Eandis cvba

Investor Presentation

June 2016

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The term 'Eandis' refers either to Eandis System Operator cvba (abbreviated ESO) or to the consolidated group (i.e. Eandis System Operator cvba + its subsidiaries De Stroomlijn cvba, Atrias cvba and Synductis cvba). The term 'Eandis Economic Group' refers to Eandis (consolidated group) + the distribution system operator Eandis Assets*. 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.

** All references to Eandis Assets are made under the express condition of the fulfilment of a number of conditions precedent formulated at the occasion of the merger of the former 7 DSOs belonging to the Eandis Economic Group.*

Table of Contents

1. Executive Summary & Recent Developments

Executive Summary

Eandis is the overall name for Eandis Assets (EA)*, a Flemish electricity and gas distribution grid operator, and Eandis System Operator (ESO), the operating company.

- Eandis System Operator CVBA is fully owned by Eandis Assets. ESO is the **operating arm of the 100% regulated electricity and gas distribution networks owned by EA**, authorised in that role by decision of the Flemish energy regulator VREG (24 February 2015). As such, it is entrusted with a number of quasi-government **public service tasks**
- Eandis Assets is an **intermunicipal company** and is **100% publicly owned** (i.e. by municipalities and provinces) since the exit of Electrabel NV on 29 December 2014
- Eandis serves approx. **2,6 million access points for electricity** and **1,7 million access points for gas**. Its distribution services cover **229 municipalities (**approx. 78 % of all Flemish municipalities). Its operating revenue and pre-tax profit (*Eandis Economic Group – IFRS*) were respectively **2,7 bn €** and **427,2 mio €** for 2015
- 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 and the high probability of systemic support to the DSO from the Flemish Region. Eandis's current **rating with Moody's is A1 (negative outlook)**

*** under conditions precedent, see slide 2**

Executive Summary

Strategic Importance to the Flemish Region	■ Eandis covers 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 Eandis Assets' share capital since the end of 2014
Very Favourable Regulatory Environment (Revenue Cap)	■ Eandis Assets has 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 and 2016 regulatory tariffs approved by the Flemish energy regulator VREG, based on a tariff methodology for the transitory tariff period 2015-2016
Efficient Operating Scheme	■ The associated structure of 1 DSO (EA) with an operating company (ESO) allows for an efficient operating scheme and benefits of scale ■ Pooling of operational, financial and management activities; all staff at ESO ■ Several cost optimisation initiatives launched
Strong Cash Flow Visibility	■ Predictable revenue streams based on regulatory framework for the DSO ■ For the time being, 7 separate tariffs (corresponding to the ex-DSOs merged into Eandis Assets) are maintained ■ 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 – EA is not involved in the competitive energy generation, trading or sales activities ■ EA owns 78% of the distribution network in Flanders ■ Legally, competitors may not participate in distribution activities in the designated operating areas
Conservative Capital Structure	■ Leverage: equity at 37,1% of RAB (BE-GAAP, as per 31 December 2015), ■ 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 (6,44 million on 1 Jan 2015 (1) – 57,5% of national population) ■ "Flanders is one of the wealthiest regions in Europe. It benefits from a well-diversified economy, skilled workforce and high quality infrastructure." "Guaranteed debt and public-private partnerships commitments are high but represent moderate risks, due to the nature of guaranteed entities (public authorities, social housing companies) and also because of the Flemish Community's prudent risk management policies." (*Fitch, 11 April 2014*) "[…] our view of the "predictable and well-balanced" institutional framework for communities and regions. We also factor in Flanders' very attractive and diversified economy, the community's "very positive" financial management and liquidity, its sound budgetary performance, and very moderate debt. (*S&P Research Update 7 March 2014)* ■ GDP per capita 35.743 EUR (2014). "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,*

(1) *Source: Statistics Belgium 2015*

Eandis Economic Group's Corporate Structure (as from 1 January 2016)

229 municipalities (and provinces) [1]

100%

Distribution System Operator

EANDIS ASSETS

100%

Eandis System Operator CVBA

3 subsidiaries

de stroomlijn

ATRIAS

SYNDUCTIS

Eandis Economic Group

Eandis Group (consolidation)

(1) *According to Flemish legislation, provinces allowed in DSO's capital until 31 December 2018 at the latest.*

Corporate Structure for the Eandis Economic Group

Transparent and flexible corporate structure

- flexible decision-making structure allows for maintaining close links with 229 municipalities
- structure reflects clear bottom-up division of powers within the Eandis Economic Group:

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 is part of the TECTEO Group, 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 2015, others as per 31 Dec 2014]*:

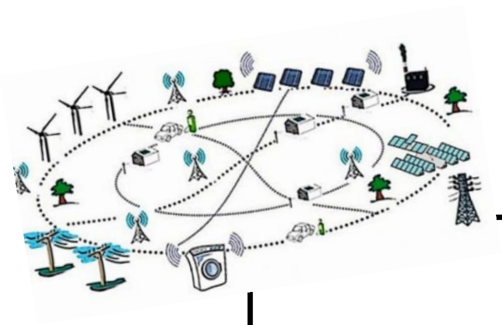
	Eandis	Infrax	Sibelga	ORES	Resa
municipalities served (E/G)	229	93	19	198	71
operating area	Flanders	Flanders	Brussels	Wallonia	Wallonia
employees	4.041	1.588	1.018	2.267	approx. 900
connections E	2.641.551	744.266	699.282	1.466.942	571.236 (2)
connections G	1.740.197	341.557	504.616	534.225	
Regulated Asset Base 2015 E+G (incl. Net Working Capital) – in m€	7.902,5 (3)	1.905	1.125,2	3.324,9	

(1) *Source: companies' information (annual reports and websites)*
(2) *Aggregate for E and G*
(3) *Excl. NWC: 7.840,2 m€*

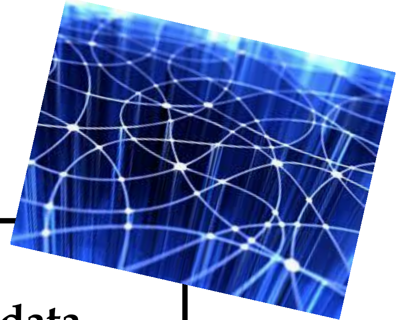
Corporate Strategy (1)

<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* **[e.g. district heating projects]**

Corporate Strategy (2): our 4 value propositions



manage grids in a safe, cost-efficient and reliable way



as an independent data manager, promote the smoooth functioning of the energy market

as a Flemish expertise centre for energy, contribute to the climate objectives

reduce energy poverty in collaboration with all parties concerned

Executive Summary

Moody's Corporate Rating for Eandis

A1
(negative outlook)

Credit strengths:
- rating underpinned by strong linkage with the region
- 3 notches of rating uplift reflecting high probability of support from the Flemish Community if necessary
- transparent and supportive regulatory framework
- low business risk profile of regulated distribution operations
- tender for external equity partner could significantly improve financial metrics

Credit challenges:
- regulatory framework with relatively short track record
- weakening of financial profile due to ongoing capex needs and tariff deficits; additional debt related to Electrabel exit

from: Moody's Credit Opinion (10 Sep 2015)

MOODY'S
INVESTORS SERVICE

Credit Opinion: Eandis CVBA

Global Credit Research - 10 Sep 2015

Belgium

Ratings

Category	Moody's Rating
Outlook	Negative
Bkd Issuer Rating -Dom Curr	A1
Bkd Senior Unsecured -Dom Curr	A1

Contacts

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Neil Griffiths-Lambeth/London	

Key Indicators

[1]Eandis CVBA

	12/31/2014	12/31/2013
FFO Interest Coverage	3.6x	4.0x
Net Debt / Fixed Assets	80.5%	68.0%
FFO / Net Debt	8.3%	11.2%
RCF / Net Debt	5.3%	6.8%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Glol

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)

2015 Highlights [1]

- 9 January: 61,6 mio EUR **capital increase** at the DSOs
- 30 January: telecom operator **Proximus joins Synductis**, reinforcing the latter's synergy potential
- 3 February: VREG renews the **DSOs' license for electricity** (valid until 5 September 2026)
- 24 February: VREG allows the DSOs to make use of Eandis's services as **operating company** for electricity (valid until 5 September 2026)
- 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
- April: **Sibelgas** raises capital with 27 mio EUR, using non-paid out reserves
- 26 June: **2nd round of DSOs' capital increase** with 29,1 mio EUR raised (total: 90,7 mio EUR)

2015 Highlights [2]

- June: water company **Pidpa** joins Synductis
- 1 July: VREG approves the DSOs' tariff proposals introducing the **corporate income tax** impact (1) into the grid tariffs as from 1 August 2015
- 1 July: Brussels Court of Appeal rules that the regional energy regulators (VREG a.o.) are competent for the establishment of the DSOs' 2010-2014 regulatory balances still to be recovered by the DSOs through the grid tariffs
- 19 August: dual **proposal regarding group structure** approved by the Economic Group's governing bodies:
  - merger of 7 DSOs into 1 DSO
  - merged DSO's share capital to be opened up for entry of external partner (once appropriate legal context is in place)
- November: Eandis kicks off formal procedure to attract a **external partner** for Eandis
- 2 December: Eandis's General Assembly approves the merger with its own subsidiary **Indexis,** effective 1 January 2016
- 29 December: all DSOs ratify the merger of 7 DSOs into **Eandis Assets**, effective 1 January 2016(2)

