Eandis cvba

Investor Presentation

October 2014

Strictly private and confidential

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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) + the 7 Flemish mixed Distribution System Operators (DSOs). 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 17 September 2013]. 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

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

234 Municipalities — 79% [2] →

Electrabel — 21% [3] →

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)[1]

Eandis Economic Group

(1) SYNDUCTIS is not consolidated
(2) will become 100% on 29 December 2014
(3) will disappear on 29 December 2014

eandis

Executive Summary

- Eandis is a **Belgian distribution grid operator** established in March 2006
- Eandis is **owned by the 7 Flemish Mixed Distribution System Operators ("DSOs"),** being intermunicipalities, and is entrusted with a number of quasi-government **public service tasks**
- 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 regulator VREG (29 October 2009)
- Eandis serves around **2,6 million access points** for electricity and **1,6 million access points for gas**. Its operating revenue and pre-tax profit (*Eandis Economic Group – IFRS*) were respectively **2,96 billion €** and **323,0 mio €** for 2013. Its distribution services cover **234 municipalities (**approx. 78 % of all Flemish municipalities)
- The company is of **strategic importance to the Flemish Region** (Aa2 stable / AA-A1+ / AA stable) and its general policy aim of realising Europe's 20-20-20 objectives
- **Electrabel's (GDF Suez Group) capital share in each of the 7 DSOs currently amounts to ± 21%**, but Electrabel will exit the DSOs' share capital completely on 29 December 2014 due to an agreement in principle (August 2014)
- Moody's identifies Eandis as a **government-related issuer** given the current majority and the future sole ownership by Flemish municipalities/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 (stable 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 ■ Ownership of DSOs by the local authorities is increasing to 100% by the end of 2014 at the latest
Very Favourable Regulatory Environment (Cost-Plus)	■ 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 is based on the cost recovery of all reasonable costs (incl. financing costs) and contains a fair profit margin as remuneration on invested capital ■ 2012 regulatory tariffs were prolonged for 2 years (2013/2014) by decision of the CREG
Efficient Operating Scheme	■ The association of 7 DSOs under the structure of Eandis allows for an efficient operating scheme ■ 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 as the DSOs’ services are priced on a cost-plus basis, determined in a legal framework ■ Tariffs are fixed for long periods (up to 4 years)
Legal Monopoly and Low Risk Electricity & Gas Distribution	■ Low business risk - DSOs are not involved in the competitive 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 42,4% of RAB (BE-GAAP, as per 30 June 2014), ■ The regulator guideline recommends regulatory asset base (RAB) to be funded by 1/3 equity and 2/3 debt ■ Regulator provides for a fair profit margin based on this leverage ratio
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)* ■ “Flanders ranks high on the socio-economic indicators of the 131 EU-regions. It is thus a prosperous region. A nominal GDP per capita of € 33,973 in 2012, high labour productivity and a relatively high disposable income.” *(Flanders Outlook 2013, Research Centre of the Government of Flanders, March 2013)*

(1) Data Rijksregister

Eandis vs other Belgian distribution grid operators

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

Eandis is currently the **only rated distribution grid player in Belgium** (Moody's: A1 stable)

Eandis, Sibelga and ORES exclusively operate electricity and gas networks (**regulated activities**); Infrax is also active in cable television and sewage system operations. 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, enabling the company to **maximise benefits of scale** *[all figures (1) as per 31 December 2013]*:

	Eandis	Infrax	Sibelga	ORES	Resa
municipalities served	234	96	19	198	73
operating area	Flanders	Flanders	Brussels	Wallonia	Wallonia
employees	4.268	1.588	1.061	2.412	900
connections E	2.592.442	737.024	694.540	1.428.596	651.467 [2]
connections G	1.672.268	329.795	502.213	513.499	
Regulated Asset Base 2011 E+G (incl. Net Working Capital) – in m€	8.022,9	2.930,6	1.125,2	3.387,3	

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

2014 YTD Highlights (1)

- preliminary consultation with VREG about future **Flemish distribution grid tarification** system
- 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."
  - <u>"Eandis's rating is one of the most highly positioned amongst the peer European networks […]"</u>

