Eandis cvba

Investor Presentation

April 2015

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The term ‘Eandis’ refers either to Eandis cvba (parent company) or to the consolidated group (i.e. Eandis cvba + its subsidiaries De Stroomlijn cvba, Indexis cvba, Atrias cvba and SYNDUCTIS cvba). The term ‘Eandis Economic Group’ refers to Eandis (consolidated group) + 7 Flemish Distribution System Operators or DSOs (IMEA, Gaselwest, Imewo, Iveka, Iverlek, Intergem and Sibelgas). The Eandis Economic Group does not constitute a legal entity; for accounting and consolidation purposes, however, the Eandis Economic Group can be considered as if it were a single entity.

Forward-looking statements in this presentation do not guarantee future performance. Actual results may differ materially from such forward-looking statements as a result of a number of uncertainties or risks, many of which are out of control of Eandis cvba, its subsidiaries and shareholders [*see Risk Factors in the EMTN Prospectus dated 25 November 2014*]. Forward-looking statements speak only as at the date of this document.

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Due to rounding, numbers presented in this document may not add up precisely to the totals provided and percentages may not exactly reflect the absolute figures.

This document does not constitute a Prospectus or Offering Memorandum.

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1. Executive Summary & Recent Developments

Executive Summary

- Eandis is a **Belgian distribution grid operator** established in March 2006
- Eandis is **owned by 7 Flemish Distribution System Operators ("DSOs"),** each of them an intermunicipal company, and is entrusted with a number of quasi-government **public service tasks**.
- These **DSOs are 100% publicly owned** (i.e. municipalities and provinces) since the exit of Electrabel NV on 29 December 2014
- Eandis is the **operating arm of the 100% regulated electricity and gas distribution networks owned by the 7 DSOs**, authorised in that role by decision of the Flemish energy regulator VREG (29 October 2009)
- Eandis serves around **2,6 million access points** for electricity and **1,7 million access points for gas**. Its distribution services cover **234 municipalities (**approx. 78 % of all Flemish municipalities). Its operating revenue and pre-tax profit (*Eandis Economic Group – IFRS*) were respectively **2,8 billion €** and **228,3 mio €** for 2014.
- The company is of **strategic importance to the Flemish Region** (S&P: AA/F: AA) and its general policy aim of realising Europe's climate and energy objectives
- Moody's identifies Eandis as a **government-related issuer** given the current ownership by Flemish municipalities and provinces in the DSOs and the high probability of systemic support to the DSOs from the Flemish Region. **Eandis's current rating with Moody's is A1 (negative outlook)**.

Executive Summary

Strategic Importance to the Flemish Region	■ DSOs cover about 78 % of the municipalities of the Flemish region ■ Electricity and natural gas are the two most important energy sources in Flanders/Belgium ■ Local authorities own 100% of the DSOs share capital since the end of 2014
Very Favourable Regulatory Environment (Revenue Cap)	■ DSOs have a legally based regional monopoly for electricity and gas distribution to residential customers and SMEs ■ Multi-annual tariff mechanism with a 4 year regulatory period along the principles of a revenue cap model, including a fair profit margin as remuneration on invested capital ■ 2015 regulatory tariffs were approved by the Flemish energy regulator VREG, based on a tariff methodology for the transitory tariff period 2015-2016
Efficient Operating Scheme	■ The association of 7 DSOs under the structure of Eandis allows for an efficient operating scheme and benefits of scale ■ Pooling of operational, financial and management activities; all staff at Eandis ■ 100% operational efficiency as per operational benchmarking “Data Envelopment Analysis”, with no costs rejected since existence
Strong Cash Flow Visibility	■ Predictable revenue streams based on regulatory framework for the DSOs ■ Tariffs are fixed for long periods (up to 4 years as from 2017), although 2015-2016 is a 2-year transitory period
Legal Monopoly and Low Risk Electricity & Gas Distribution	■ Low business risk - DSOs are not involved in the competitive energy generation, trading or sales activities ■ 7 DSOs, being Eandis’s sole shareholders, own 78% of the distribution network in Flanders ■ Legally, competitors may not participate in distribution activities in the designated operating areas
Conservative Capital Structure	■ Low leverage with equity at 40,2% of RAB (BE-GAAP, as per 31 December 2014), ■ The VREG tariff methodology 2015-2016 recommends DSO balance sheet structure with equity/RAB ratio at 45% ■ Regulator provides for a WACC-based fair profit margin
Very Favourable Economic Dynamics	■ The Flemish region is Belgium’s most populated region (6,4 million on 1 Jan 2014 [(1)] – 57,5% of national population) ■ “Accounting for 57% of national GDP, the Flemish Community is Belgium’s economic engine” - “The national operating environment [...] is typical of advanced industrial economies – characterised by high GDP per capita, low GDP volatility and high ranking on the World Bank’s Government Effectiveness Index – and suggests a minimal level of systemic risk.” - “The institutional framework for Belgian sub-sovereigns is well established and is protected from sudden changes […]” *(Moody’s Credit Research on the Community of Flanders, 20 December 2011)* – “We believe that the Belgian Community of Flanders has very positive financial management and very positive liquidity.” (*S&P Research Update 20 September 2013)* ■ GDP per inhabitant stood at 34.000 EUR (2013). “Flanders is a prosperous region: (…) it ranks 5th among the benchmark regions in 2010. (…) Flanders’ performance is the result of a high labour productivity: scoring 3rd place can be called excellent. (…) The unemployment rate is among the lowest of the benchmark regions at 4,5% in 2012” *(Flanders Outlook 2014, Research Centre of the Government of Flanders, January 2014)*

(1) Source: data Rijksregister

Eandis Economic Group's Corporate Structure (as from 29 Dec 2014)

234 municipalities [1]

100%

7 Distribution System Operators

GASELWEST · IVEKA · INTERGEM · IMEWO · IMEA · IVERLEK · SIBELGAS

100%

Eandis cvba

4 subsidiaries

de stroomlijn · index.is · ATRIAS · SYNDUCTIS

Eandis Group (consolidation) [2]

Eandis Economic Group

(1) *A small part of the share capital in some DSOs is held by provinces.*
(2) *SYNDUCTIS is not consolidated*

Exit of Electrabel

- Context:

  Legal obligation: Flemish decree (6 July 2001) did not allow private partners in share capital of existing intermunicipal companies beyond 31 December 2018 (or earlier when their statutory end date falls before 31 December 2018, as was the case for most of the DSOs)

- Transaction:

  The DSOs' public and private shareholders agreed on an **accelerated, simultaneous exit of Electrabel from all 7 DSOs** by the end of 2014:

  - Electrabel's shares in each of the DSOs (21% of share capital) taken over by municipal shareholders who now own 100% of DSOs' share capital - Electrabel's stake was valued at **910 mEUR**
  - simultaneous **exit of municipalities from Electrabel Customer Solutions (ECS)**, Electrabel's supplying company
  - transaction paid up and closed on **29 December 2014**

- Impact on DSOs and Eandis:

  - Purchase price of 910 mEUR was entirely debt funded by Eandis on behalf of the DSOs' municipal shareholders
  - Early 2015: capital increase in DSOs (approx. 61 mEUR) to strengthen DSO balance sheets and to go into the direction of an optimal level of fair remuneration – further steps to strengthen balance sheet will follow in 2015
  - No operational impact whatsoever, since only Eandis was/is responsible for DSOs' operations

Eandis vs other Belgian distribution grid operators

Eandis versus its peers in Belgium (Infrax, Sibelga, ORES and Resa) (1)

Eandis, Sibelga and ORES exclusively operate electricity and gas networks (**regulated activities**); Infrax also operates cable television and sewage systems. Resa (TECTEO Group) is a multi-utility for energy distribution, telecom infrastructure and telecom content, financial investments, ICT services and renewable energies.

Eandis is by far the largest E + G operator in Belgium, with an integrated operating area, enabling the company to **maximise benefits of scale** *[Eandis figures as per 31 Dec 2014, others as per 31 Dec 2013]*:

	Eandis	Infrax	Sibelga	ORES	Resa
municipalities served (E/G)	234	93	19	198	73
operating area	Flanders	Flanders	Brussels	Wallonia	Wallonia
employees	4.170	1.588	1.061	2.412	900
connections E	2.616.357	737.024	694.540	1.428.596	651.467 (2)
connections G	1.706.223	329.795	502.213	513.499	
Regulated Asset Base 2014 E+G (incl. Net Working Capital) – in m€	8.616,1	1.951	1.125,2	3.387,3	

(1) *Source: company information (annual reports and websites)*
(2) *Aggregate for E and G*

2014 Highlights (1)

- 13 March: Moody's changes **Eandis's long term A1 rating outlook to stable from negative**
  - "This action follows the affirmation of the Aa2 long-term rating on the Community of Flanders on 12 March 2014, and the stabilisation of the outlook on this rating."
  - "The stable outlook for Eandis reflects Moody's expectations that the company will continue delivering on its current, stable, trajectory of operational and investing cash flows and that the ownership structure will remain materially unchanged in the coming years."
  - "Eandis's rating is one of the most highly positioned amongst the peer European networks […]"

From: Moody's Rating Action on Eandis (13 March 2014)