(1) Belgian intermunicipal DSOs are no longer exempt from corporate income tax since 1 January 201.5 due to federal legislation of December 2014
(2) Subject to a number of conditions precedent

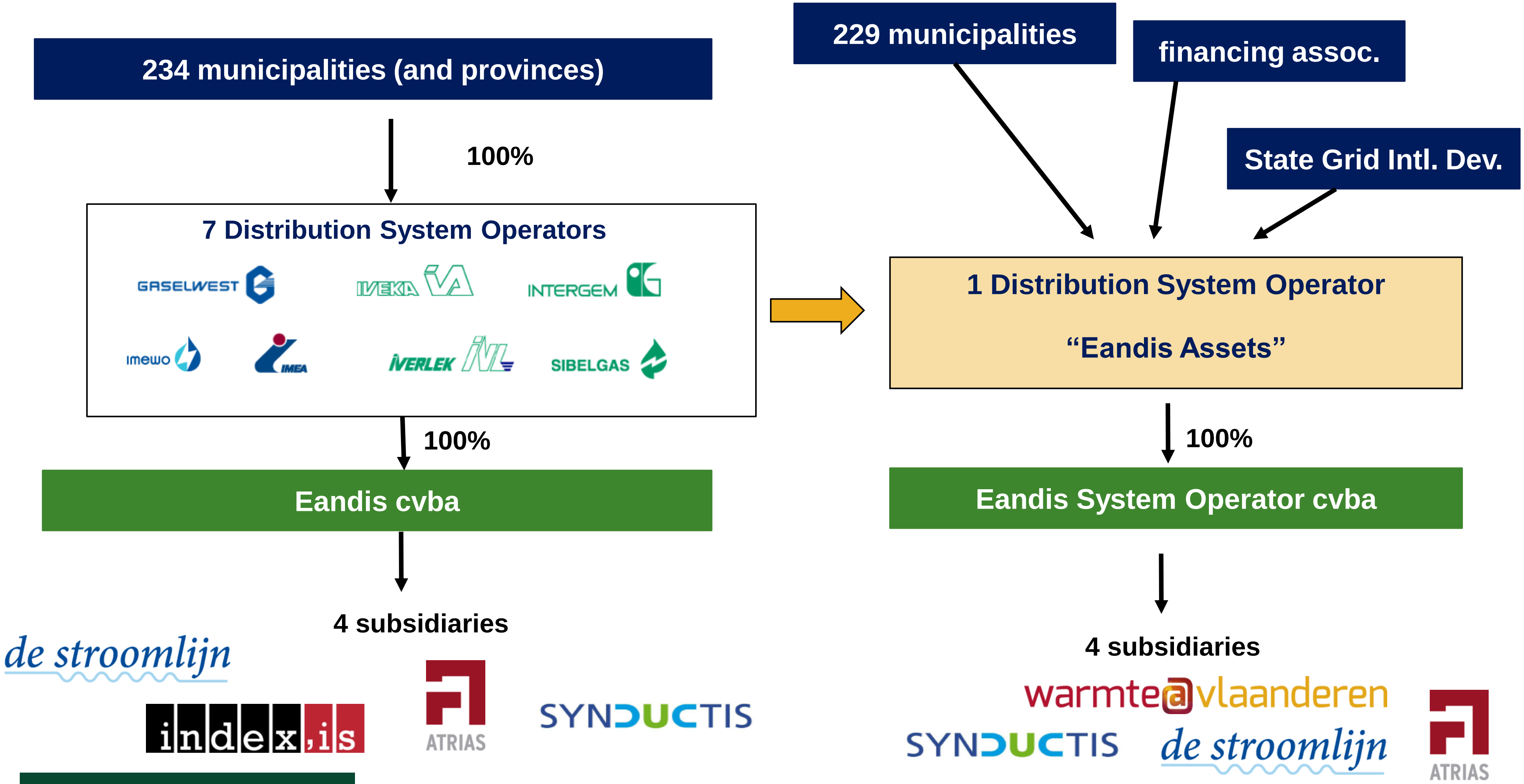
2016 Highlights YTD

- 1 January: operations and staff of **Indexis** integrated into Eandis System Operator
- **Synductis**: Infrax (sewage activity) and De Watergroep (water distribution) join
- decision of the Flemish Government: installation of **charging infrastructure** for electrical vehicles is a new Public Service Obligation for the DSOs
- 18 April: protocol signed between Eandis and **Flemish Energy Company (Vlaams Energiebedrijf)** on joint approach of local authorities
- 19 May: Eandis and Infrax incorporate '**warmte@vlaanderen**', a joint venture for the development of district heating projects in Flanders
- 1 June: Eandis announces exclusive negotiations with **State Grid International Development** as preferred bidder for a 14% stake in Eandis Assets
- End June:
  - exit of the **provinces** Antwerp and East-Flanders (province of West-Flanders will exit end 2018)
  - **financing associations** will become shareholder in Eandis Assets (100 mEUR)

(1) Belgian intermunicipal DSOs are no longer exempt from corporate income tax since 1 January 201.5 due to federal legislation of December 2014
(2) Subject to a number of conditions precedent

Changes to Eandis Economic Group's Structure

TO BE structure after implementation of DSO merger, exit of provinces, entry of financing associations, entry of an external partner, integration of Indexis and incorporation of warmte@vlaanderen *(structure 2015 on the left)*

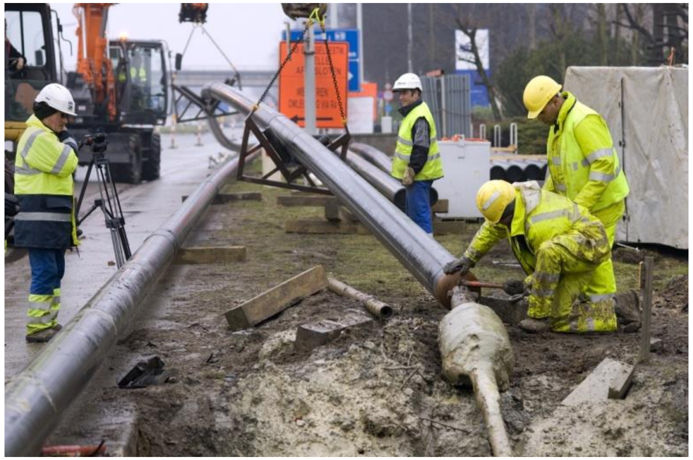


Corporate Social Responsibility

- Strategic focus on **sustainability & corporate social responsibility** with the overall aim to realize the Flemish climate objectives:
  - Eandis positions itself as the **preferred partner of local authorities** in their drive towards energy efficiency - positive response to **Energy Services for Local Authorities** (>70% of municipalities started a concrete project)
  - **objective**: reduction of our own CO_2 emissions with 20% by 2020 (compared to 2008)
  - **sustainable mobility**:
    - Eandis actively promotes **electric mobility** and the implementation of charging infrastructure
    - Eandis fleet of **CNG and natural gas vehicles** will grow to 100 vehicles
- **Solar panels** on HQ (Melle) and office buildings in Sint-Niklaas - 5 more sites to follow – total generation capacity of 854.000 kWh per year
- Well-defined and documented Corporate Governance policy: **Corporate Governance Charter & Ethical Charter**
- **Integral risk management** and actively pursued **risk-based internal auditing**
- **CSR Report 2015** entitled "Our Expertise for the Climate and against Energy Poverty" *[GRI-4 – core option]* focuses on company's CSR strategy and results - see corporate website

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 ✓
- Attractive financial profile ✓
- Favourable & stable regulatory environment ✓
- Efficient operating scheme with benefits of scale and highly experienced management ✓



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

2. Financial Overview (Economic Group)

- Summary financials FY 2013-2015
- Capex programme 2015 (actuals)
- Short term financing
- Debt and maturity profile
- Investment programme 2016-2018
- Financing needs and funding 2016-2018
- Financial policies and strategy

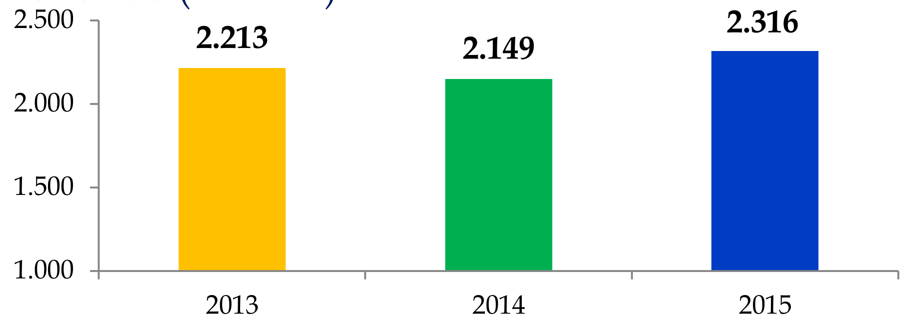
Financial Overview

Summary Financials FY 2013-2015 (actuals) for the Economic Group

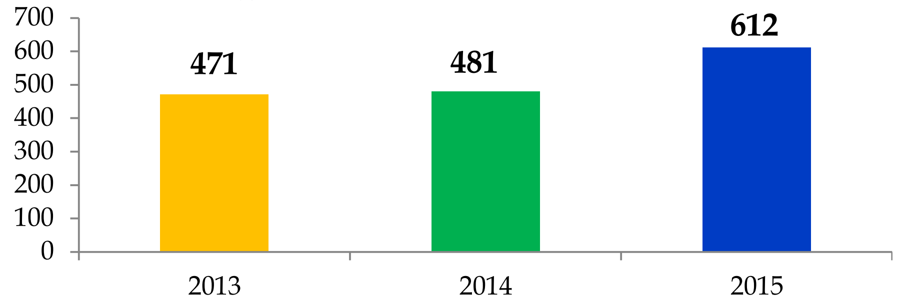
Financials (IFRS)

