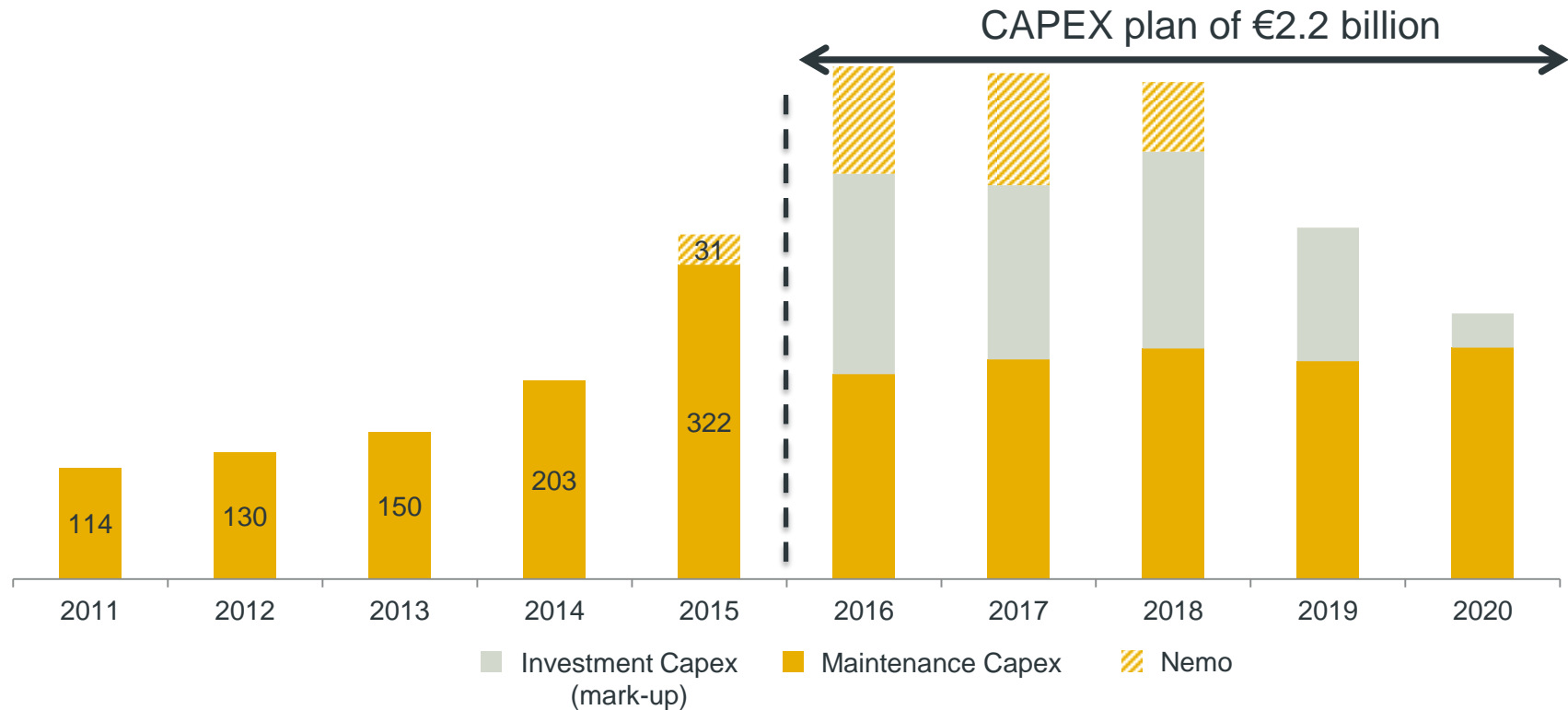
# Elia Group's investment in 2016



- **Interconnecting** Belgium is becoming the most important driver for the investments
- In Germany, the **integration of renewables** remains by far the most important driver.