- **Eandis/Infrax** reach agreement on aspects of the future energy distribution sector in Flanders: tarification matters (unified tariffs E & G, safeguarding of the fair remuneration, possible mergers of DSOs, no merger of operating companies, duration of DSOs, possible exchanges of municipalities, …) – agreement endorsed by the Flemish government *[for some matters, however, amendments to the legal/regulatory framework required]*
- 7 May: **4th EMTN benchmark bond issue**: 550 mEUR - 2,875% coupon - maturity 15 years (1st benchmark > 10 y); well received by the markets with total orderbook of >1,6 bnEUR
- 20 May: Eandis announces **district heating project** Kuurne/Harelbeke – 6,6 km heating grid will transport heat to 700 residential homes – construction will start in 2015

eandis

2014 Highlights (2)

- 1 July: **transfer of distribution grid tariff competence** to the Regions – Flemish legislative framework still to be elaborated
- 2 July: Eandis, TSO Elia and 'Wind aan de Stroom' launch **innovative research project for 'smart' connection of wind turbines** to electricity grid; first 6 turbines to be built in 2015
- 15 September: Eandis starts construction for first ever mid-voltage **distribution cable on 36 kV** in the area of Hoogstraten to enable connections for horticultural sector
- 30 September: energy regulator VREG publishes **tariff methodology** for 2015-2016
- 27 October: **dual tranche private placement** (170 mEUR on 30 y at 3.00% coupon and 95 mEUR on 20 y at 2.60% coupon)
- 2 December: Moody's puts the **outlook on Eandis's rating on negative** again
- 4 December: 5th **EMTN bond issue**: 400 mEUR, 1,75% coupon (lowest coupon to date) on a 12 years maturity
- December: VREG approves the **distribution tar**iffs E+G to be applied for 2015
- 29 December: **Electrabel exits from the DSOs' share capital**, selling its shares to the municipal shareholders

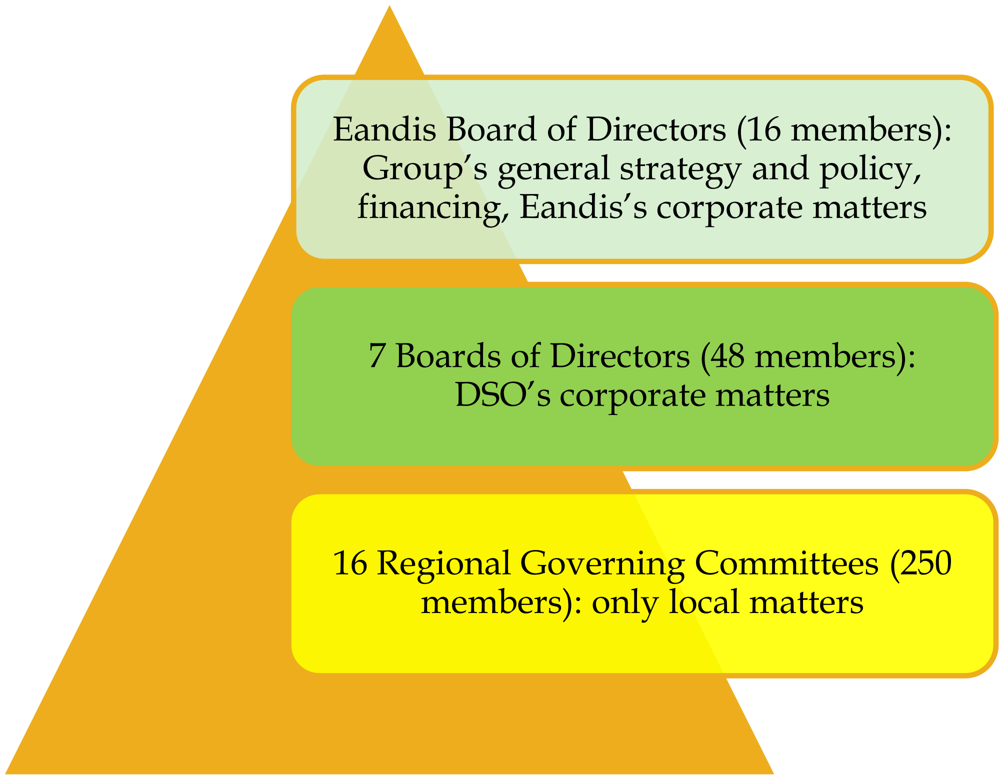
2015 YTD Highlights

- 9 January: 61,6 mEUR **capital increase** at the DSOs – offer of capital increase to be reopened in HY-1 2015
- 23 January: Eandis participates in the **Horizon 2020 Lighthouse project** (in the Antwerp district Luchtbal): urban renewal project with smart electricity grid and district heating grid
- 30 January: telecom operator **Belgacom/Proximus joins Synductis**, reinforcing the latter's synergy potential
- 3 February: VREG renews the **DSOs' license for electricity** (valid until 5 September 2026) – gas license to be renewed in 2015
- 24 February: VREG allows the DSOs' to make use of Eandis's services as **operating company** for electricity (valid until 5 September 2026) – same procedure for gas in 2015
- 1 March: VREG allows modifications of **distribution grid fee electricity** to allow for changes in the transmission grid fee (Elia)
- 26 March: Eandis introduces a fleet of **22 gas and CNG vehicles** to be used by metering staff , testifying of Eandis's commitment towards CO_2 reduction and sustainable mobility

Corporate Structure for the Eandis Economic Group

<u>Transparent and flexible corporate structure</u>

- flexible decision-making structure still allows for maintaining close links with 234 municipalities
- structure reflects clear bottom-up division of powers within the Eandis Economic Group:



Executive Summary

Moody's Corporate Rating for Eandis

A1
(negative outlook)

Credit strengths:

- rating underpinned by strong linkage to the region
- 3 notches of rating uplift reflecting high probability of support from the Flemish region if necessary
- transparent and supportive regulatory framework
- new tariff methodology maintains established principles
- low business risk profile of regulated distribution operations

Credit challenges:

- outlook change follows raising additional debt to pay out Electrabel
- regulatory framework is yet to establish a track record
- weakening of credit metrics due to ongoing capex needs and tariff deficits

from: Moody's Rating Action (2 December 2014)

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Eandis's A1 ratings, negative outlook

Global Credit Research - 02 Dec 2014

London, 02 December 2014 -- Moody's Investors Service (Moody's) has today affirmed the A1 issuer and senior unsecured debt ratings of Eandis CVBA (Eandis). The (P)A1 senior unsecured programme rating of the company's EUR5.0 billion MTN programme has also been affirmed. Concurrently, Moody's changed the outlook on the ratings to negative from stable. The outlook change follows Eandis's announcement on 25 November 2014 that the exit of Electrabel SA (A3 stable) as a shareholder in the seven distribution system operators (DSOs) would result in Eandis raising additional debt of EUR400 million as the final portion of a total EUR965 million debt amount raised to pay out Electrabel.

RATINGS RATIONALE

Eandis's A1 rating reflects Moody's assessment of the credit quality of the seven DSOs that own the company and which the rating agency considers to be of broadly similar credit strength. The A1 rating also reflects a high probability that the Community of Flanders (Aa2 stable) will ultimately support the DSOs if necessary, given the strategic and economic importance of their services for the region. This currently results in a three-notch uplift from the BCA, which is in the high-Baa range.

The DSOs' credit quality is underpinned by the low business risk profile of their regulated electricity and gas distribution operations in the Flemish market, where the DSOs generate materially all of their cash flows. The regulatory framework is supportive and transparent albeit relatively new and untested in the context of peer European regulated assets. The ongoing transition of tariff setting responsibilities from the national to the regional

Rating history:

- 12 Oct 2011-13 Mar 2014 : A1 (negative)
- 13 Mar 2014-2 Dec 2014: A1 (stable)
- as from 2 Dec 2014: A1 (negative)

Corporate Strategy

<u>for regulated core activities</u>: *operational excellence in delivering high quality services to our customers*

<u>for non-regulated activities</u>: *make active use of opportunities which support our strategic focus and enhance our strengths*

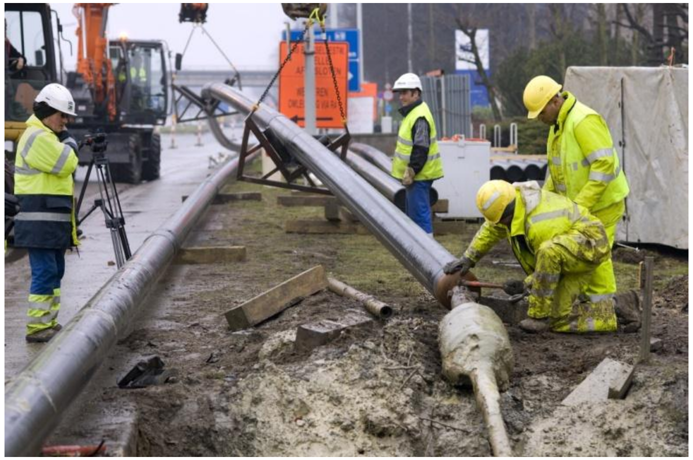
Corporate Social Responsibility

- Strategic focus on **sustainability & corporate social responsibility** with the overall aim to realize the **Flemish climate objectives:**
  - Eandis as **preferred partner of local authorities** in drive towards energy efficiency
  - our own **energy consumption** has decreased, in absolute and relative figures (minus >20%) since 2008
  - **RUE-actions:** systematically exceeding the imposed objectives, now focused on insulation projects and renewables (heat pump, solar water heater)
  - positive response to **Energy Services for Local Authorities** (>70% of municipalities started a concrete project)
  - **sustainable mobility**:
    - Eandis actively promotes **electric mobility** and the implementation of charging infrastructure
    - **CNG and natural gas vehicles** now in scope as well
  - **CSR Report** [*GRI-4 – core option*] focuses on company's CSR strategy and results - see corporate website
- Well-defined and documented **Corporate Governance** policy; Corporate Governance Charter & Ethical Charter
- **Integral risk management** and actively pursued **risk-based internal auditing**

Investment highlights

Key considerations

- Strategic importance to the Flemish Region ✓
- Legal monopolistic business and low risk electricity & gas distribution ✓
- Regulated business with strong and predictable cash flow generation ✓
- Strong balance sheet structure, conservative capital structure ✓
- Favourable & stable regulatory environment ✓
- Efficient operating scheme with benefits of scale ✓



The strength of Eandis's credit is confirmed by a favourable A1 rating from Moody's.