(in mio €)	2013	2014	2015
Income statement			
Revenue	2.213	2.149	2.316
Total Operating Income	2.956	2.781	2.678
Total Operating Expenses	-2.484	-2.300	-2.066
Result from Operations	**471**	**481**	**612**
Net Financial Income/Expense	-143	-253	-185
Profit before Tax	328	228	427
Profit for the period	320	417	284
Other Comprehensive Income	113	-546	48
Total Comprehensive Income	**433**	**-129**	**333**
Balance Sheet			
Current Assets	1.314	2.306	1.815
Non-Current Assets	7.724	7.855	7.908
Total Assets	**9.039**	**10.161**	**9.723**
Total Equity (attributable to parent)	2.978	2.607	1.976
Non-Current Liabilities	5.041	6.464	6.027
Current Liabilities	1.019	1.089	1.719
Total Liabilities	6.059	7.552	7.746
Total Equity & Liabilities	**9.039**	**10.161**	**9.723**
Cash Flow Statement			
Net CF from Operating Activities	**467**	**-337**	**1.283**
Net CF from Operating Activities**		**573**	
Net CF from Investing Activities	**-584**	**-497**	**-431**
Net Cash Flow used in/from Financing Activities	**116**	**837**	**-857**
Net Increase/Decrease of Cash + Cash Equivalents	-2	4	-5
Cash + Cash Equivalents on 31 Dec	5	9	4

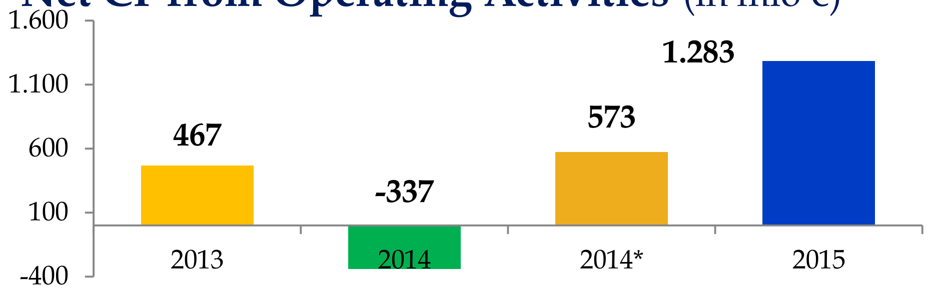
Revenue (in mio €)



Result from Operations (in mio €)



Net CF from Operating Activities (in mio €)

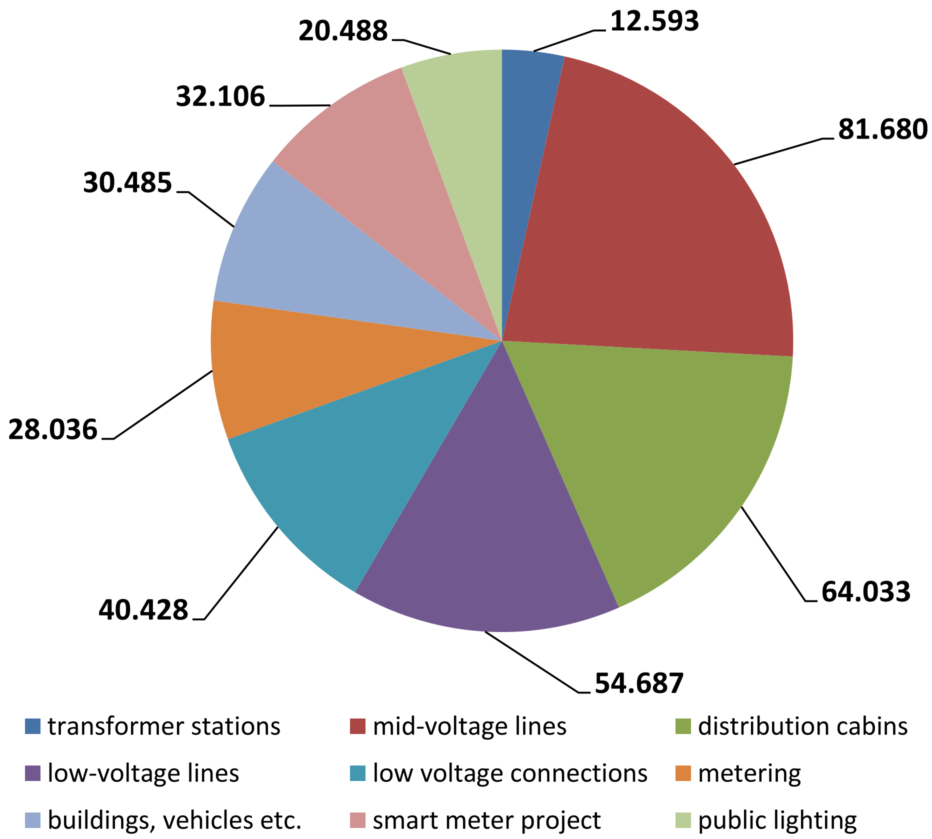


2014 excluding Electrabel transaction**

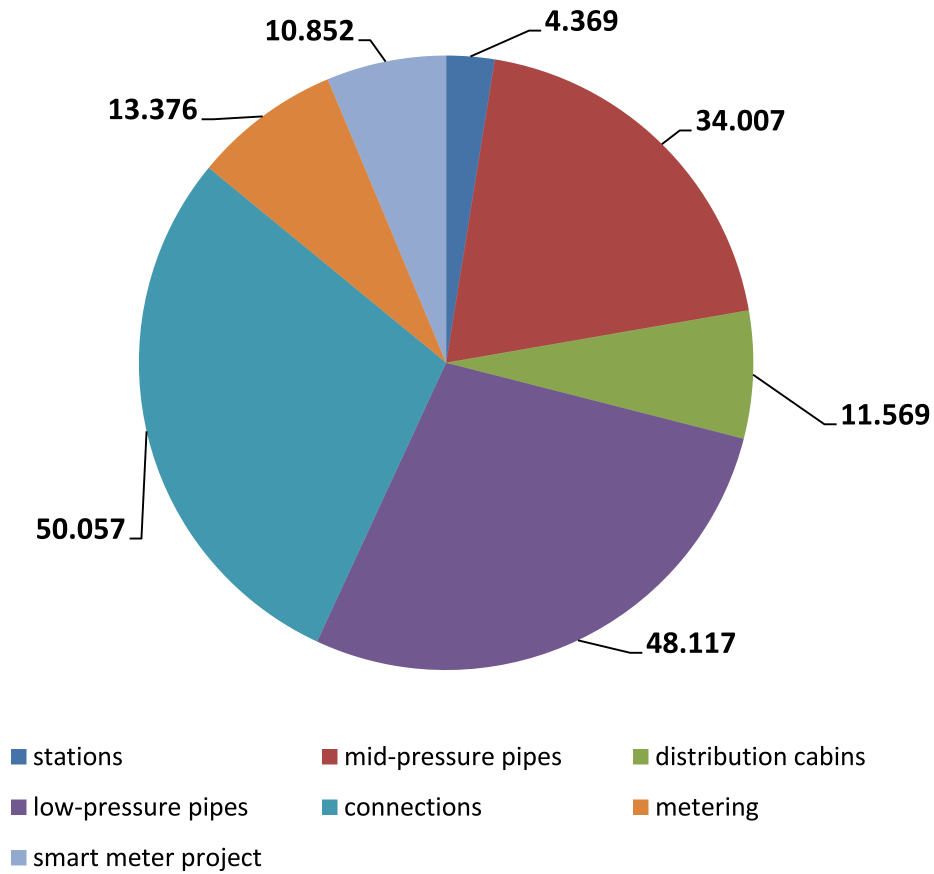
Financial Overview

Capex Programme 2015 (actuals – gross investments)

Electricity: 364,5 mio € (2014: 407,5 mio €)



Gas: 191,8 mio € (2014: 191,8 mio €)



CAPEX /Total Net Fixed Assets: 6,9% (2014: 7,8%)

2015 investments in district heating: 0,3 m€ (2014: 1,6 m€)

Short term financing capacity

Liquidity Facilities (as per 31 December 2015)

CP Programmes (“Thesauriebewijzen”)