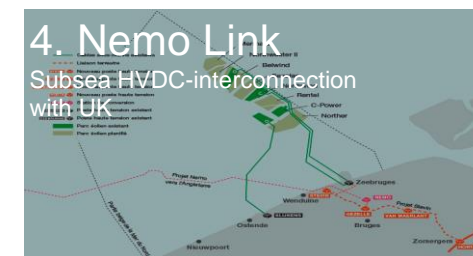
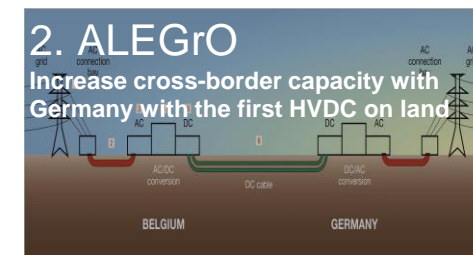
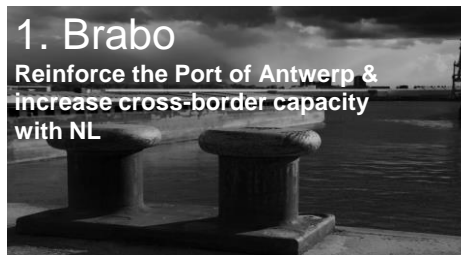
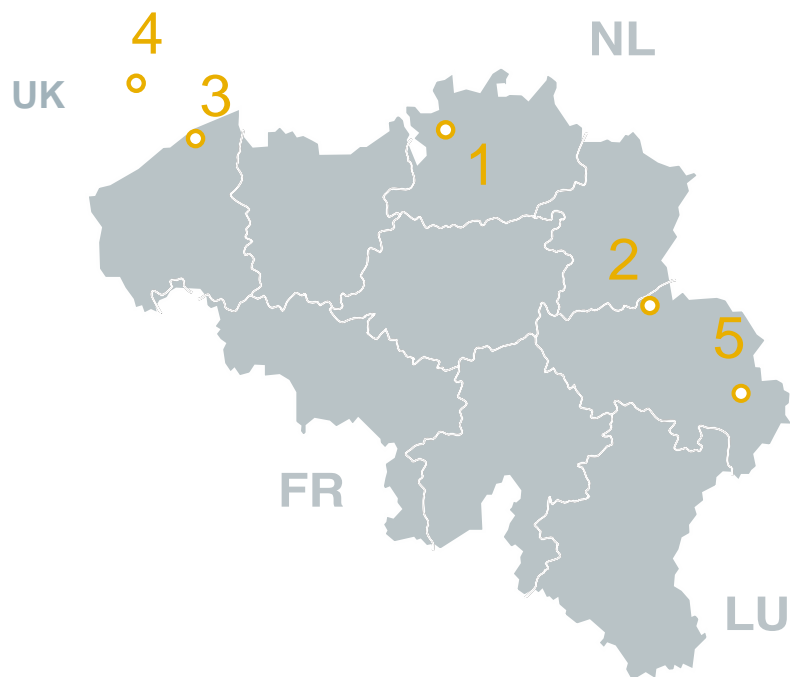


# Belgium 2016 - 2020 grid expansion plan



Realisation of ambitious program supported by new regulatory framework started in 2016

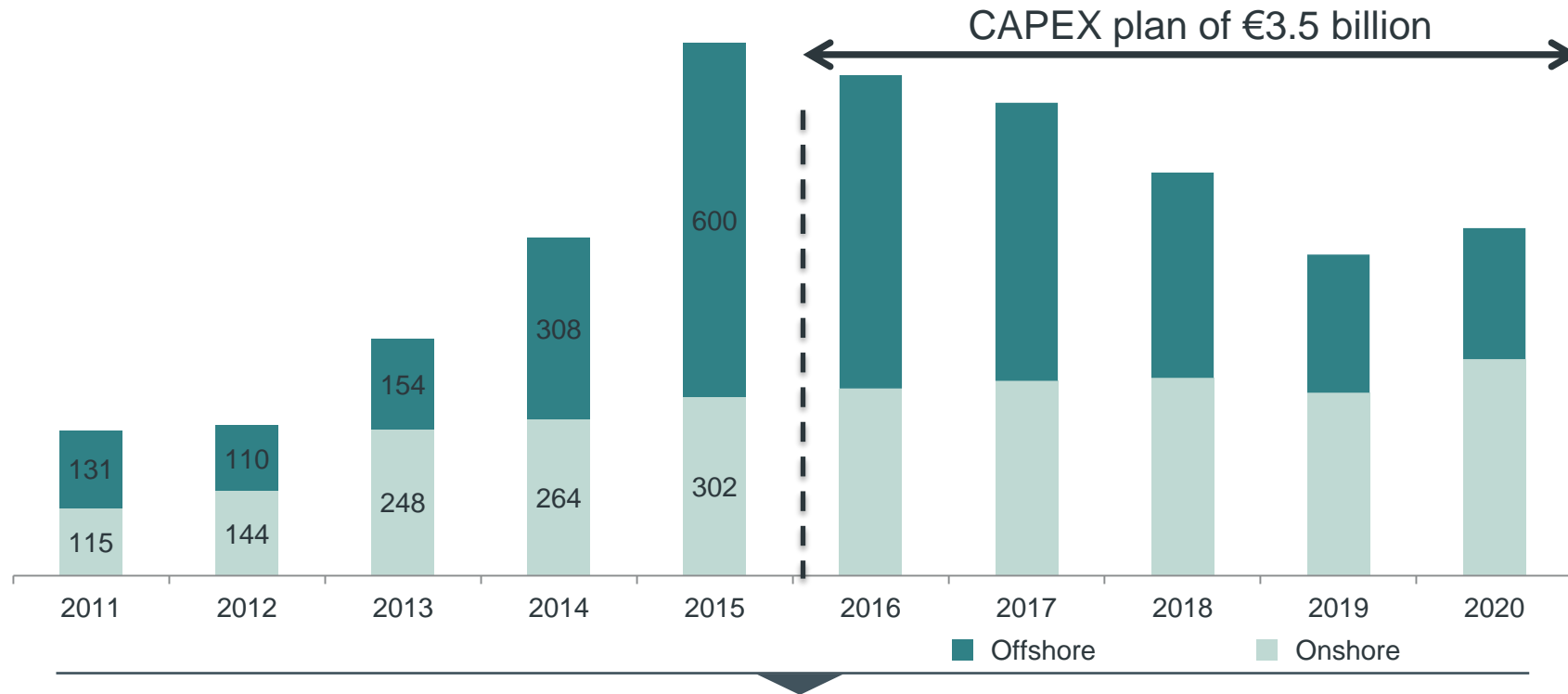
# Elia's investment program for the next 5 years



