



ANNUAL REPORT 2009

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Annual report

1. Composition of management bodies

1.1. Board of Directors

The Board of Directors has the following members:

- Mr Dominique Maillard, permanent representative of RTE EDF Transport SA and Chairman of the Board of Directors;
- Mr Roeland Goethals, Vice-Chairman of the Board of Directors;
- Mr Daniel Dobbeni, director;
- Ms Alison Kay, director;
- Ms Brigitte Peyron, director;
- Mr Chris Train, director.

The general meeting of shareholders of 18 December 2008 appointed Ms Peyron, Mr Maillard, Mr Goethals and Mr Dobbeni as directors.

Ms Kay and Mr Train were appointed as directors on the basis of unanimous written decisions by the shareholders of 27 May 2009.

The Board of Directors' meeting of 19 December 2008 appointed Mr Maillard as Chairman and Mr Goethals as Vice-Chairman of the Board of Directors, each for a period of three years.

None of the directorships are remunerated and all shall expire immediately after the ordinary general meeting for the financial year ended on 31 December 2011.

The Board met six times in 2009 and considered technical, financial, economic and strategic issues.

1.2. Daily management responsibilities

The Board of Directors' meeting of 19 December 2008 appointed Mr Olivier Arrivé as head of operations, with the title 'Chief Executive Officer', until 1 September 2009.

The Board of Directors' meeting of 22 June 2009 appointed Mr François Boulet as head of operations, with the title 'Chief Executive Officer', with effect from 1 September 2009 until 31 December 2011.

The Board of Directors' meeting of 22 June 2009 also appointed Mr Olivier Bronckart as Chief Operating Officer.



1.3. Statutory auditor

The general meeting of 18 December 2008 appointed Klynveld Peat Marwick Goerdeler – Bedrijfsrevisoren/Réviseurs d'Entreprises, represented by Alexis Palm, as the statutory auditor of the company for a period of three years, expiring at the ordinary general meeting of 2012 deciding on the annual accounts for the year ended 31 December 2011.

The remuneration for the statutory auditor was fixed at **€12,000** per financial year, to be indexed annually on the basis of the consumer price index.

2. Main events during the year

Coreso (Coordination of Electricity System Operators), the first regional technical coordination centre in Europe to be shared by several transmission system operators (TSOs), was established on 19 December 2008 by the French transmission system operator RTE and its Belgian counterpart Elia. National Grid joined Coreso in May 2009.

The objective of Coreso is to support all the participating TSOs and thereby contribute to several EU objectives, namely the operational security of electrical grids, large-scale integration of production using renewable energy sources (wind energy) and development of the electricity market in Central West Europe (CWE), a region comprising five countries: Germany, the Netherlands, Luxembourg, Belgium and France.

The CWE region is characterised by substantial exchanges of energy and the coexistence of conventional production facilities and new means of production using renewable energy sources, which are of a more intermittent nature. Optimised management of electricity systems and the corresponding grid infrastructures, and specifically the interconnections between national grids, is very important in this regard.

Operational launch of the company

Every afternoon seven days a week since 16 February 2009, Coreso has been supplying TSOs' national control centres with forecasts about the security of the regional grid the following day ('D-1 activities' or 'day-ahead activities'). The Coreso engineers base these analyses on the data they are sent each day by all the grid operators in continental Europe.

In that way they evaluate the security level of the grids in the CWE region, simulate various scenarios and work out the measures that must be taken to deal with constraints. These analyses, as well as the proposed measures, are submitted to the TSOs' national control centres which assume operational responsibility for safe operation of their respective grids. The Coreso engineers ensure that a coordinated solution is properly accepted by all the TSOs affected for all the detected constraints.

Extension of activities to intraday operations

On 1 July 2009, Coreso launched its round-the-clock activities for near-real-time analyses. In addition to day-ahead forecasts, Coreso updates its studies on the basis of snapshots of the CWE regional grid. It conducts analyses, using computational models providing results every 15 minutes, to assess the security of the electrical system and work out which measures to take to resolve constraints.

The respective data are sent to the operators of TSOs' national centre centres to enhance the information at their disposal and therefore improve security of supply.

Activities relating to regional market coupling

The TSOs of the CWE region launched a joint project to implement coupling of the markets in the CWE region in collaboration with the power exchanges of the relevant countries. Coreso offered to provide a number of services to the TSOs in this regard.

For example, since 1 April 2009, Coreso has been providing the 'D-2 Country Merge' service, which involves merging the files supplied by TSOs on D-2 into a single file that TSOs will use to work out the capacities they will offer to the markets on D-1.

Moreover, Coreso was selected as one of the two hosts for the future shared information system of the TSOs as part of this market coupling project. The equipment has been installed and operational since 1 October 2009.