- Total size programmes: 522 m€
- Outstanding as per date indicated: 166,8 m€

Cash & Cash Equivalents

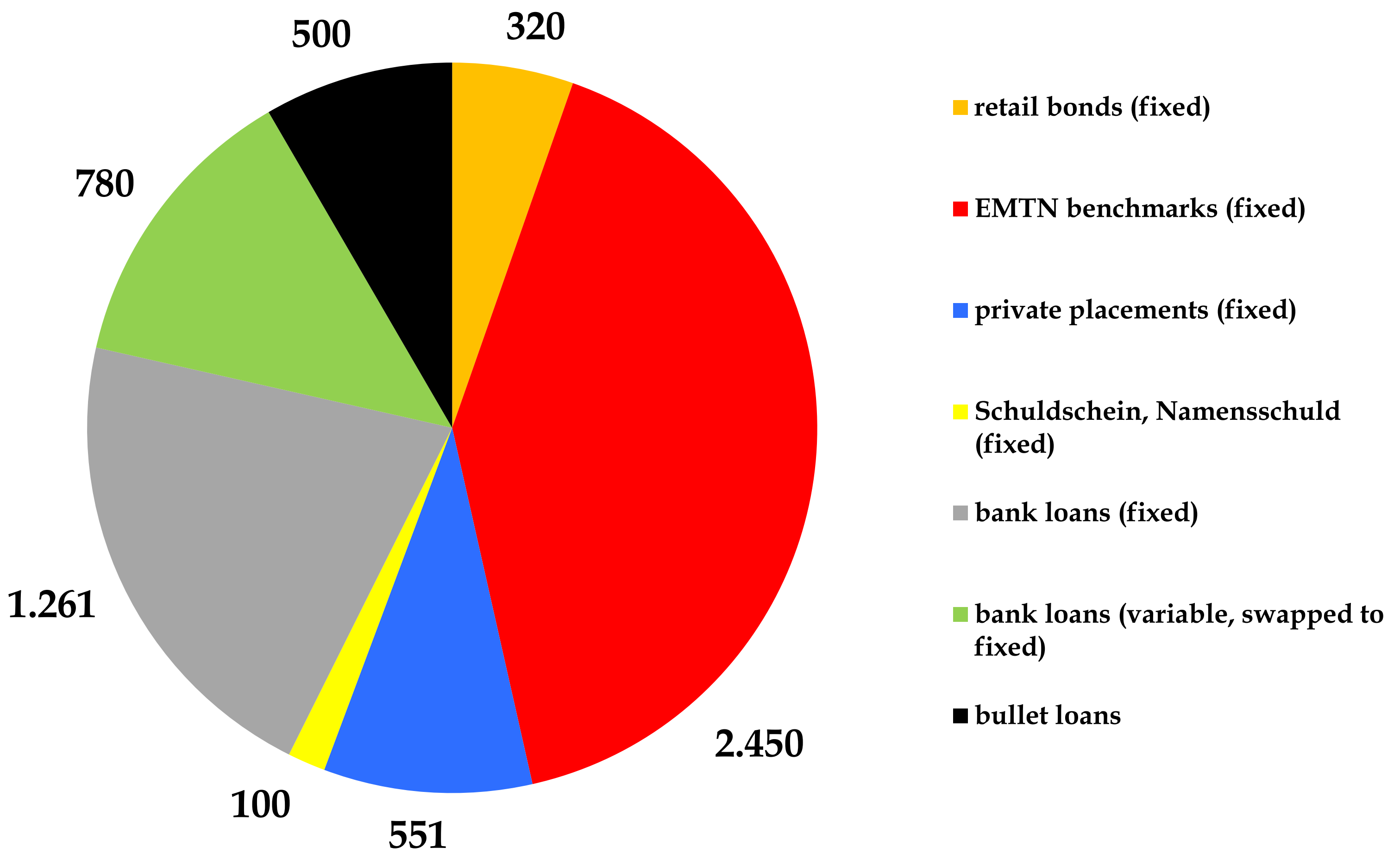
- Bank account: negative balance (-58,4 m€)
- Overnight cash facility: 0 m€ as per 31 December 2015
  - 0 m€ drawn
- Committed

ST Revolving Credit Facilities

- Total size facilities: 300 m€
- Outstanding as per date indicated: 0 €
- Committed

Debt Profile (Economic Group)

LT Debt Profile by Instrument (5.962 m€ outstanding as per 31 December 2015)

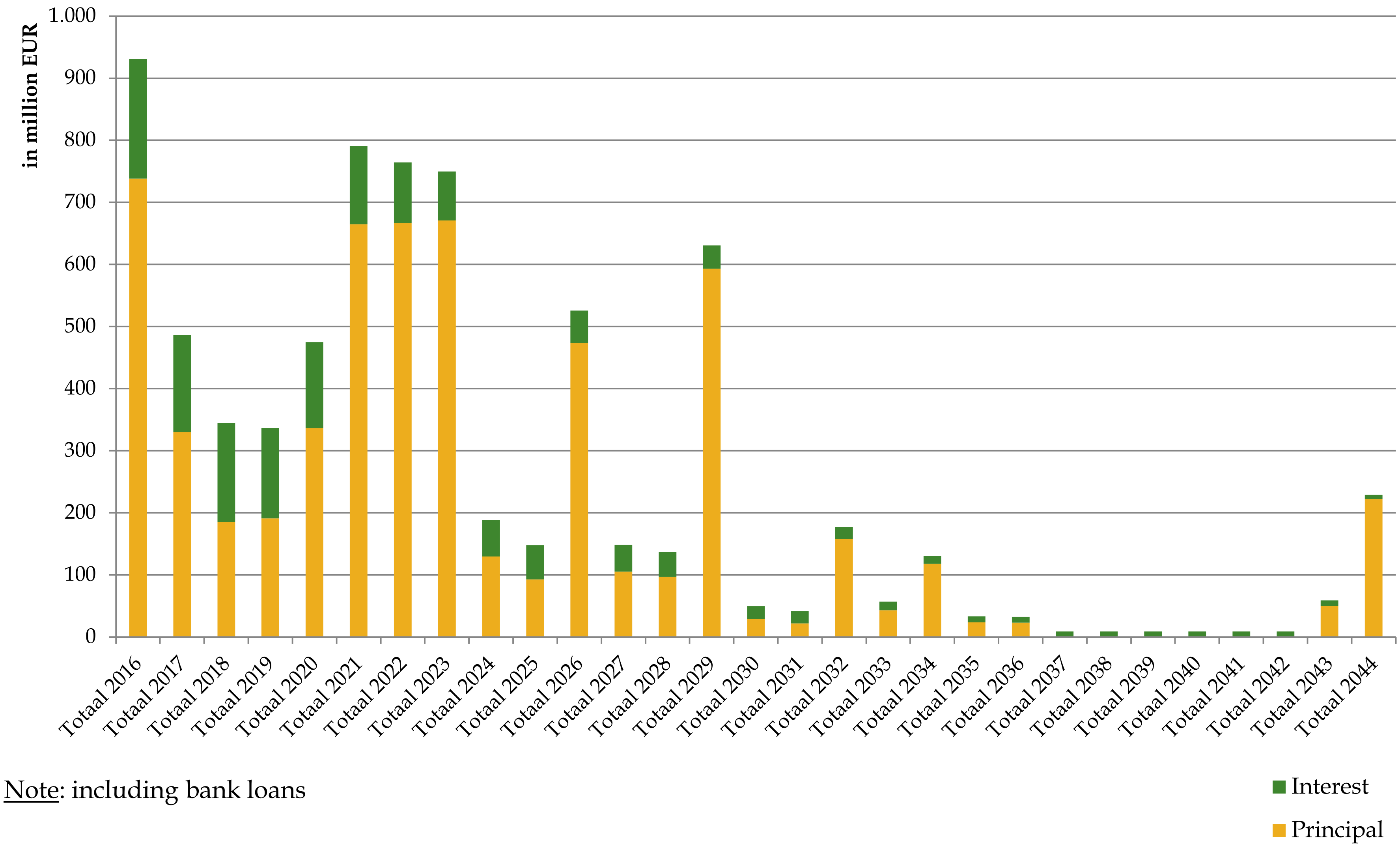


Financial Overview

Eandis's outstanding bonds (as per 31 December 2015): **3.420,5 m€**

Type	Amount (m€)	Issue Date	Maturity date	Maturity	Coupon
Retail	150	23/06/2010	23/06/2017	7	4,000%
Retail	170	30/12/2010	30/12/2020	10	4,250%
EMTN benchmark	500	8/11/2011	8/11/2021	10	4,500%
EMTN benchmark	500	30/11/2012	30/11/2022	10	2,750%
EMTN benchmark	500	9/10/2013	9/10/2023	10	2,875%
EMTN sub-benchmark	400	4/12/2014	4/12/2026	12	1,750%
Schuldschein	50	21/09/2012	21/09/2027	15	3,500%
EMTN Private Placement	54,5	28/03/2013	28/03/2028	15	3,500%
EMTN benchmark	550	7/05/2014	7/05/2029	15	2,875%
EMTN Private Placement	135,5	10/07/2012	10/07/2032	20	3,950%
EMTN Private Placement	20,5	28/03/2013	28/03/2033	20	3,750%
Privater Placement	95	27/10/2014	27/10/2034	20	2,600%
Private Placement	23	5/03/2014	5/03/2036	22	3,550%
Namensschuldverschreibung	50	24/06/2013	24/06/2043	30	3,500%
Private Placement	52	5/03/2014	5/03/2044	30	3,550%
Private Placement	170	27/10/2014	27/10/2044	30	3,000%