2. Financial Overview (Economic Group)

- Summary financials 2011-2014
- Capex programme 2014 (actuals)
- Short term financing
- Debt and maturity profile
- Investment programme 2014-2018
- Financing needs and funding 2014-2017
- Financial policies and strategy

Financial Overview

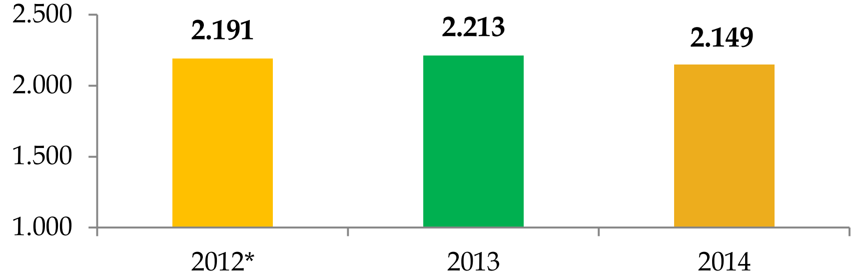
Summary Financials FY 2012-2014 (actuals) for the Economic Group

Financials (IFRS)

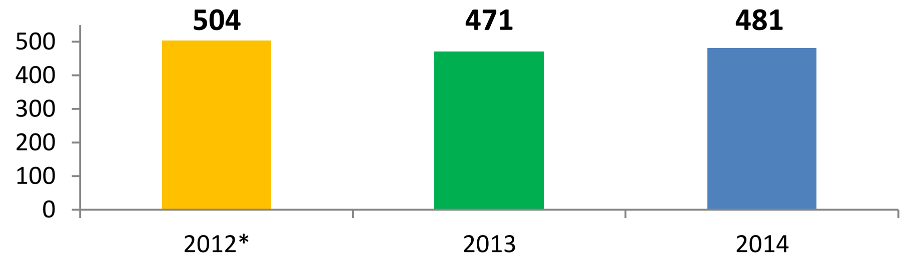
* 2012 restated due to IAS 19 (revised)

(in mio €)	2012*	2013	2014
Income statement			
Revenue	2.191	2.213	2.149
Total Operating Income	2.907	2.956	2.781
Total Operating Expenses	-2.403	-2.484	-2.300
Result from Operations	**504**	**471**	**481**
Net Financial Income/Expense	-203	-143	-253
Profit before Tax	301	328	228
Profit for the period	297	320	417
Other Comprehensive Income	-108	113	-546
Total Comprehensive Income	**189**	**433**	**-129**
Balance Sheet			
Current Assets	1.201	1.314	2.306
Non-Current Assets	7.502	7.724	7.855
Total Assets	**8.702**	**9.039**	**10.161**
Total Equity (attributable to parent)	2.778	2.978	2.607
Non-Current Liabilities	4.631	5.041	6.464
Current Liabilities	1.292	1.019	1.089
Total Liabilities	5.923	6.059	7.552
Total Equity & Liabilities	**8.702**	**9.039**	**10.161**
Cash Flow Statement			
Net CF from Operating Activities	**457**	**467**	**-337**
Net CF from Investing Activities	**-616**	**-584**	**-497**
Net Cash Flow used in/from Financing Activities	**159**	**116**	**837**
Net Increase/Decrease of Cash + Cash Equivalents	1	-2	4
Cash + Cash Equivalents on 31 Dec	7	5	9

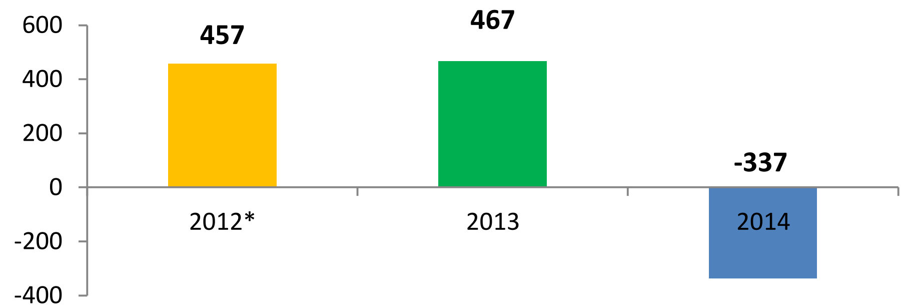
Revenue (in mio €)



Result from Operations (in mio €)



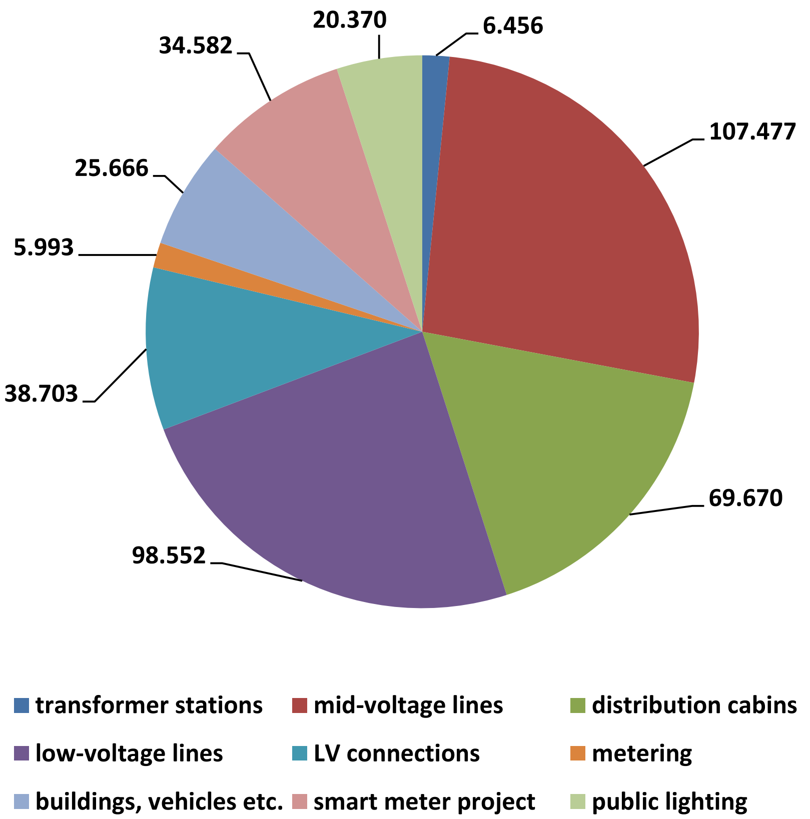
Net CF from Operating Activities (in mio €)



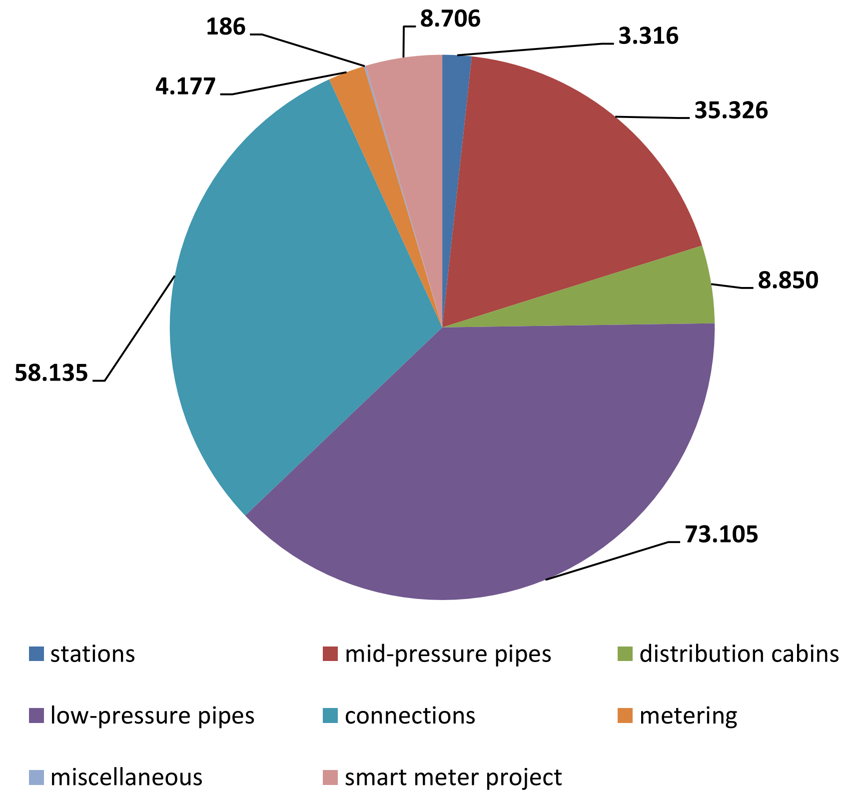
Financial Overview

Capex Programme 2014 (actuals – gross investments)

Electricity: 407,5 mio € (2013: 470,6 mio €)



Gas: 191,8 mio € (2013: 226,7 mio €)



CAPEX /Total Net Fixed Assets: 7,8% (2013: 9,2%)

2014 investments in district heating: 1,2 mio €

Short term financing capacity

Liquidity Facilities (as per 31 December 2014)

CP Programmes ("Thesauriebewijzen")