All over the country

Build connections with industrials to support economic growth.

# Grid expansion plan Germany 2016 - 2020



In the middle of the investment peak mainly driven by offshore investments

Nb: Elia Group owns 60% of 50 Hertz. These numbers represent 100% of 50 Hertz results

# 50 Hertz's investment program for the next 5 years



**1. HVDC connector line**  
Line linking Saxony-Anhalt and Bavaria



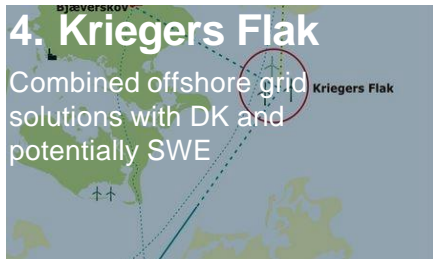
**2. South-West interconnector**  
380 kV line crossing Thuringia



**3. Baltic 2**  
Offshore grid connection in Baltic Sea



**4. Kriegers Flak**  
Combined offshore grid solutions with DK and potentially SWE



**5. Ostwind**  
Cluster Westlich Adlergrund  
Offshore connection in the Eastern German Baltic shore



CAPEX plan of €3.5 billion is split in **55% offshore and 45% onshore**

# Elia Group's targets



# Elia Group's investment case

1

Elia Group licenced to **build the electrical system of the future**, well positioned in **centre of Europe**

2

Generating share holder value through the **distribution of dividends** and **asset base growth**

3

Operating within different regulatory frameworks resulting in **low risk business** and **predictable and secured cashflows**

4

**Proven track record** in terms of operational and financial excellence

# Q&A







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# Belgium: Mark-up on strategic investments



## INVESTMENTS

- Remuneration based on cumulative actual amount dispensed
- Investment amounts are capped (year & project) mark-up calculated on real investments

2016	2017	2018	2019
193	164	221	147



## MARK-UP

- Mark-up fixed for the period 2016 – 2019 taking into account an OLO of 0.5%.
- Calculated as from year of investment

Y1	Y2	Y3	Y4
11.23%	8.42%	5.62%	2.81%



## NET PROFIT IMPACT<sup>1</sup>

- If actual OLO is higher than 0.5% part of mark-up needs to be returned (capped at OLO 2.16%)
- Sensitivity of 10bps OLO results in refund of (€mIn)
 

2016	2017	2018	2019
0.7	1.5	2.3	2.3
- Contingency of 10% of total mark-up for each investment on timely realization

2016	2017	2018	2019	
22	35	49	49	MAX <sup>1</sup>
10	10	11	12	MIN <sup>1</sup>

<sup>1</sup> Net profit impact based on full and timely realization of investments.

# Non-recurring items 2014 – 2015

2015	Elia Transmission	50Hertz Transmission 100%	Elia Group
<b>EBIT – Non-recurring items</b>			
HGRT transactions	3.1		3.1
Regulatory settlements prior year	(0.2)		(0.2)
Equity consolidation 50Hertz (60% net profit)			30.6
Commissioning Baltic 2		45.6	
Energy bonuses		11.3	
Non-recurrent customer contributions		9.9	
Non-recurrent provisions		5.4	
<b>Total EBIT non-recurring items</b>	<b>2.9</b>	<b>72.2</b>	<b>33.5</b>
Net finance costs - APX transaction	1.2		1.2
Tax impact	0.1	(21.2)	0.1
<b>Net profit – non-recurring items</b>	<b>4.2</b>	<b>51.0</b>	<b>34.8</b>
2014	Elia Transmission	50Hertz Transmission 100%	Elia Group
<b>EBIT – Non-recurring items</b>			
Regulatory settlements prior year	(1.9)	7.4	(1.9)
Equity consolidation 50Hertz (60% net profit)			15.7
Energy bonuses		2.8	
Non-recurrent provisions		26.9	
<b>Total EBIT non-recurring items</b>	<b>(1.9)</b>	<b>37.1</b>	<b>13.8</b>
Tax impact	0.6	(10.9)	0.6
<b>Net profit – non recurring items</b>	<b>(1.3)</b>	<b>26.2</b>	<b>14.5</b>