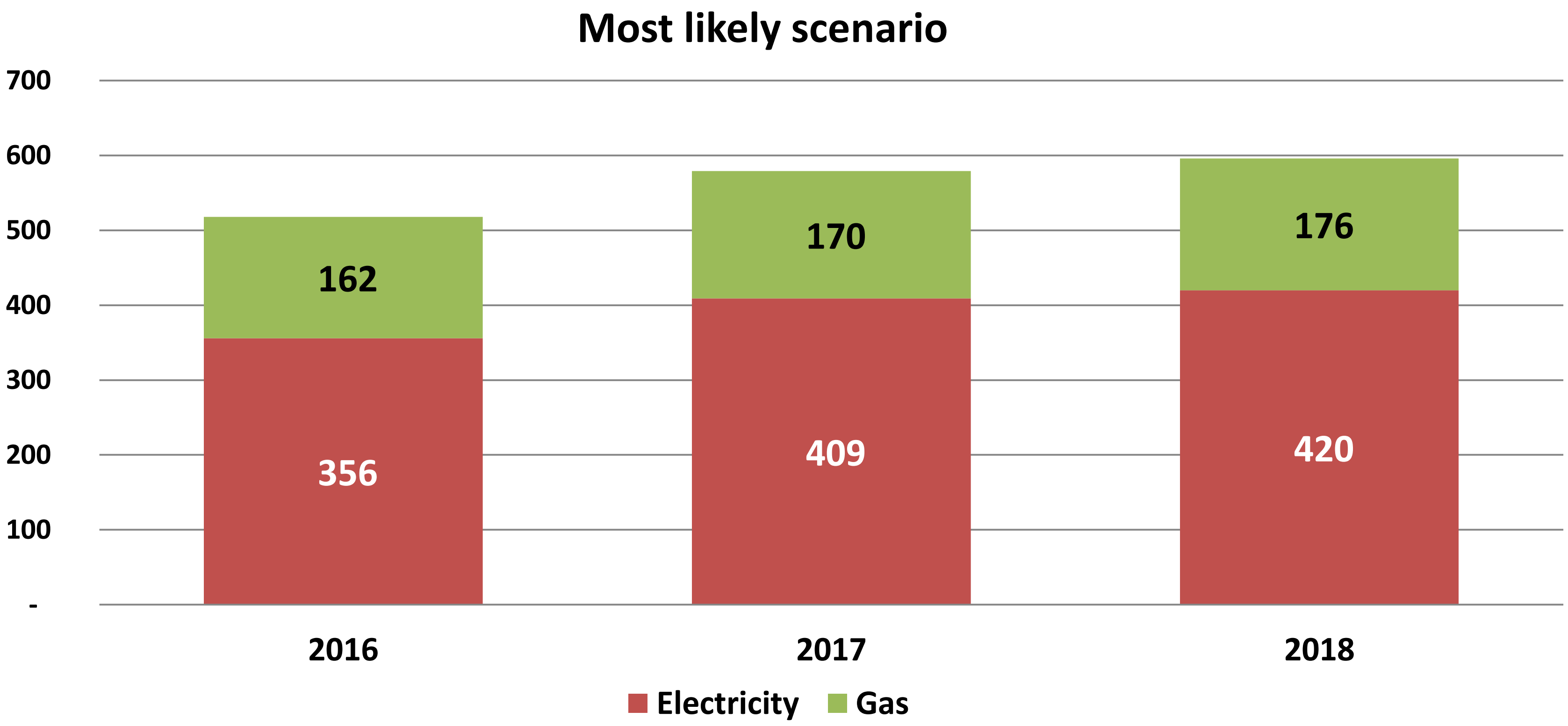
Maturity Profile (Economic Group) as per 31 December 2015



Note: including bank loans

Financial overview

Investment programme 2016-2018 (net figures – m€)



Most likely 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 efficiency and productivity

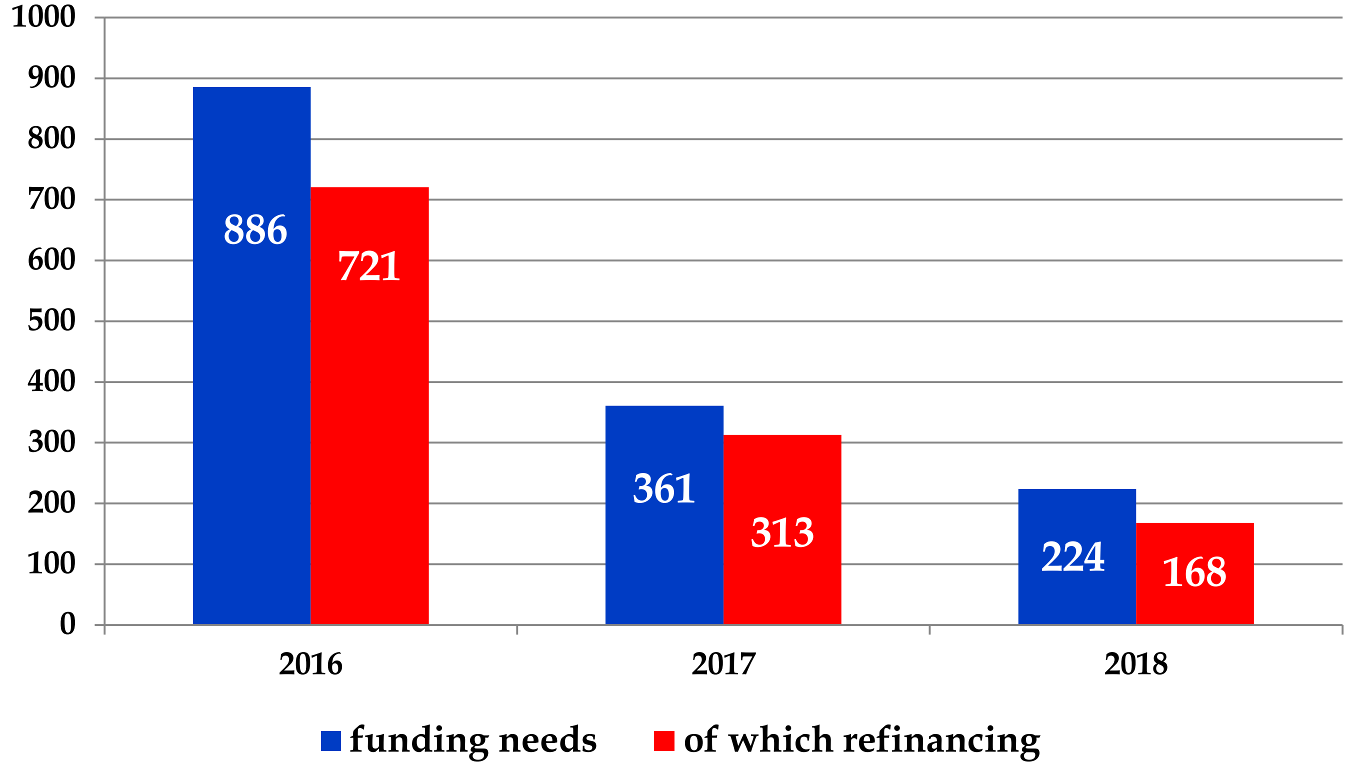
- company-wide **Action Plan FIT** launched in June 2013
- **“FIT-Breakthrough”** as follow-up programme, launched in 2016
- FIT aims at 3 components:
  1. clear cut **efficiency and productivity objectives** (2013-2015) for grid investments, staff and other costs: grid investment budgets will be reduced to ‘autofinancing’
  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**

eandis

Financial overview
Funding Programme 2016-2018 (in mio €)