- Total size programmes: 522 m€
- Outstanding as per date indicated: 0 €

Cash & Cash Equivalents

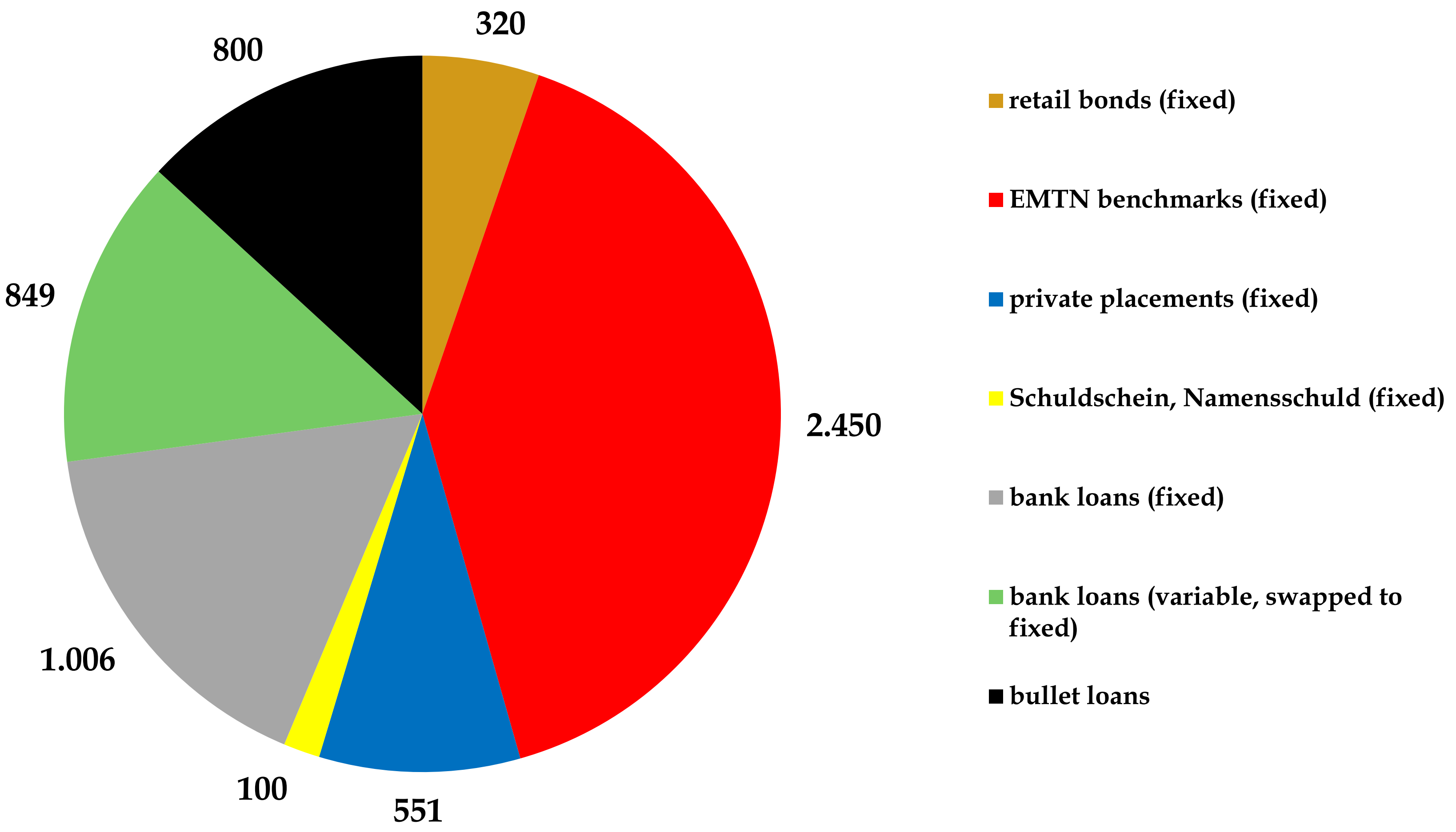
- Bank account: positive balance (4,6 m€)
- Overnight cash facility: 200 m€
  - 0 € overnight loan drawn
- Committed

ST Revolving Credit Facilities

- Total size facilities: 250 m€ (until 31 Dec 2014)
- Total size facilities: 300 m€ (as of 1 Jan 2015)
- Outstanding as per date indicated: 0 €
- Committed

Debt Profile (Economic Group)

LT Debt Profile by Instrument (6.076 m€ outstanding as per 31 December 2014)

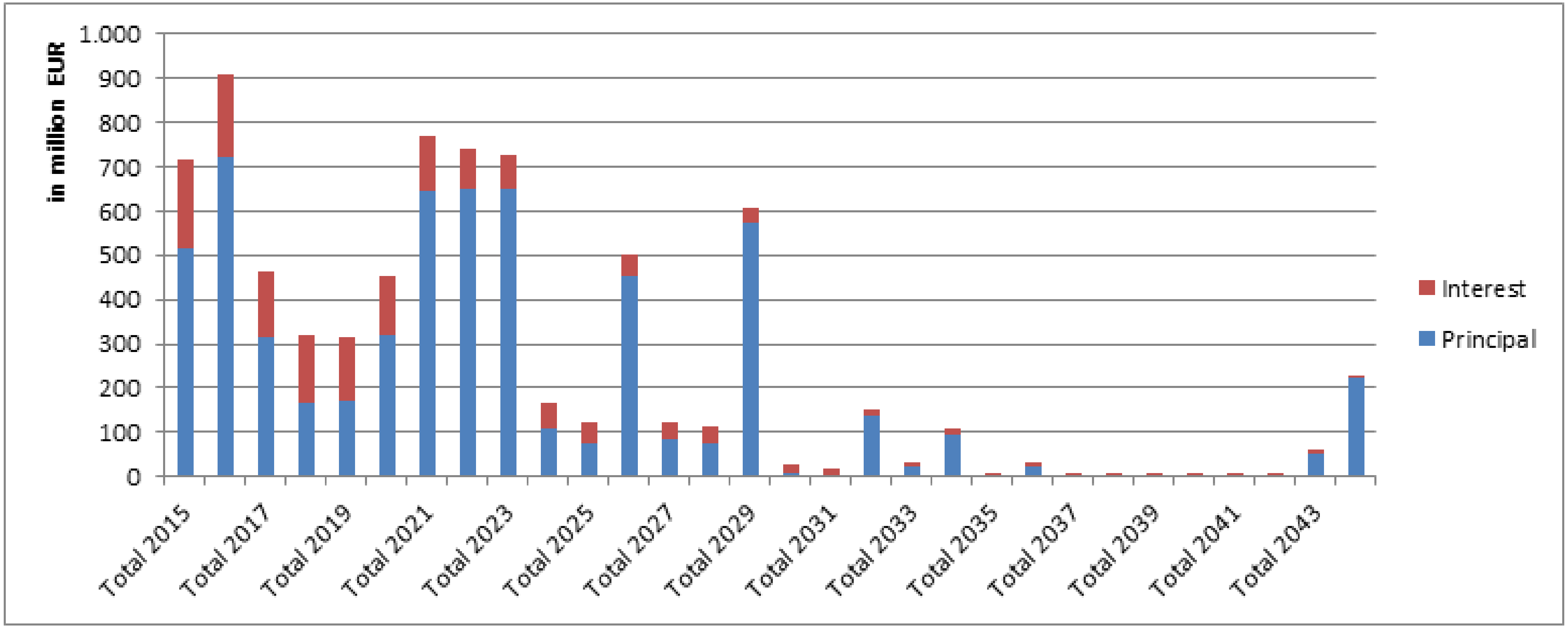


Financial Overview

Eandis's outstanding bonds (as per 1 Jan 2015): 3.020,5 m€

Issue Date	Amount (m€)	Type	Maturity	Coupon
23.06.2010	150	Retail	23.06.2017 (7 y)	4,000%
30.12.2010	170	Retail	30.12.2020 (10 y)	4,250%
08.11.2011	500	EMTN benchmark	08.11.2021 (10 y)	4,500%
10.07.2012 a.o.	135,5	EMTN Private Placement	10.07.2032 (20 y)	3,950%
21.09.2012	50	Schuldschein	21.09.2027 (15 y)	3,500%
30.11.2012	500	EMTN benchmark	30.11.2022 (10 y)	2,750%
28.03.2013	54,5	EMTN Private Placement	28.03.2028 (15 y)	3,500%
28.03.2013	20,5	EMTN Private Placement	28.03.2033 (20 y)	3,750%
24.06.2013	50	Namensschuldverschreibung	24.06.2043 (30 y)	3,500%
09.10.2013	500	EMTN benchmark	09.10.2023 (10 y)	2,875%
05.03.2014	52	Private Placement	05.03.2044 (30 y)	3,550%
05.03.2014	23	Private Placement	05.03.2036 (22 y)	3,550%
07.05.2014	550	EMTN benchmark	07.05.2029 (15y)	2,875%
27.10.2014	170	Private Placement	27.10.2044 (30y)	3,000%
27.10.2014	95	Private Placement	27.10.2034 (20y)	2,600%
04.12.2014	400	EMTN sub-benchmark	04.12.2026 (12 y)	1,750%