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

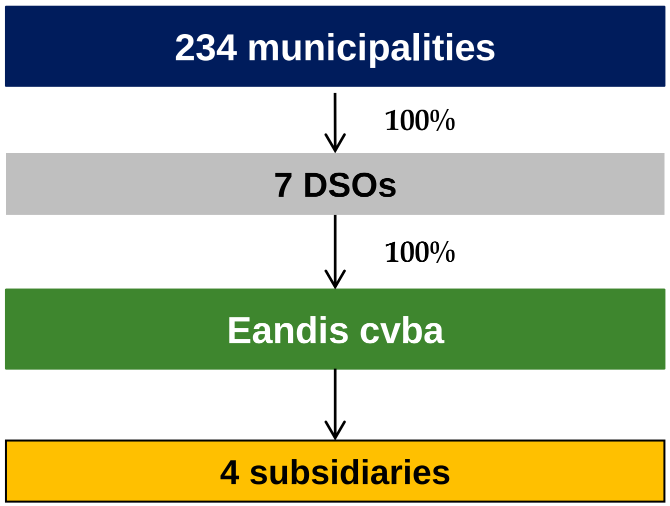
- **Eandis/Infrax** reach agreement on aspects of the future energy distribution sector in Flanders: tarification matters (unified tariffs E & G, safeguarding of the fair remuneration, possible mergers of DSOs, no merger of operating companies, duration of DSOs, possible exchanges of municipalities, … – endorsement by the Flemish government – for some matters, however, amendments to legal/regulatory framework required
- 5 May: DSOs file request for renewal of their **licence as DSO for electricity** with the VREG
- 7 May: **4th EMTN benchmark bond issue**: 550 m EUR, 2,875% coupon, maturity 15 years (1st benchmark > 10 y); well received by the markets with total orderbook of >1,6 bn EUR

2014 YTD Highlights (2)

- 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
- 1 July: **transfer of distribution grid tariff competence** to the Regions officially effective as from this date – 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
- 5 September: **expiry of DSOs' licence for electricity** – renewed licence to be awarded retro-actively by the VREG, together with renewed appointment of Eandis as DSOs' operating company
- 15 September: Eandis starts construction phase for first ever mid-voltage **distribution cable on 36 kV** (150 km) in the area of Hoogstraten to enable connections for horticultural sector

2014 YTD Highlights (3)

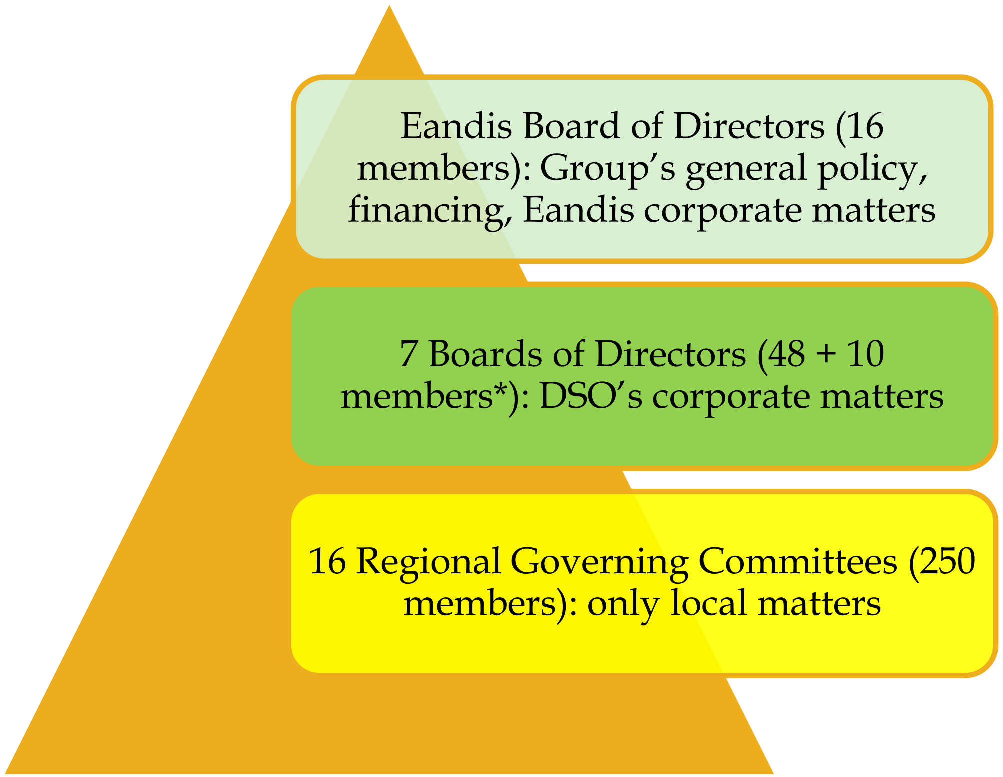
- 27 August: the DSOs' public and private shareholders reach an **agreement in principle on Electrabel's exit:**
  - Electrabel's shares in DSOs (21 per cent of share capital) to be taken over by municipal shareholders who will raise their share capital to 100 per cent
  - municipalities simultaneously exit from Electrabel Customer Solutions (ECS)
  - both exits take the legal form of a **sale of shares**
  - ratified by governing bodies of DSOs and Electrabel/GDF Suez in September 2014 - signed on 8 October 2014 - closing and payment on **29 December 2014**
  - shareholding structure in the Eandis Economic Group as from 30 December 2014:



Corporate Structure for the Eandis Economic Group

Transparent and flexible corporate structure

- 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:



* 10 members elected on proposal by Electrabel (until 29 December 2014)

Executive Summary

Moody's Corporate Rating for Eandis

A1
(stable outlook)

<u>Credit strengths</u>:

- transparent and supportive regulatory framework
- 3 notches of rating uplift reflecting potential support from the Flemish region (Aa2 stable) in a distress scenario
- transition to one regulatory body will reduce risk of inconsistencies
- adequate liquidity position

<u>Credit challenges</u>:

- regulatory framework is yet to establish a track record
- expected weakening financial profile, as a result of ongoing capital expenditure needs and tariff deficit

from: Moody's Credit Opinion (17 March 2014)

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's changes outlook on Eandis's A1 rating to stable from negative; ratings affirmed

Global Credit Research - 13 Mar 2014

London, 13 March 2014 -- Moody's Investors Service has today changed the outlook on Eandis CVBA's A1 long-term issuer and senior unsecured ratings to stable from negative. At the same time, those ratings and the (P)A1 MTN programme rating were affirmed. 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 that rating

RATINGS RATIONALE

"Eandis's stabilised outlook reflects the stabilisation of the outlook on the Community of Flanders' rating, the entity with ultimate responsibility for the organisation of energy distribution in the region," says Nicholas Stevens, Moody's lead analyst for Eandis. "Eandis benefits from three notches of ratings uplift as a result of its association with the Community of Flanders, and our assessment of the company's credit quality is therefore highly connected to that of the Belgian sub-sovereign at this level," adds Mr. Stevens.

Eandis is fully owned by seven Flemish Distribution System Operators (DSOs). In assessing Eandis's financial profile, Moody's has applied its rating methodology for government-related issuers (GRIs), given the ownership of the seven DSOs by the Belgian municipalities and provinces. In accordance with this GRI methodology, Moody's assessment of the credit quality of the DSOs incorporates a three-notch rating uplift. The uplift results from (1) the credit quality of the Community of Flanders (Aa2 stable); (2) Moody's assessment that there is a high probability that the sub-sovereign would provide support to the DSOs if they were in financial distress; and (3) Moody's assessment of a very high level of default dependence (i.e., the degree of exposure to common drivers of credit quality) given the entirely domestic operations of the DSOs and their close association with their owners and the region.

WHAT COULD CHANGE THE RATING UP/DOWN

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 and incorporates three-

<u>rating history</u>:

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

Corporate Strategy

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

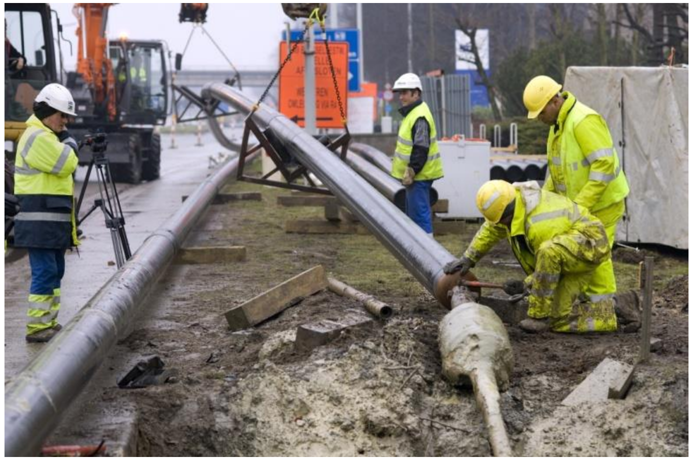
for non-regulated activities: *make active use of opportunities which support our strategic focus and enhance our strengths*