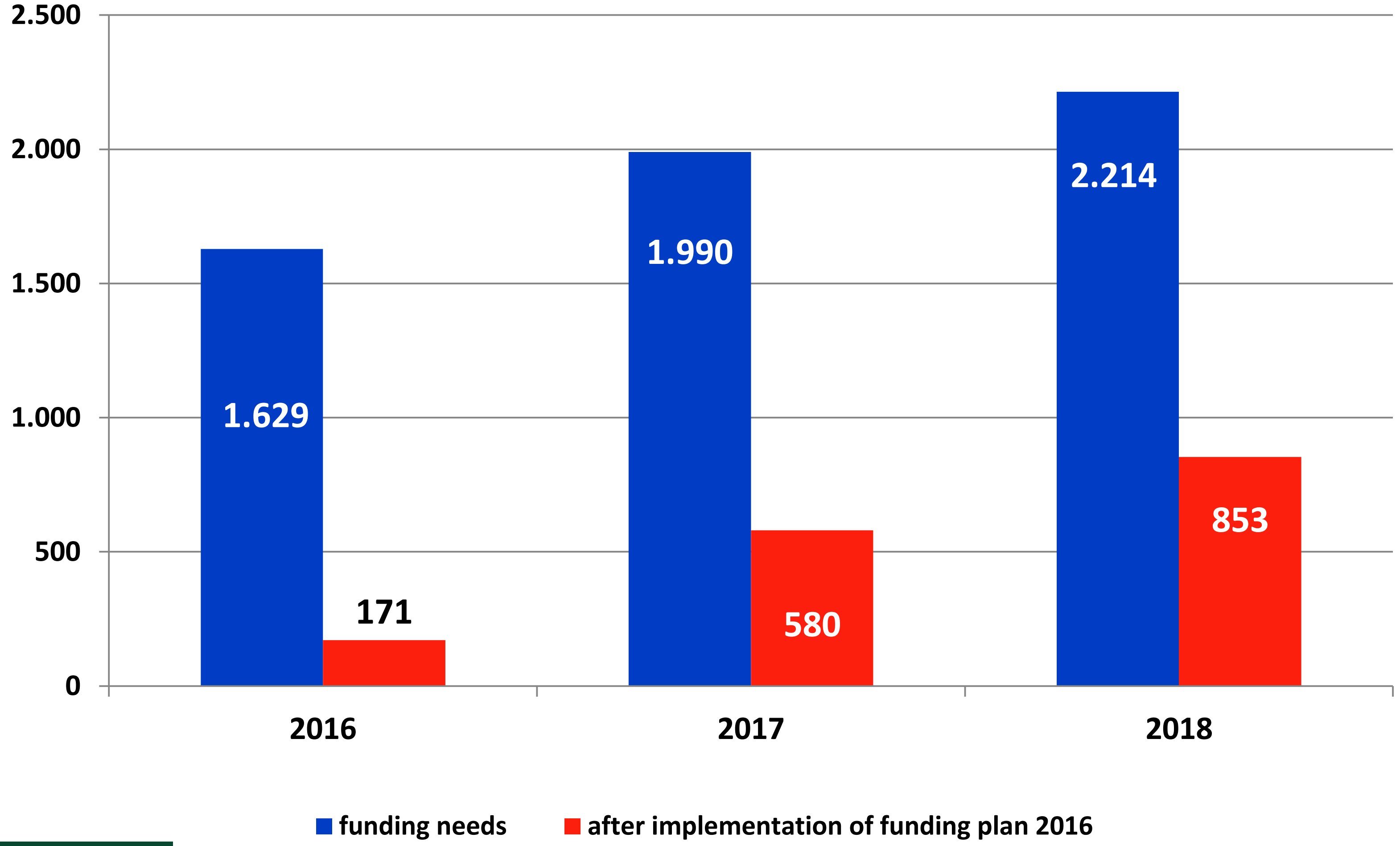
Funding programme 2016-2018:

- investment programme 2016-2018 requires annual net financing of 500-650 m€
- incl. repayments and interest payments under currently outstanding loans and external financing
- incl. proceeds realized from sale of green power & CHP certificates (since 2015)
- taxes taken into charges



Financial overview
Funding Programme 2016-2018 (in mio €)

Funding programme 2016-2017 (provisional)



Financial Overview
Financial Policies and Strategy

Operational Basis	■ Eandis System Operator operates on a cost price basis ■ Eandis Assets operates in a fully regulated framework ■ Separate tariff proposals and regulatory accounts for E and G separately ■ 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
DSO 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)
DSO Financial Policies	■ Commitment of stable dividend in EUR (until 2019) ■ Financial transactions need prior approval by the Board of Directors ■ Funds (bank loans, bonds) borrowed by Eandis System Operator solely on behalf of Eandis Assets (= pass through principle) ■ Eandis Assets sole guarantor of the debt issued by Eandis System Operator
Currency	■ External funding in EUR only (no exchange rate risks)
Risk Mgt Policies	■ Interest rate swaps, if any, are used for hedging purposes only

3. Company & Business Overview

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

Company Overview

Ownership Structure

- **Eandis System Operator** is 100% owned by the DSO **Eandis Assets** (= merger of ex-DSOs Gaselwest, IMEA, Intergem, Iverlek, Imewo, Iveka and Sibelgas)
- Eandis Assets is **100% publicly owned:**
  - i.e. municipalities and provinces
  - ex-Sibelgas: important stake held by IBE/IBG
- Planned changes:
  - June 2016: exit of the **provinces** (2016: Antwerp and East-Flanders) and entry of the **financing intermunicipalities**
  - entry of **State Grid International Development** (= 100% affiliate of State Grid Corporation of China) with a 14% stake
- The current **expiry date** of Eandis Assets is 9 November 2019*, as stipulated by Decree
- At the end of the mandate expiry of Eandis Assets, the municipalities can decide to **extend EA's statutory lifetime for another 18 years**. If a municipality should decide not to take part in a prolongation, it is obliged to take over from EA/ESO their relevant assets & liabilities (incl. financial debt), personnel, public service obligations etc.

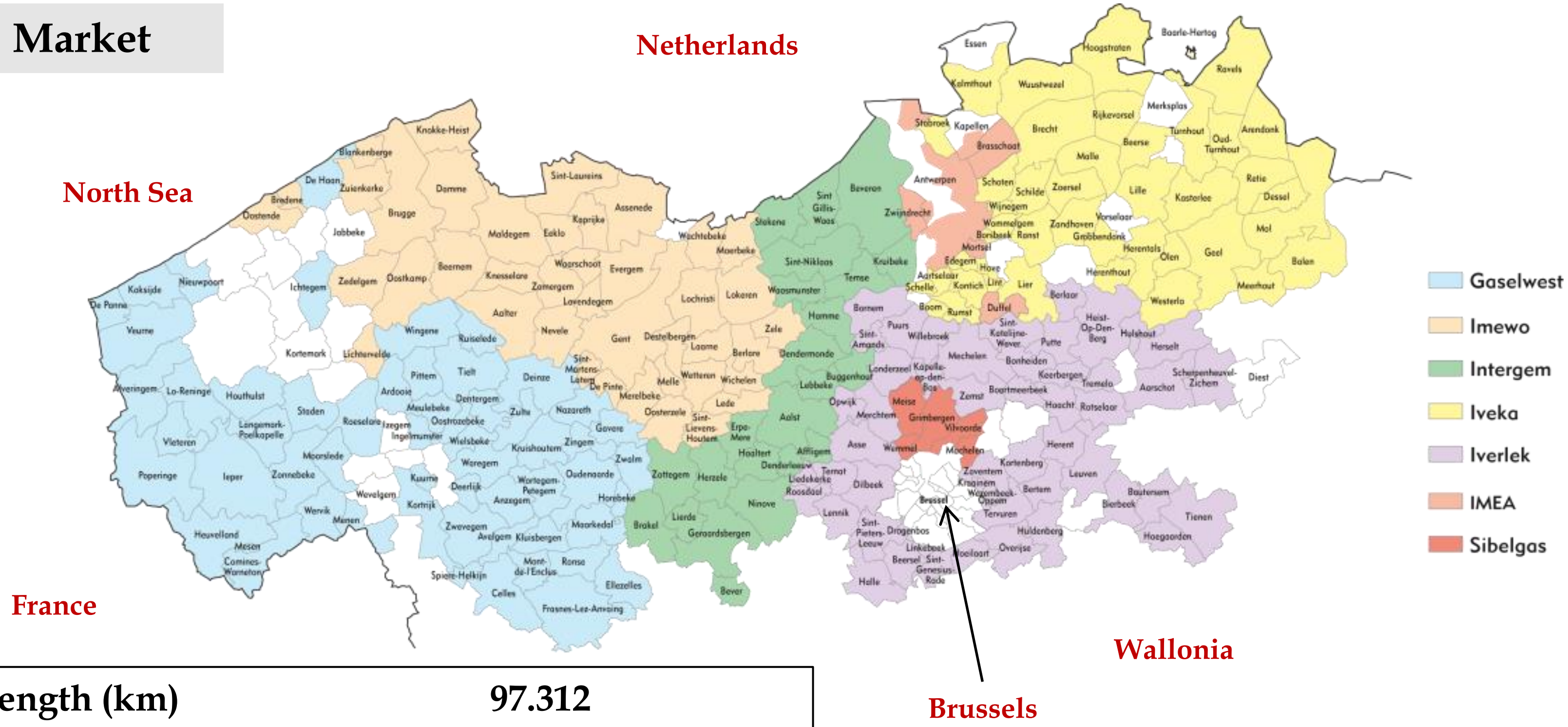
***: also valid for the DSOs of the Infrax group**

Business Overview

Eandis’ network

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

Electricity Market



Total network length (km)	97.312
low voltage	62.575
mid voltage	34.737
Access points	2.641.551
Budget meters in operation	32.506
Public lighting points	845.250
Volume transported (TWh)	25,6

(*) All figures as per 31 December 2015 - Source : Eandis Annual Report 2015

Business Overview

Eandis' network

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

Gas Market

Total network length (km)	42.598
low pressure	34.683
mid pressure	7.915
Access points	1.740.197
Budget meters in operation	23.725
Volume transported (TWh)	50,9

(*) All figures as per 31 December 2015 - Source : Eandis Annual Report 2015

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 energy policies with environmental policies
  - Promote efficient use of energy
  - Promote use of renewable energy and use of CHP (Combined Heat & Power) units