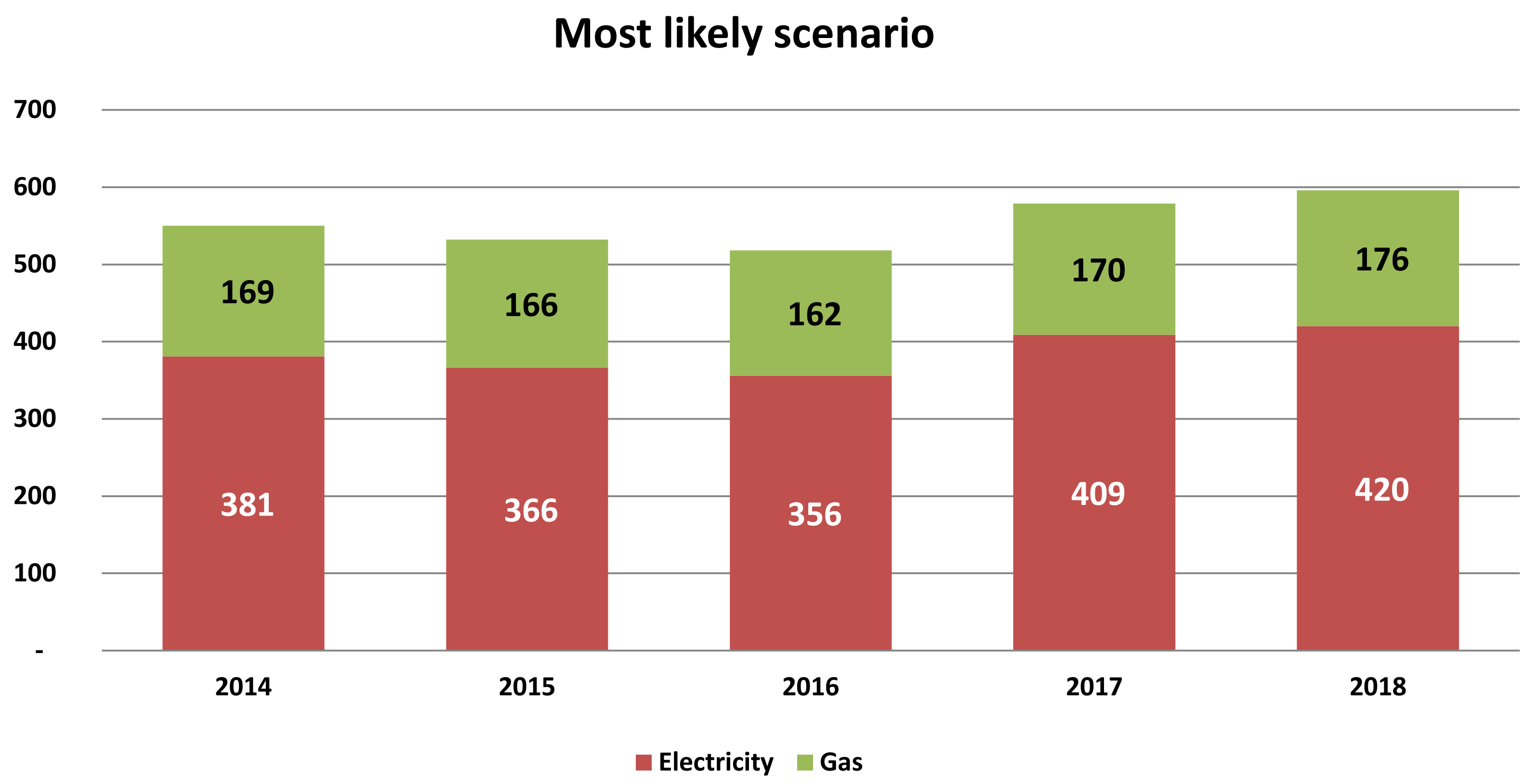
Maturity Profile (Economic Group)



Note: including bank loans

Financial overview

Investment programme 2014-2018 (net figures – m€)



Most probable investment programme includes impact of FIT on grid investments and a 100 per cent roll-out of smart metering by 2030. All capex programmes validated by VREG.

Financial overview

Action Plan FIT: clear focus on company-wide productivity

- **Action Plan FIT** launched by Board of Directors and Management Committee in June 2013
- FIT aims at 3 components:

  1. Clear cut **efficiency and productivity objectives** (2013-2015) for grid investments, staff and other costs: grid investment budgets will be reduced to 'autofinancing (+10%)'
  2. Implementation of **cost efficiency measures** (after a bottom-up analysis within the framework of Operational Excellence)
  3. Implementation of a **change action plan** to reinforce overall **cost awareness**

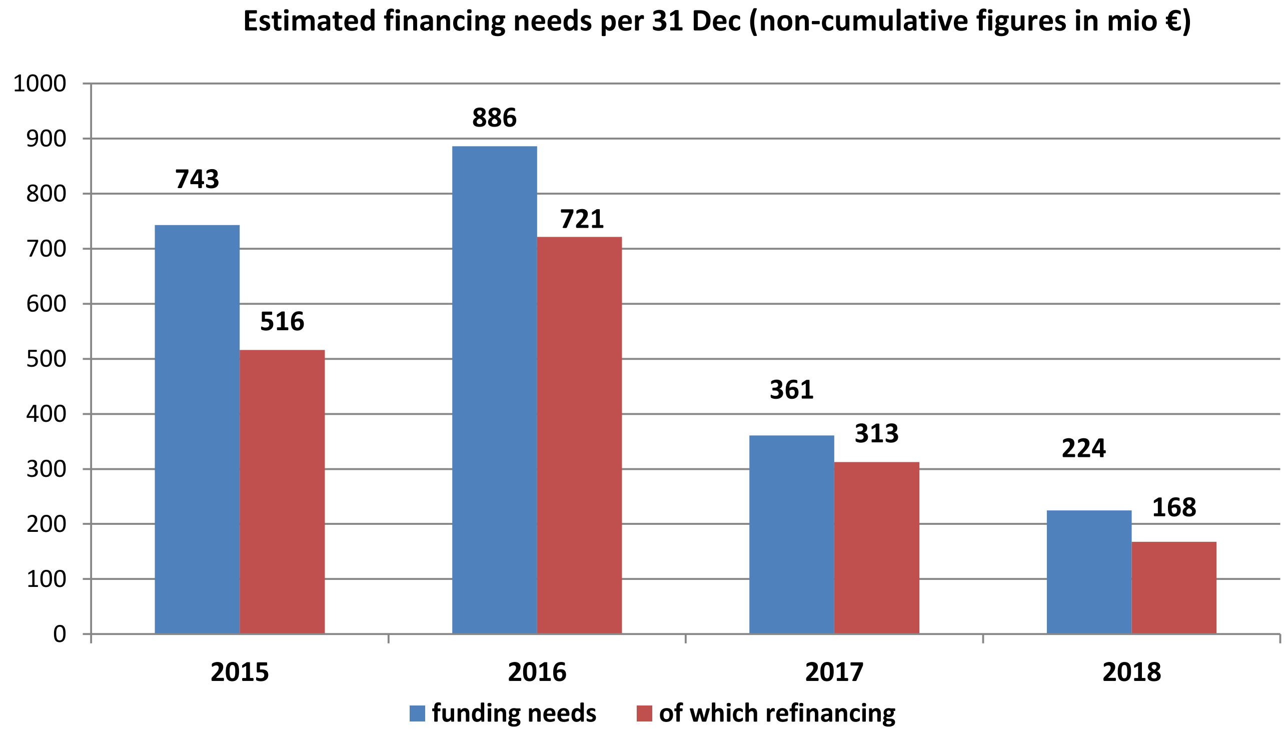
- FIT's **financial objectives and preliminary results**:

m€	Actuals 2013	Budget 2014	Actuals 2014	Budget 2016 "Autofinancing + 10%"	Actuals 2014 vs Actuals 2013	Actuals 2014 vs Budget 2016
grid investments	444,4	427,8	390,4	377,2	-12,2%	+3,5%
grid operations	304,9	259,3	249,9	274,6	-18,0%	-9,0%
support dpts – staff	161,2	158,2	154,3	156,2	-4,3%	-1,2%
support dpts - other	354,4	354,7	297,2	348,6	-16,1%	-14,7%
TOTAL	**1.264,9**	**1.200,0**	**1.091,8**	**1.156,6**	**-13,7%**	**-5,6%**

Financial overview
Funding Programme 2015-2018 (in mio €)

Funding programme 2014-2015:
Depending on market conditions and opportunities / approved by Board of Directors (June 2013) through a mix of bank loans, EMTN bonds, retail bonds and/or MTN private placements, capital increase, hybrid bonds, new equity partner in the DSOs.

Funding programme 2016-2017:
Details to be decided later



Financial overview

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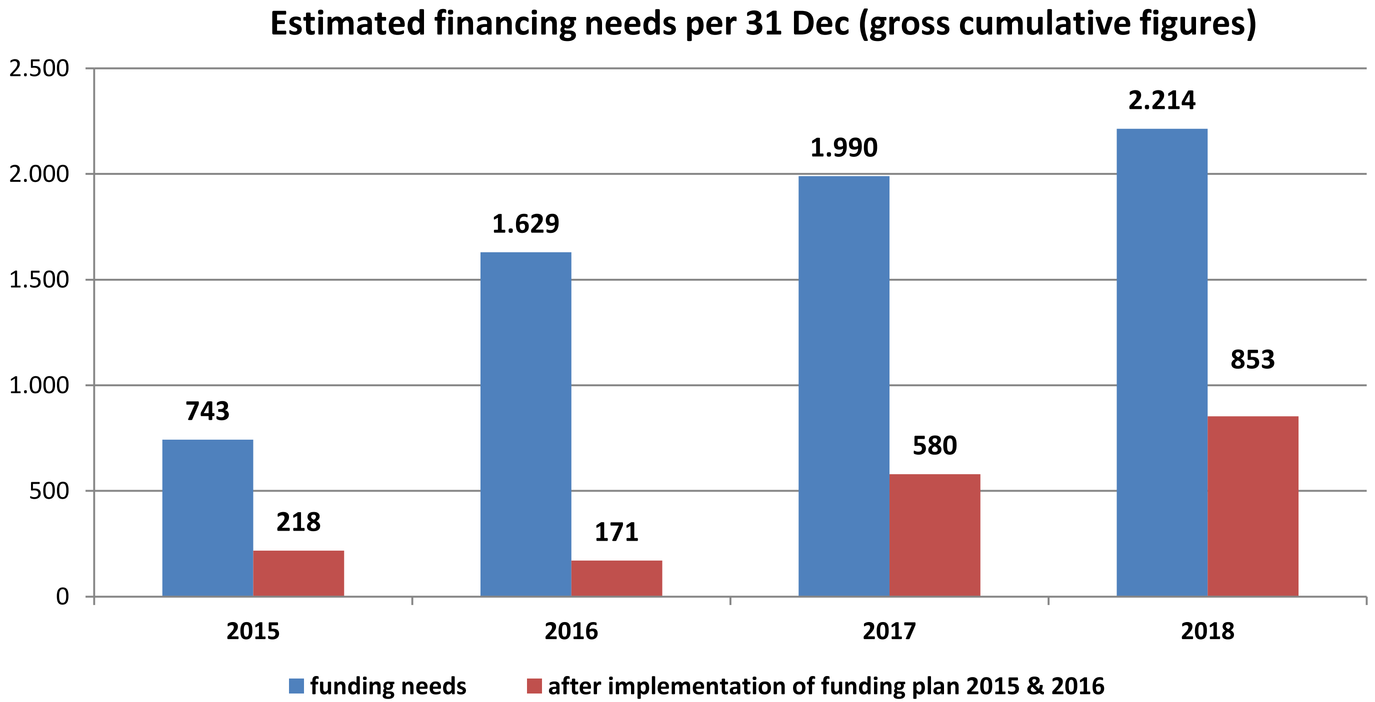