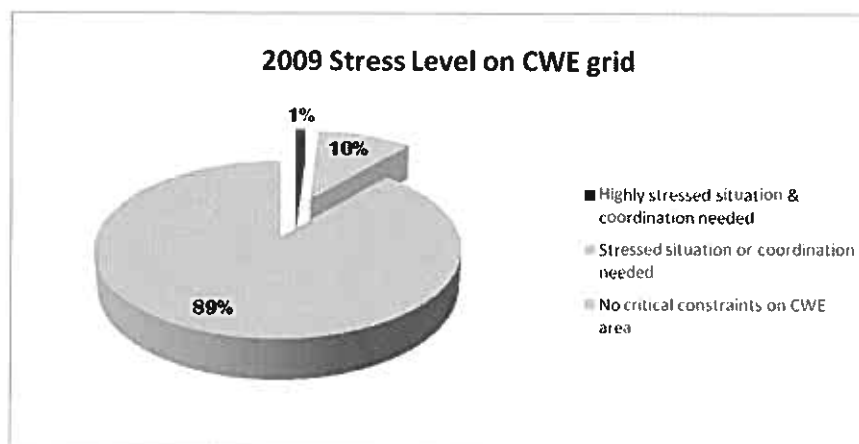
Operating results

After a year of daily operation, Coreso has mature procedures and has proved time and again the value of centralised coordination between TSOs. The main lesson learnt is that Coreso and the TSOs carry out complementary analyses. The approach adopted by Coreso security studies differs from the usual approach of the TSOs. Coreso aims to detect, at any time of day, all situations that are potentially critical to progress and has therefore developed the ability to study all 24 times stamp of the following day on a grid covering the areas of a number of TSOs. This 'horizontal' approach is complementary to the 'vertical' approach of the TSOs (which list all the details of the grid components and all the voltage levels, but only on its own grid).

As regards operational performance, Coreso has been able to provide its services every day since its launch. The main benefits provided by Coreso have been as follows:

- on several occasions, Coreso has detected constraints that TSOs were not able to detect;
- Coreso has offered efficient coordinated responses whenever constraints having an impact on a number of countries have been detected;
- Coreso ensured that multilateral coordination involving a number of TSOs was provided with a view to resolving certain delicate grid situations, thanks to its broad view of the grid and the expertise of its operators.

Coreso developed an indicator of the stress level on the CWE regional grid from a D-1 perspective and therefore contributed its expertise to more than 10% of the days in 2009. The days with the highest stress level in 2009 were 30 March, 10 June and 24 June. For those days, Coreso offered solutions which were implemented by the TSOs and thus brought operations completely under control.





3. Perspectives for 2010

Enhancement of intraday processes

Many innovations are still in the pipeline. The first of them is intraday process enhancement by improving data processing and acquiring a new tool which will enable real-time data to be compared with the forecast data. Since Coreso's main objective is to detect risk situations upstream, any improvement in intraday forecasts will be a positive development.

Extension of the area of activity to the UK

The second area of development for Coreso is the integration of UK grid data via National Grid. Using those data, Coreso will be able to factor in all future DC links between continental Europe and the British Isles, meaning that it can provide coordinated management of those links with the other controllable devices in the grid (phase-shifting transformers). An overall view is needed to use these various devices in an optimal and coordinated fashion.

4. Events after the end of the financial year

No significant events occurred after the end of the financial year.

5. Special tasks completed by the statutory auditors during the financial year

No special tasks were entrusted to the statutory auditors during the financial year 2009.



6. Annexes to the annual accounts

6.1. Introduction

Accounting of activities

Key figures

Amount in €K	31 December 2009
EBITDA	331.83
EBIT	180.58
Net pre-tax result	178.82
Net post-tax result	99.50
Solvency ratio	45.47%
Liquidity ratio	56,83%

Solvency = equity / balance-sheet total

Liquidity = current assets / short-term bonds

6.2. Balance sheet

Fixed assets

Fixed assets include the following:

Amount in €K	2009
Preliminary expenses	82.48
Intangible fixed assets	164.51
Tangible fixed assets	1,421.63
TOTAL FIXED ASSETS	1,668.62

Most of the major investments made in 2009 were relating to tangible fixed assets for a total of €1,421.63K).

These capitalisations relate to developments in administrative premises and IT equipment.

Intangible fixed assets comprise preliminary expenses (€82.48K) and IT licences (€164.51K).

The net book value of fixed assets amounts to €1,668.62K and includes cumulative depreciations of €151.25K.

Current assets

'Trade debtors' accounts for a total of €251.06K and mainly relate to invoices issued adding up to a total of €185K as part of an operational services agreement between Coreso and respectively Elia, RTE and National Grid. The remainder (€66.06K) represents various provisions and invoices issued.

'Other amounts receivable' relates to taxes, duties and social security contributions worth a total of €77.24K.

'Cash' comprises liquidities worth €395.35K.



Deferred charges and accrued income

This item mainly comprises charges to be deferred to the next financial year (€25.66K), such as rent and insurance.

Equity

As at 31 December 2009, the subscribed 'capital' amounted to €1,000.0K, represented by 15,210 shares and fully paid-up on the establishment of Coreso.