Areas of Competence

- In order to organise the Belgian energy market, one federal (**CREG**) and 3 regional regulators (Flanders: **VREG**) were set up
- **CREG's areas of competence**
  - Electricity generation (except from renewable sources and combined heat & power systems)
  - Electricity transmission on > 70 kV grids
  - Gas storage and gas transport
  - Transmission tariffs
- **The 3 regional regulators' areas of competence**
  - Local distribution of electricity (voltage ≤ 70kV)
  - Local distribution of natural gas
  - Energy production from renewable sources and combined heat & power systems
  - Rational use of energy (RUE)
  - (Social) public service obligations
  - Organization of supply market and supply licenses
  - Distribution tariffs (as from 1 July 2014)

Regulatory Framework

Distribution Grid Tarification – Transfer of competency

- **1 July 2014**: formal date of transfer when VREG replaces CREG as competent tariff-setting regulator for the Flemish Region - appointment by Flemish Decree of 14 March 2014
- **30 September 2014**: VREG published **tariff methodology for transitory tariff period 2015/2016**,
  - principles of non-discrimination, stability, transparency, business continuity, efficiency and avoidance of tariff shocks
  - based on a **revenue cap model** ('exogenous' costs excluded), with incentives for non-exogenous costs
  - **RABxWACC-based remuneration** for DSO's shareholders
  - tariff methodology needs to be complemented with tariff guidelines and tariff structure
- **1 January 2017**: start of **tariff period 2017-2020**, relevant tariff methodology not yet established (formal consultation procedure launched by VREG on 4 May 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
- tariffs 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
- tariffs 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 tariff guidelines

Regulatory Framework
Distribution Grid Tarification 2015-2016

- VREG approved the 2015/2016 tariffs E & G within the context of a transitory tariff period of 2 years; regular 4-year tariff periods to start in 2017-2020

- Basic tarification principles:

  - **revenue regulated** ('revenue cap' or 'allowed income') for non-exogenous costs:

    $$AI_n = AI_{n-1} * [1 + CPI - x + q]$$ in which

    - AI = allowed income
    - x = efficiency factor *(not yet implemented)*

    CPI = consumer price index
    q = quality factor *(not yet implemented)*

  - **RAB x WACC for 2016** with gearing [= debt/(debt+equity)] set at 55%
    - **cost of equity at 5,7%**, with risk-free rate = 2-year 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% (post-tax);** WACC at 6,1% (pre-tax)

  - VREG allows for the **recovery of regulatory balances 2008-2009** over 2015-2016; recovery of 20% of 2010-2014 regulatory balances in 2016; timing of recovery of remaining part still unclear

  - **differences in exogenous costs and volume differences** are settled in the annual tariffs

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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

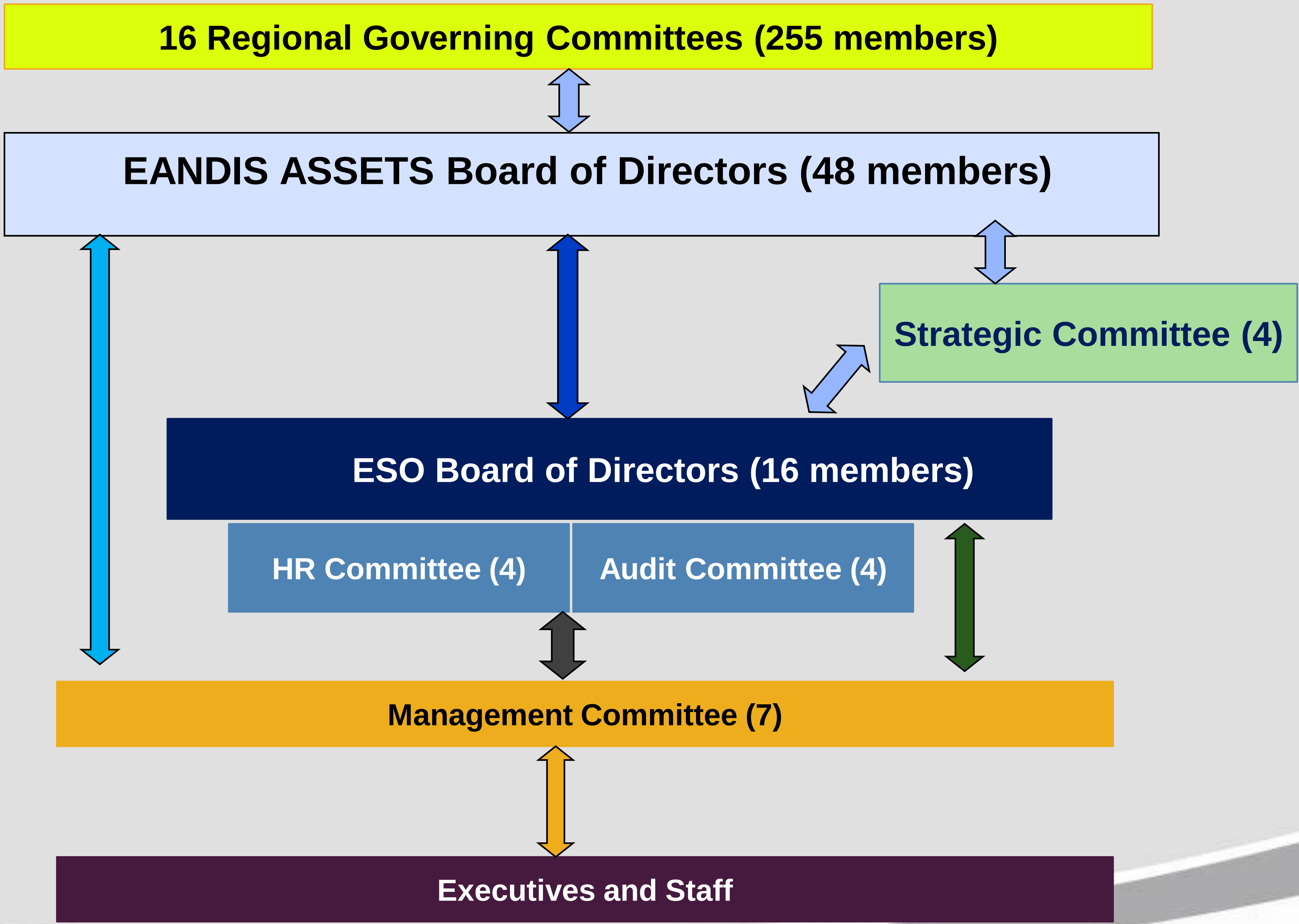
David TERMONT, CFO
Finance, Administration & ICT

Donald VANBEVEREN
Regulation & Strategy

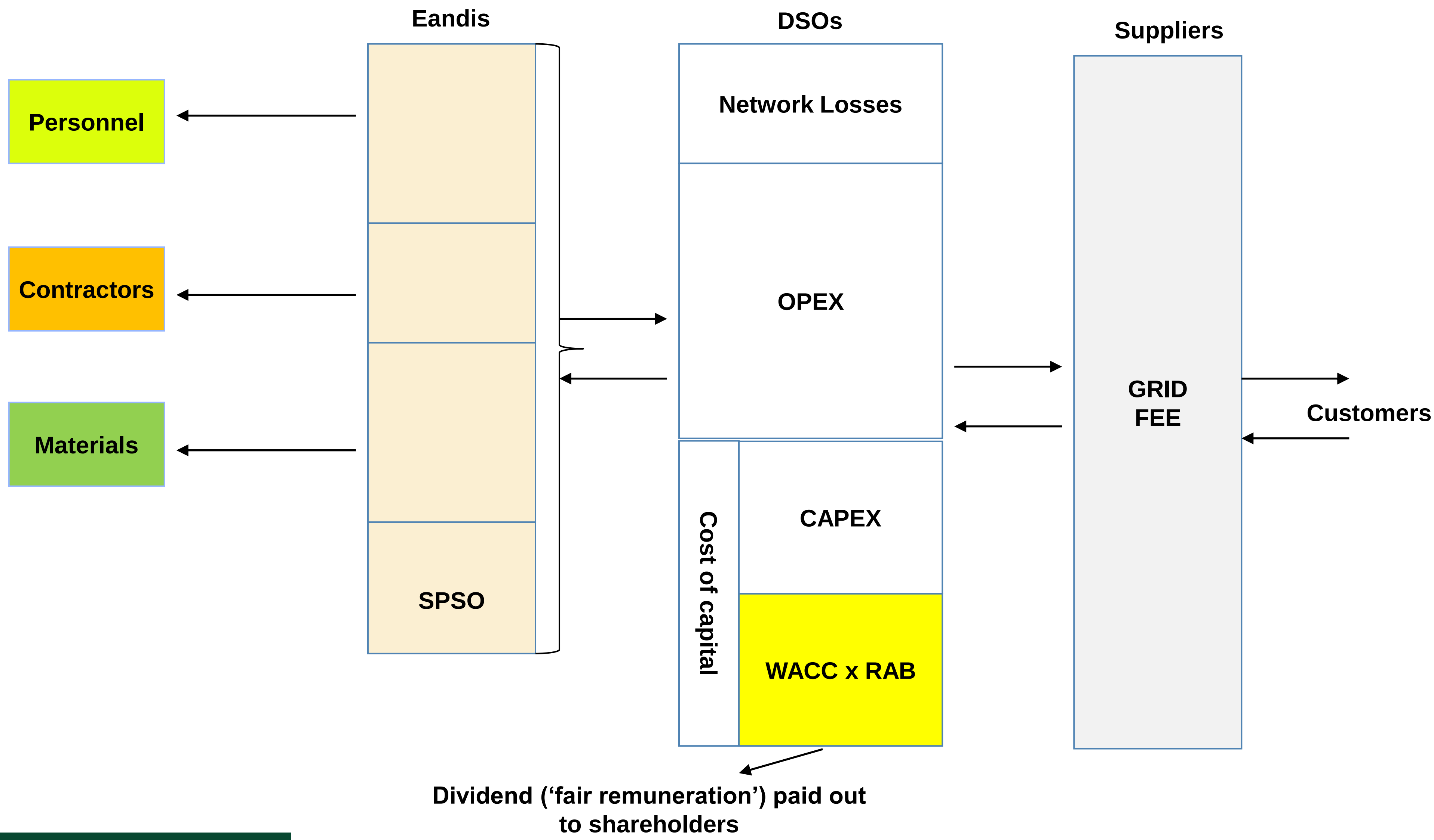
Werner VERLINDEN
HR & ***Organisational Management***