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)
  - huge success for **Energy Services for Local Authorities** (>60% of municipalities with a concrete project)
  - **sustainable mobility**:
    - Eandis actively promotes **electric mobility** and the implementation of charging infrastructure – is an active partner **of Flemish EVA project** (Electric Vehicles in Action)
    - **CNG vehicles** now in scope as well
  - May 2014: first **CSR Report** [GRI-4 – core option] published: focus 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
- Very favourable & stable regulatory environment (cost-plus; 4-year tariffs; embedded)
- Efficient operating scheme



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

2. Financial Overview (Economic Group)

- Summary financials 2011-2014
- Capex programme 2013 (actuals)
- Short term financing
- Debt and maturity profile
- Investment programme 2014-2018
- Financing needs and funding 2014-2017
- Financial policies and strategy

Financial Overview

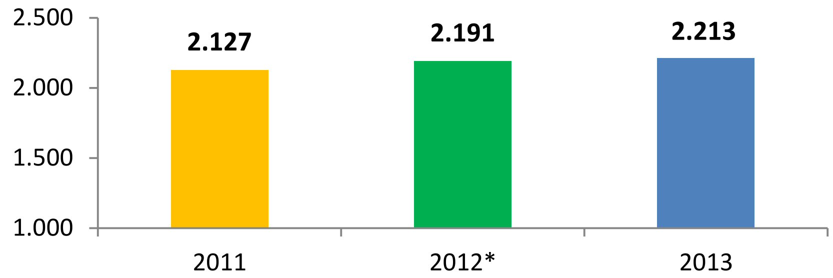
Summary Financials FY 2011-2013 (actuals) for the Economic Group

Financials (IFRS)

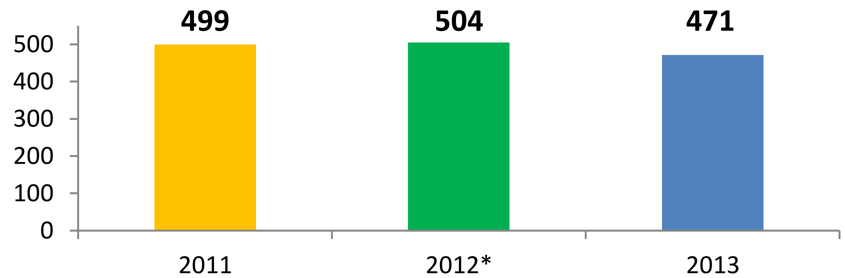
* 2012 restated due to IAS 19 (revised)

(in mio €)	2011	2012*	2013
Income statement			
Revenue	2.127	2.191	2.213
Total Operating Income	2.838	2.907	2.956
Total Operating Expenses	-2.339	-2.403	-2.484
Result from Operations	**499**	**504**	**471**
Net Financial Income/Expense	-204	-203	-143
Profit before Tax	295	301	328
Profit for the period	296	297	320
Other Comprehensive Income	-53	-108	113
Total Comprehensive Income	**244**	**189**	**433**
Balance Sheet			
Current Assets	949	1.201	1.314
Non-Current Assets	7.239	7.502	7.724
Total Assets	**8.188**	**8.702**	**9.039**
Total Equity (attributable to parent)	2.815	2.778	2.978
Non-Current Liabilities	4.516	4.631	5.041
Current Liabilities	856	1.292	1.019
Total Liabilities	5.372	5.923	6.059
Total Equity & Liabilities	**8.188**	**8.702**	**9.039**
Cash Flow Statement			
Net CF from Operating Activities	**623**	**457**	**467**
Net CF from Investing Activities	**-618**	**-616**	**-584**
Net Cash Flow used in/from Financing Activities	**-16**	**159**	**116**
Net Increase/Decrease of Cash + Cash Equivalents	-11	1	-2
Cash + Cash Equivalents on 31 Dec	6	7	5