Financial Overview
Financial Policies and Strategy

Operational Basis	■ Eandis operates on a cost price basis ■ The DSOs operate in a fully regulated framework ■ Each DSO has its own cost structure for E and G separately, therefore 7 x 2 tariff proposals are introduced
DSOs' Capital Structure	■ The regulator uses a defined regulated capital structure with preponderance for debt to equity ■ Current balance sheet structure at approximately 42,4% equity versus 57,6% debt (BE-GAAP)
DSOs' Financial Policies	■ Dividend payout ratio is fixed at 90% ■ Financial transactions need prior approval by the Board of Directors ■ Funds (bank loans, bonds) are borrowed by Eandis on behalf of each DSO (= pass through principle) ■ Commercial Paper programme (522 mio €) in place ■ Each DSO guarantees the debt up to a percentage equal to the percentage of its participation in the capital of Eandis ■ All energy suppliers are required in order to receive network access to either (1) provide a letter of credit, (2) obtain a rating, or (3) provide a deposit equal to 3 months upfront network fees
Funding Currency	■ External funding in EUR only (no exchange rate risks)
Risk Management Policies	■ Interest rate swaps are used for hedging purposes ■ Each transaction must be formally approved

3. Company & Business Overview

- Ownership structure
- Intermunicipalities and DSOs
- Eandis's Network
- Corporate Social Responsibility

Company Overview

Ownership Structure

- Eandis is 100% owned by **7 Flemish mixed DSOs**
- These DSOs are **100% publicly owned:**
  - i.e. municipalities and provinces
  - Sibelgas: important stake held by IBE/IBG
- Flemish government agreement (July 2014) aims at the possibility of the **entry of a private partner** (not energy related) in DSOs' capital – parliamentary approval for amendment to current decree needed
- **Strong public involvement** within the context of energy distribution management
- The expiry date of the mandate for each DSO is:

IVEKA	31 December 2016
INTERGEM	14 September 2018
IVERLEK	9 November 2019
IMEA	9 November 2019
IMEWO	9 November 2019
GASELWEST	21 March 2023
SIBELGAS	25 April 2026

- At the end of the mandate expiry of each DSO, the municipalities can decide to **extend the DSO mandate for another 18 years**. If a municipality should decide not to take part in a prolongation, it is obliged to take over from the DSO/Eandis their relevant assets & liabilities (incl. financial debt), personnel, public service obligations etc.

Company Overview

Ownership Structure as per **30 December 2014**

Municipalities

↓ **100%**

7 Distribution System Operators

GASELWEST
IVEKA
INTERGEM
IMEWO
IMEA
IVERLEK
SIBELGAS

↓ **100%**

Eandis cvba

↓

4 subsidiaries

de stroomlijn
SYNDUCTIS
index.is
ATRIAS

Company Overview

Intermunicipalities and DSOs

Intermunicipalities - Overview

- **In Belgium, municipalities are in charge** of the provision of several public services covering, among others, waste management, water management, environment, **energy distribution**.
- The municipalities may **organise** these tasks in two ways
  - Through a “municipal company“ (also called “regie”) in which each municipality organises the service with its own personnel and financial resources
  - Through an association of several municipalities, (also called **“intermunicipality”)** in which several municipalities are associated to provide a common service
- Intermunicipalities can take two forms
  - “Pure” intermunicipal companies if only municipalities collaborate to provide the service
  - **“Mixed” intermunicipal companies** if the municipalities collaborate with one (or more) private company to provide the service
- Legal status of **companies of public law**
- In Flanders, intermunicipalities are governed by the **Flemish Decree of 6 July 2001**. All items not explicitly covered by this decree are covered by the corporate rules for a “cooperative company” (“cvba”)

DSOs - Overview

- Most municipalities have chosen to organise their mission of electricity and gas distribution system operator (“DSO”) **through intermunicipal associations** (see table below).
- The actions of the intermunicipal DSOs - being public law companies - do not have a commercial character, thus the **Belgian Act of 8 August 1997 on bankruptcy does not apply**
- In view of their mission entrusted by public shareholders, the **intermunicipal DSOs perform a public service** in an environment driven by principles of equality, continuity, regularity of service in relation to its suppliers and customers, rather than principles of pure economic profit
- Each intermunicipal DSO holds **a legal monopolistic position** for the area covered by its network
- Each intermunicipal DSO owns **its proper grid** infrastructure
- Each intermunicipal DSO is appointed by the regional regulator VREG for a **renewable term of 12 years**: ownership of network (or rights of use) is prerequisite for obtaining such a licence – licence for E was renewed in HY2 2014, for G to be renewed in 2015

Business Overview
Eandis' network

The Market Served by Eandis Covers 78% of the Flemish Municipalities

Electricity Market

Total network length (km)	96.408
low voltage	62.014
mid voltage	34.394
Access points	2.616.357
Budget meters in operation	33.734
Public lighting points	842.758
Volume transported (TWh)	25,6

(*) All figures as per 31 December 2014 - Source : Eandis Annual Report 2014

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Business Overview

Eandis' network

The Market Served by Eandis Covers 78% of the Flemish Municipalities

Gas Market

Total network length (km)	42.238
low pressure	34.391
mid pressure	7.847
Access points	1.706.223
Budget meters in operation	24.180
Volume transported (TWh)	46,1

(*) All figures as per 31 December 2014 - Source : Eandis Annual Report 2014

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4. Belgian Energy Market & Regulatory Framework

- Regulatory framework: Purpose & Organisation
- Regulatory framework for Electricity and Gas Distribution
- Tariffs setting – Key characteristics
- Tariffs and Fair Beneficiary Margin
- Tariffs and Treatment of Differences between costs and revenues

Regulatory Framework

Purpose and Organisation of the Regulatory Framework in Belgium

Purpose

- **Organise the energy market** in order to
  - Increase generation capacity through import and new generation units
  - Improve competition on the generation side
  - Provide the framework for neutral, technically well integrated and cost efficient networks for gas and electricity transmission and distribution
  - Benchmark cost of energy
  - Reduce costs
  - Permanently monitor the market and if necessary adjust regulations to improve its organisation
  - Have a well functioning retail market
- Take action with a view to **satisfy the climate objectives**
  - Harmonise the energy policies with environmental policies
  - Promote efficient use of energy
  - Promote use of renewable energy and use of CHP (Combined Heat and Power) units

Areas of Competencies

- In order to organise the energy market, one federal (CREG) and several regional regulators (Flanders: **VREG**) were set up in Belgium
- **The federal regulator's areas of competence (CREG)**
  - Electricity generation (except from renewable sources and combined heat and power systems)
  - Electricity transmission on > 70 kV grids
  - Gas storage and gas transport
  - Tariff approval for transmission
- **The three regional regulators' areas of competence**
  - Local distribution of electricity (voltage ≤ 70kV)
  - Local distribution of natural gas
  - Energy production from renewable sources and combined heat and power systems
  - Rational use of energy (RUE)
  - (Social) public service obligations
  - Organization of supply market and supply licenses
  - Tarification for distribution (as from 1 July 2014)

Regulatory Framework
Distribution Grid Tarification – Transfer of competency

- formal date of transfer: **1 July 2014** - VREG replaces the CREG as competent tariff-setting regulator for the Flemish Region - appointment by Flemish Decree of 14 March 2014
- no complete set of legislative measures currently in place to accommodate the transfer of competences - until Flemish Region takes additional legislative action to repeal/replace the federal legislative framework on distribution tariffs, current (federal) tarification system principles remain applicable
- **consultation procedure** on distribution grid tariffs with all stakeholders initiated by VREG:
  - explicit reservations uttered by DSOs/Eandis on VREG approach
  - lack of Flemish tariff guidelines (to be issued by Flemish government) means that there is currently no legal basis
- 30 September 2014: VREG publishes **tariff methodology for transitory tariff period 2015/2016**, however contested by Eandis/DSOs:
  - principles of non-discrimination, stability, transparency, business continuity, efficiency and avoidance of tariff shocks
  - evolution towards a **revenue cap model** ('exogenous' costs excluded), with incentives for non-exogenous costs
  - **RABxWACC-based fair remuneration** for DSO's shareholders (for 2015: WACC set at 4,80%)