Company Overview

Corporate Structure: Eandis Assets vs Eandis System Operator



Regulatory Framework
Cash Cycle



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
- 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")

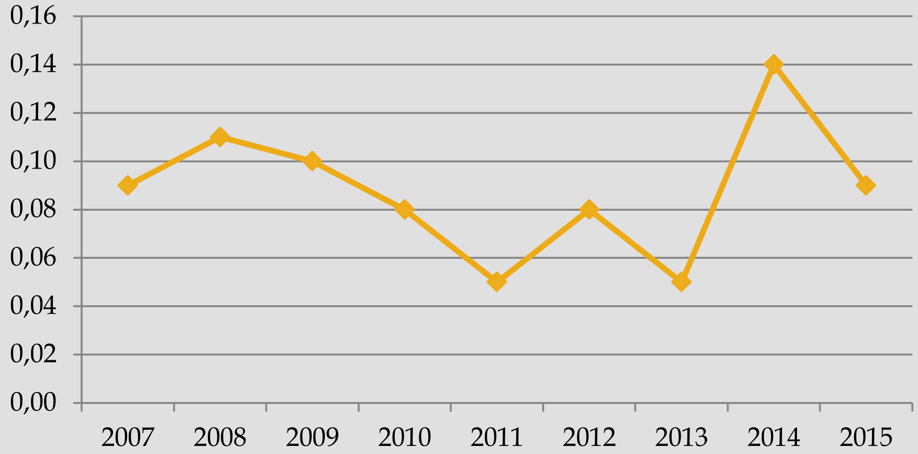
DSOs - Overview

- Most municipalities opted for **intermunicipal associations** fort heir mission of electricity and gas distribution system operator ("DSO")
- 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 by 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 2014, for G renewed in 2015

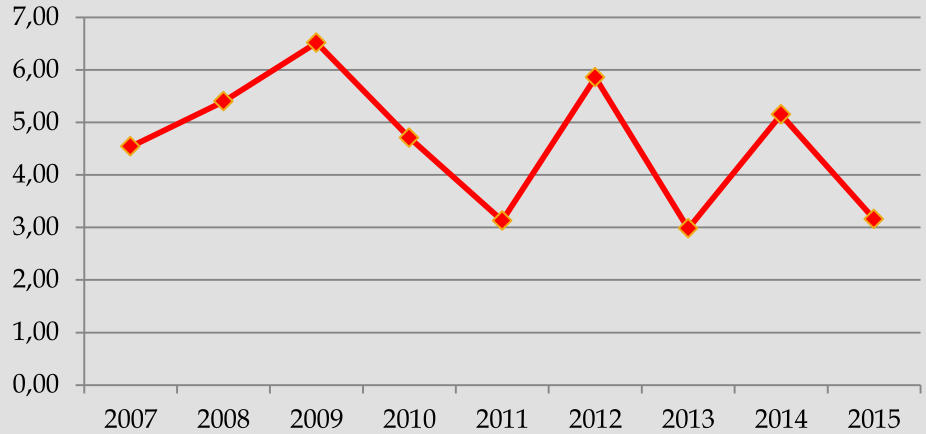
Eandis: safety & reliability

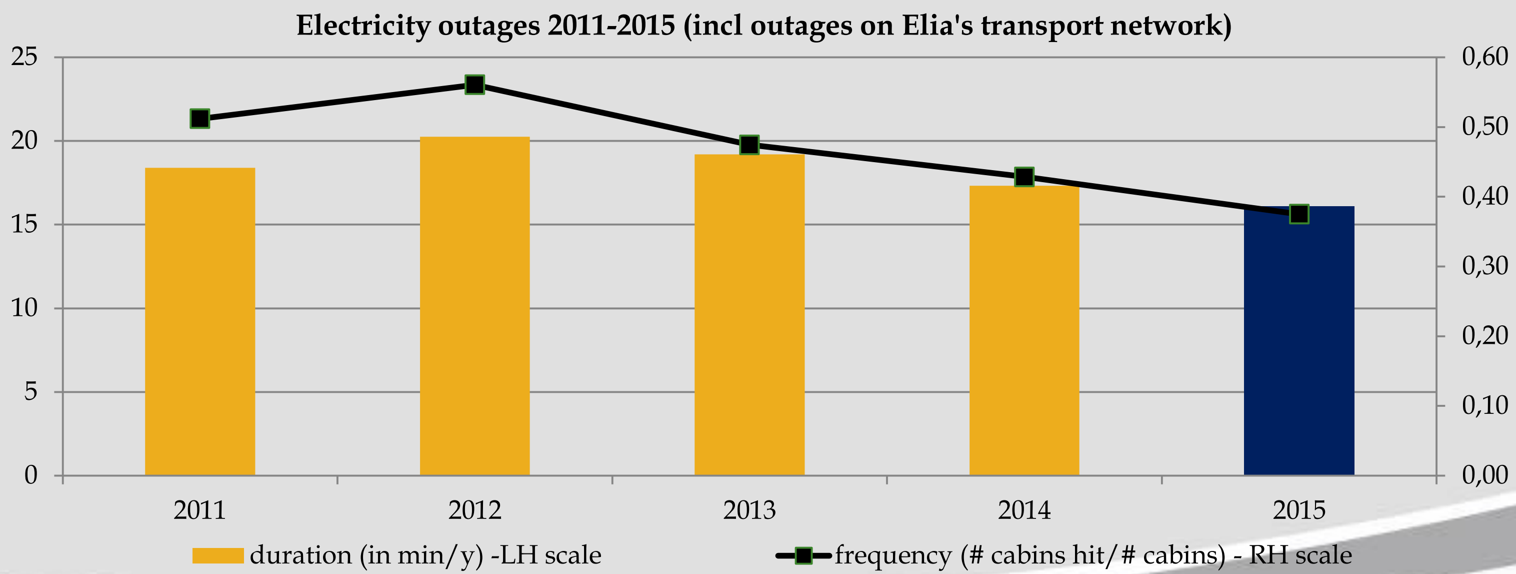
Industrial accidents (2007-2015) / electricity outages (2010-2015)

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 1000000/# 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: 251 [2] on 3 sites (Mechelen, Ghent and Ypres)
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Financials 2015 (BE-GAAP)
  - Balance sheet total: € 3.942.433
  - Share capital: € 257.700
  - Debt: € 3.684.733 of which € 3.625.413 < 1 year / no LT debt)
  - Turnover: € 13.046.479

(1) Farys is the new name for T.M.V.W.
(2) As per end 2015

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: 17 *(on 31 December 2015)*
- 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 2015 (BE-GAAP)
  - Balance sheet total: € 25.531.664
  - Share capital: € 18.600
  - Debt: € 25.513.044 (of which € 25.491.316 < 1 year / no LT debt)
  - Turnover: € 9.503.513

Eandis's subsidiary: Synductis cvba

- Date of establishment: 21 December 2012
- Shareholders: Eandis (33,33%), Farys (44,95%), Proximus (16,67%), IWVA (2,26%) and IWVB (2,79%) – water company Pidpa joined in June 2015 - open for other utilities
- Board: 5 members (of which 2 for Eandis, incl. Chairman Geert Versnick)
- Staff: none, all operations by staff delegated by shareholders
- 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
- <u>Financials 2015 (BE-GAAP)</u>
  - Balance sheet total: € 875.805
  - Share capital: € 19.200
  - Debt: € 856.605 (all debt < 1 year / no LT debt)
  - Turnover: € 1.996.649

Eandis's subsidiary: Warmte@Vlaanderen cvba

- Date of establishment: 18 May 2016
- Shareholders: Eandis System Operator (50%), Infrax (50%), Walter Van den Bossche (CEO ESO – 1 share) and Frank Vanbrabant (CEO Infrax – 1 share)
- Board: 10 members (of which 5 for Eandis, incl. Chairman Koen Kennis)
- Warmte@Vlaanderen will (i) detect, design, develop, build and maintain infrastructure for district heating and geothermal energy, (ii) generate heat and (iii) transport, distribute, supply, measure and bill heat
- First fiscal year runs until 31 December 2017
- Financials (BE-GAAP)
  - Share capital: € 18.600

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.)
    - 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.