Following the positive result for the financial year 2009 (€99.50K), a €4.98K appropriation to the legal reserve was booked.

The distributable amount (€94.53K) is carried over in full.

Equity amounted to €1,099.50K after appropriation of the 2009 results.

Debts

Coreso contracted a subordinated loan totalling €750K from its three shareholders.

'Trade debts' at the end of 2009 amounted to €355.59K.

They relate to overdue invoices worth €315,84K and provisions worth €39.75K.

Income tax liabilities amounted to €8.67K and relate to the VAT declaration of December 2009.

Social security liabilities cover a number of provisions such as holiday allowances, bonuses and disability insurance. The total amount for this item was €203.07K.

Accrued charges and deferred income

This item comprises €1.10K of financial charges payable and relates to the subordinated loan mentioned in the debts section.



6.3. Income statement

Operating income

Total operating income can be subdivided as follows:

Amount in €K	2009
Operational fees invoiced to Elia, RTE and NGT	3,325.95
Other operating income	136.32
Total	3,462.27

Coreso's main income comes from an operational fees agreement, based on which monthly invoices are drawn up for the three shareholders Elia, RTE and National Grid.

'Other operating income' encompasses recovery of withholding tax on income (amounting to €70.23K), invoicing for 'D-2 country merge' (amounting to €66.09K) and provisions for various invoicing

Financial income

Financial income (€2.06K) was generated by the cash investments made during 2009.

Operating charges

The 'Services and other goods' section can be subdivided as follows:

Amount in €K	2009
Operating charges	797.77
RTE Elia Services Agreement	1,278.56
Total	2,076.33

Operating charges amounted to €797.77K for 2009 and relate to the costs of rent, representation, consultancy, IT maintenance, etc.

The 'RTE Elia Services Agreement' item includes all the costs invoiced by Elia and RTE as part of the various services agreements with Coreso. For 2009, these costs totalled €1,278.56K.

Personnel expenses

Personnel expenses totalling €1,054.02K were booked in 2009.

This section features the charges associated with remuneration, i.e. salaries, social benefits and social security costs.



Depreciations

Depreciations on tangible fixed assets amount to €151.25K and were calculated on the basis of the valuation rules approved by the Board of Directors, as indicated in the annual accounts.

Financial charges

Financial charges amounted to €3.82K, including €3.25K relating to a subordinated loan contracted from shareholders for a total of €750K.

Bank charges of €0.57K were also booked.

Taxes

In 2009, Coreso recorded a pre-tax profit of €178.82K. After deducting notional interest and adding rejected costs, Coreso's tax burden in 2009 was €79.31K.

Net result

For the financial year 2009, Coreso recorded a net post-tax result of €99.50K.

6.4. Profit for the financial year available for appropriation

At the general meeting of 16 April 2010, the Board of Directors will propose the following distribution of profits:

In €	2009
Profit for the year	99,503
Profit carried forward from the previous year	0
Appropriation to the legal reserves	4,975
Distribution of the dividend	0
Result to be carried forward	94,528

7. Description of the risks and uncertainties facing the company

The company's management identified and classified the risks to which Elia may be exposed. Coreso has a simple, low-risk shareholder structure.

Financial risks

Cash management

Coreso's shareholders are also its main customers, thereby significantly reducing the risk of customer default, especially in a difficult economic period.

Like any company, Coreso can sometimes face a lack of cash, especially in the launch period because of the major investments made at that time. To avoid this eventuality, Coreso can take out a loan from its shareholders, thereby ensuring cash-flow security.

Tax audit risk

Although tax rules are applied with accuracy and precision, it may be that the company's own interpretation differs from that of the relevant authorities.

Operational risks

Inability to supply services

These risks mainly relate to the available of IT tools. To minimise this risk, Coreso installed all its servers on the RTE regional dispatching site at Lomme, close to Lille (France). The site has a redundant power supply and equipped computer rooms. Moreover, a single service provider is entrusted with operation of Coreso's information systems to limit the number of intermediaries in the event of a problem.

Other operational risks

Coreso's liability is limited and the company has suitable insurance to cover other operational risks.

Risks associated with inefficient internal control mechanisms

Although Coreso pays very careful attention to management of its internal processes and the processes of subcontractors, subcontractors may have an impact – each in their own way – on the company's result.

Other risks

Like any company, Coreso is exposed to a whole range of risks, such as health and safety and HR risks, the risk of legal action and the risk of damage to its image.

Coreso is conscious that there may also be other risks of which the company is unaware. In its view, certain risks are limited, but may of course become more important.

8. Research and Development

In 2009, Coreso drew up the specifications for a display and alert tool improving users' ability to track real-time changes in grid situations. This tool will be developed in 2010.

Coreso is also involved in preparing the TWENTIES project as part of the European Commission's Call 2009.7.1.1.

16 April 2010,



Roel Goethals
Vice-President



Brigitte Peyron
Administrator