Regulatory Framework
Distribution Grid Tarification 2015-2016

- VREG has approved the tariffs E & G for 2015 (2016 to be approved in 2015) within the context of a transitory tariff period of two years
- regular 4-year tariff periods to start in 2017-2020
- Basic tarification principles:
  - revenue regulated ('revenue cap')
  - RAB x WACC for 2015:
    - **cost of equity at 5,7%**, with risk-free rate = average yield on 10y Belgian OLO & German Bund, equity risk premium at 5,1% (E & G) and β at 0,73 (E & G)
    - **cost of debt at 4,1%**
    - **RAB-based WACC at 4,8%**
  - VREG allows for the **recovery of regulatory balances 2008-2009** over 2015-2016

Regulatory Framework
Towards a Flemish Distribution Grid Tarification

The coalition agreement for the Flemish government (2014-2019) stipulates the following elements with regard to the future distribution grid tariffs in the Flemish region:

- distribution tariffs to be reformed into **purely grid-related tariffs per customer segment**, reflecting capacity required by the end user
- tariff should **reflect costs** for both off-take and injection
- **balances from previous tariff periods** (partly caused by tariff freeze 2013-2014) to be settled in tariff methodology
- tariff should take into account the **costs for constructing and using the grid**
- **objectifiable differences** will be integrated into the tariffs, e.g. grid density (rural vs urban areas)
- a **possible uniform contribution** for social/ecological public service obligations will be investigated

→ *still to be confirmed in formally approved tariffs guidelines*

Eandis cvba
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http://www.eandis.be/eandis/investor-relations-en.htm

Annexes

Company Overview

Organizational Structure: Management Committee (as from 1 Jan 2015)

Walter VAN DEN BOSSCHE, CEO

Chairman Management Committee

Guy COSYNS
Customer Operations

Wim DEN ROOVER
Network Operations

Jean Pierre HOLLEVOET
Network Management

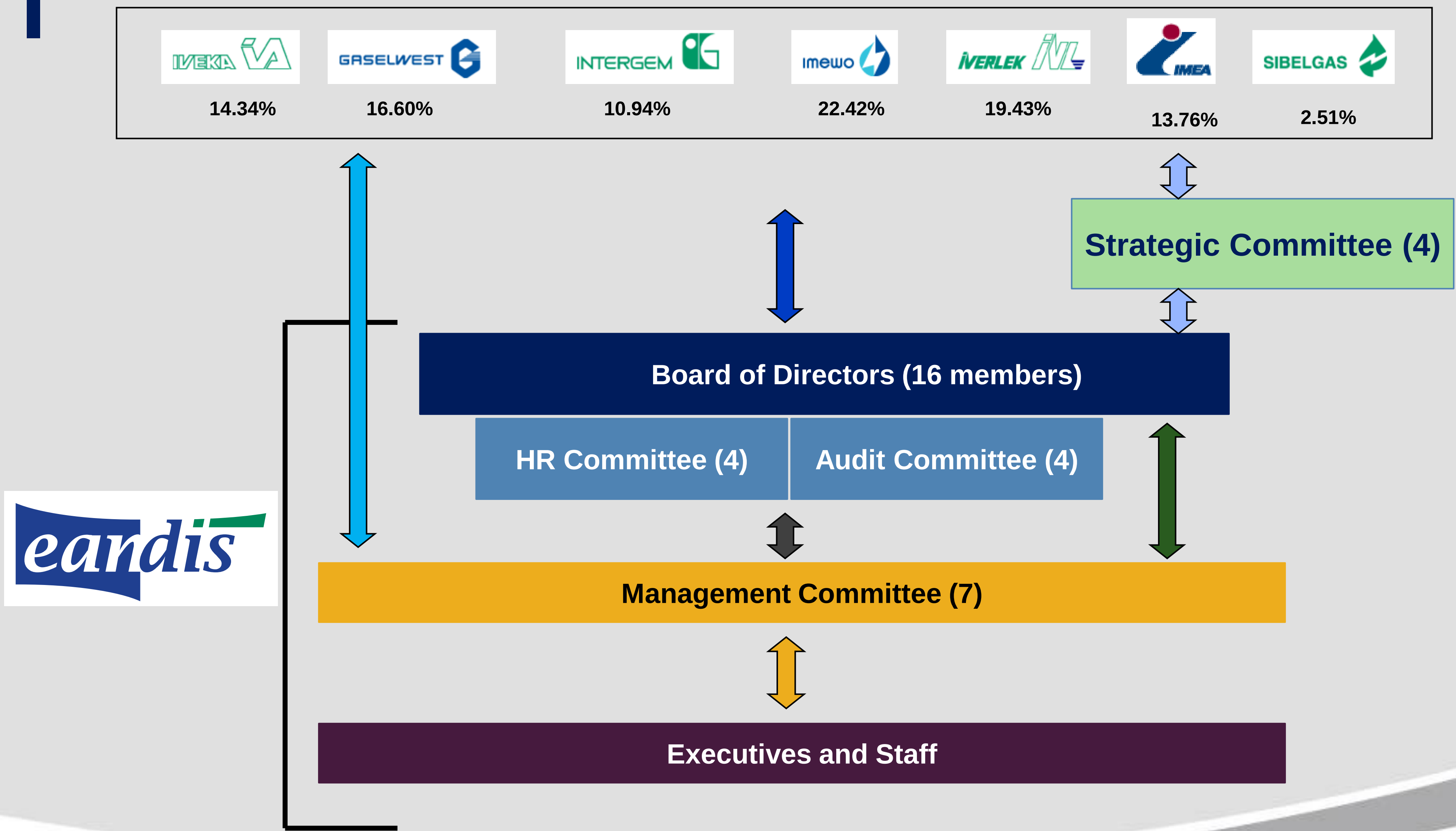
David TERMONT, CFO
Finance, Administration & ICT

Donald VANBEVEREN
Regulation & Strategy

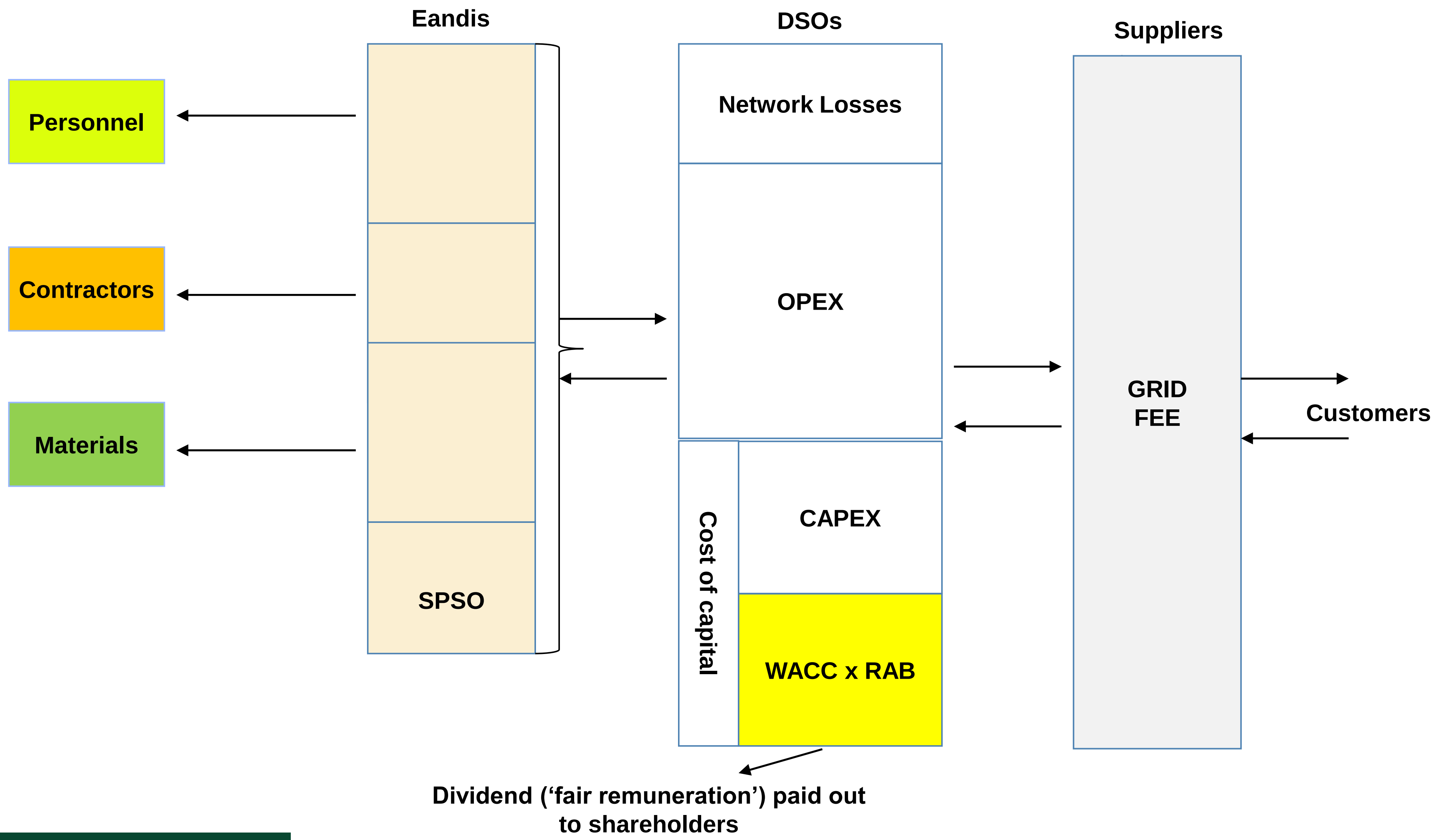
Werner VERLINDEN
HR & ***Organisational Management***

Company Overview

Corporate Structure: Eandis and 7 DSOs



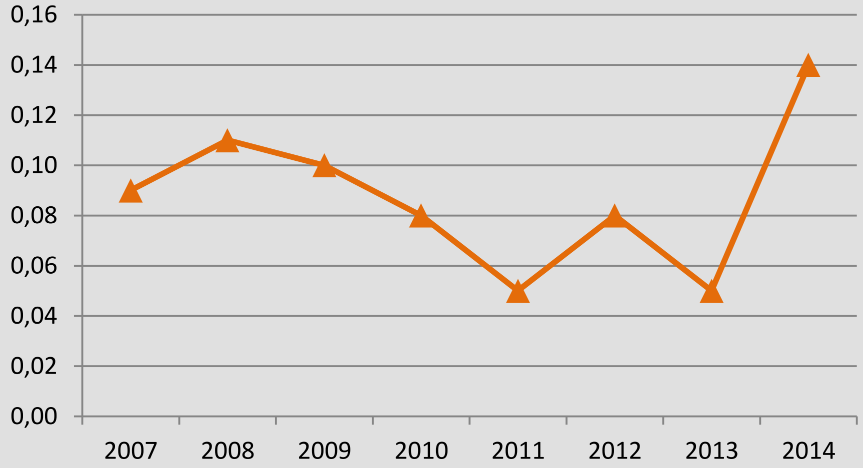
Regulatory Framework
Cash Cycle



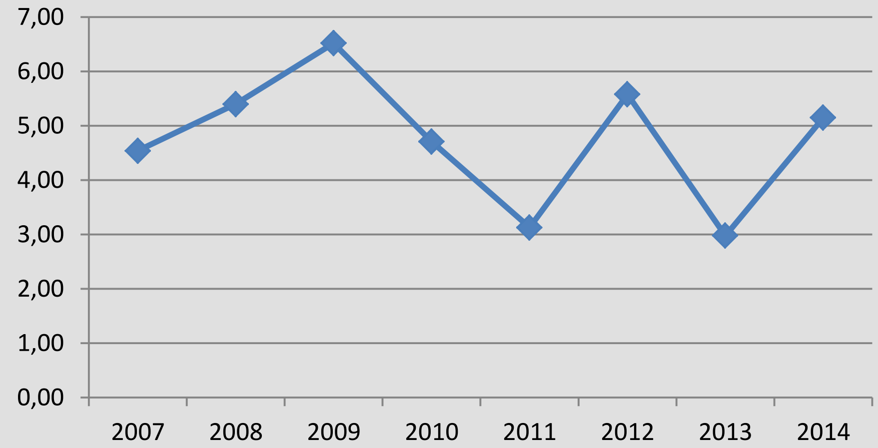
Eandis: safety & reliability

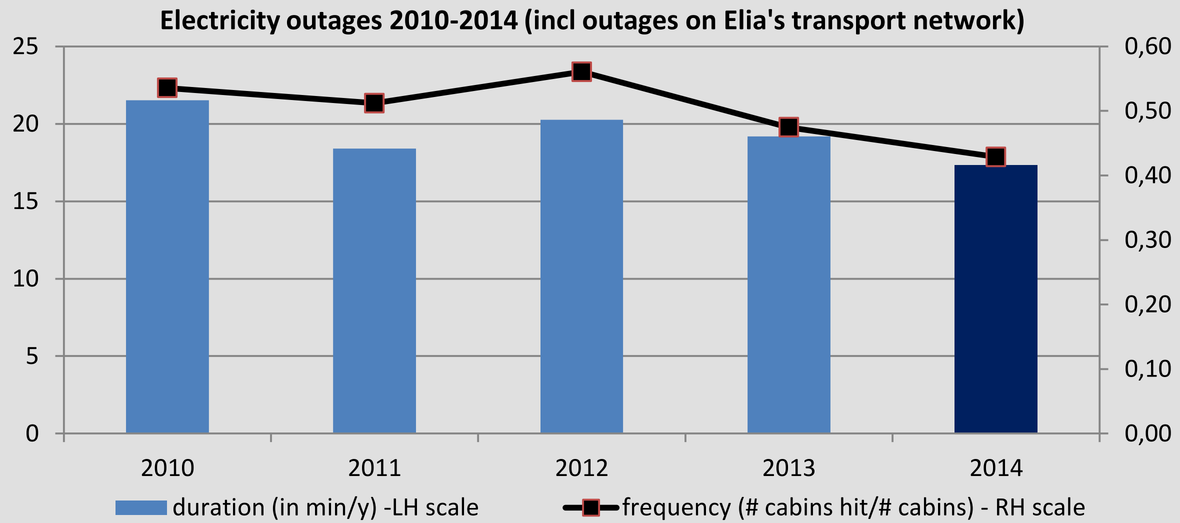
Industrial accidents (2007-2014) / electricity outages (2010-2014)

Gravity Index (Eg)



Frequency Index (Fg)





Source: Eandis figures

Eg= # days lost due to industrial accidents x 1000/# hours worked / Fg= # industrial accidents resulting in days lost x 1000/# hours worked

Eandis's subsidiary: De Stroomlijn cvba

- Activity: call centre for distribution network related issues
- Shareholders: Eandis (64,03%), multi service company Farys[1] (32,98%) and Synductis (2,99%)
- Board: 7 members (of which 4 for Eandis, incl. Chairman David Termont)
- Staff: 249 [2] on 3 sites (Mechelen, Ghent and Ypres)
- Fully autonomous operations since October 2013
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Financials 2014 (BE-GAAP)
  - Balance sheet total: € 4.093.778
  - Share capital: € 257.700
  - Debt: € 3.836.078 of which € 3.785.028 < 1 year / no LT debt)
  - Turnover: € 12.323.300

(1) Farys is the new name for T.M.V.W.
(2) As per end 2014

Eandis's subsidiary: Indexis cvba

- Activity: metering related (IT-)services supporting the processes in the liberalised energy market, esp. metering data transmission between market parties (suppliers and distributors)
- Shareholders: Eandis (70%) and its Walloon counterpart ORES (30%)
- Board: 6 members (of which 3 for Eandis, incl. Chairman Guy Cosyns)
- Staff 49 *(on 31 December 2014)*
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Operations and staff will be integrated into Eandis (1 January 2016)
- Financials 2014 (BE-GAAP)
  - Balance sheet total: € 10.394.603
  - Share capital: € 3.216.131
  - Debt: € 7.107.163 (of which € 7.104.948 < 1 year / no LT debt)
  - Turnover: € 19.312.418

Eandis's subsidiary: Atrias cvba

- Shareholders: all Belgian distribution grid operators
  Eandis: 25% of share capital
- Board: 12 members (of which 3 for Eandis, incl. Chairman Walter Van den Bossche)
- Staff: 15 *(on 31 December 2014)*
- Established: 9 May 2011
- Operates on a federal scale (the whole of Belgium) for reasons of economies of scale
- Atrias has developed MIG-6 (Message Implementation Guide, smart-ready) and is charged with the development of a clearing house application by the start of 2018
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated in Eandis according to the equity method
- Financials 2014 (BE-GAAP)
  - Balance sheet total: € 12.598.464
  - Share capital: € 18.600
  - Debt: € 12.579.864 (of which € 12.570.211 < 1 year / no LT debt)
  - Turnover: € 5.754.047

Eandis's subsidiary: SYNDUCTIS cvba

- Date of establishment: 21 December 2012
- Shareholders: Eandis (50%), Farys (44,95%), IWVA (2,26%) and IWVB (2,79%) – open for other utilities
  telecom operator Belgacom/Proximus decided to join SYNDUCTIS (end 2014)
  [Eandis's capital share will diminish to 33,3% after closing of Belgacom's entry]
- Board: 5 members (of which 2 for Eandis, incl. Chairman Geert Versnick)
- Staff: none, all operations by staff delegated by shareholders
- Start of operations: 2013, with approx. 20 carefully selected test projects
- SYNDUCTIS detects synergies between utilities carrying out infrastructure works in the public domain (energy, water, telecom, sewage a.o.), thus reducing hindrance for the general public and realising cost efficiencies for the utilities
- Works at **cost price** (no margin/profit) for its shareholders
- No consolidation for fiscal year 2014
- Financials 2014 (BE-GAAP)
  - Balance sheet total: € 1.209.942
  - Share capital: € 18.600
  - Debt: € 1.191.342 (all debt < 1 year / no LT debt)
  - Turnover: € 1.833.923

Regulatory Framework

Public Services Obligations: socio-economic, technical, ecological

- **RUE** (Rational Use of Energy, 'REG' in Dutch)
  - DSOs are required to **reduce primary energy use**
  - DSOs draw up compulsory annual **RUE Action Plans**, to be ratified by the VREG
- **certificate mechanism**
  - DSOs are compelled to buy green power certificates and CHP certificates at a predetermined price from the generators
  - DSOs can sell these certificates at (lower) market prices in an auction procedure
- **SPSO** (Social Public Service Obligations, 'SODV' in Dutch)
  - Goal : to ensure **minimum and continuous supply of electricity and gas** to any household in Flanders
    - social supplier for customers dropped by commercial suppliers
    - cut-offs from grid connection only allowed in well-defined circumstances (fraud, disused premises etc.)
    - free electricity of minimum 100 kWh per residence + 100 kWh per family member
    - special conditions for protected customers e.g. free installation of a budget meter
- **global service obligations**
  - **right of connection** to the gas and electricity network (Flemish Government Decision, 19 November 2010)
  - DSOs' annual **investment plans** to be ratified by VREG
  - **supplier of last resort** in case a supplier defaults (no legal document as yet, intermediary system currently in place)

DSOs are crucial in implementing the Flemish Government's public service / social welfare policies.
In addition, supplier of last resort indicates the confidence of the Flemish Government in the DSOs' networks.

eandis