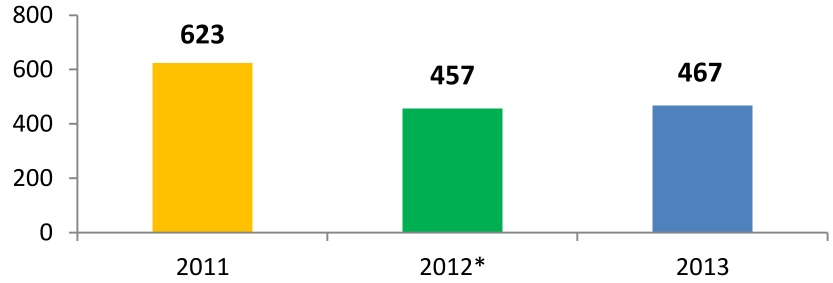
Revenue (in mio €)



Result from Operations (in mio €)



Net CF from Operating Activities (in mio €)



Financial Overview

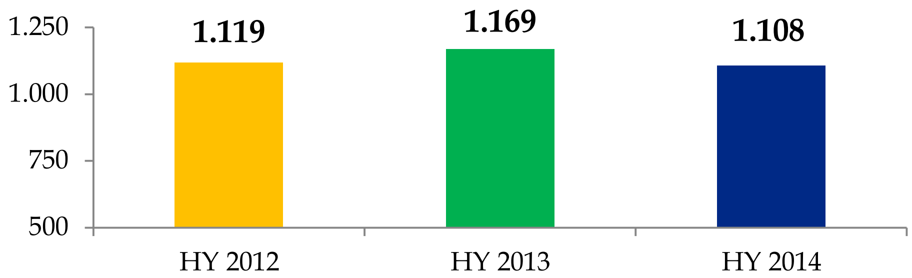
Summary Financials HY 2012-2014 (actuals) for the Economic Group

Financials (IFRS)

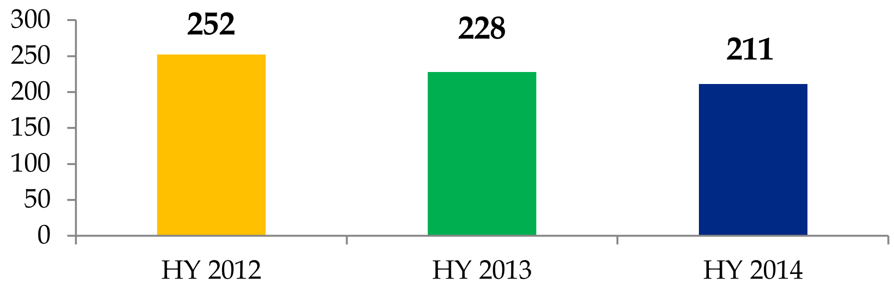
(in mio €)	HY 2012*	HY 2013	HY 2014
Income statement*			
Revenue	1.119	1.169	1.108
Total Operating Income	1.467	1.526	1.411
Total Operating Expenses	-1.214	-1.298	-1.201
Result from Operations	**252**	**228**	**211**
Net Finance Income/Expense	-98	-59	-123
Profit before Tax	155	170	87
Profit for the period	**154**	**169**	**85**
Other Comprehensive Income	**-87**	**83**	**-21**
Total Comprehensive Income	**67**	**251**	**64**
Statement of financial position			
Current Assets	963	1.203	1.695
Non-Current Assets	7.359	7.619	7.793
Total Assets	**8.322**	**8.822**	**9.488**
Non-Current Liabilities	4.488	4.522	5.291
Current Liabilities	968	1.297	1.186
Liabilities	5.456	5.820	6.477
Total equity attributable to owners of the parent	2.866	3.002	3.010
Total Equity and Liabilities	**8.322**	**8.822**	**9.488**
Cash Flow Statement			
Net Cash Flow from Operating Activities	409	403	436
Net Cash Flow from Investing Activities	-300	-303	-254
Net Cash Flow used in/from Financing Activities	-109	-101	245
Net Increase/Decrease of Cash and Cash Equivalents	**-1**	**-1**	**427**
Cash and Cash Equivalents on 30 June	5	6	433

** HY 2012 as restated due to revision of IAS 19*

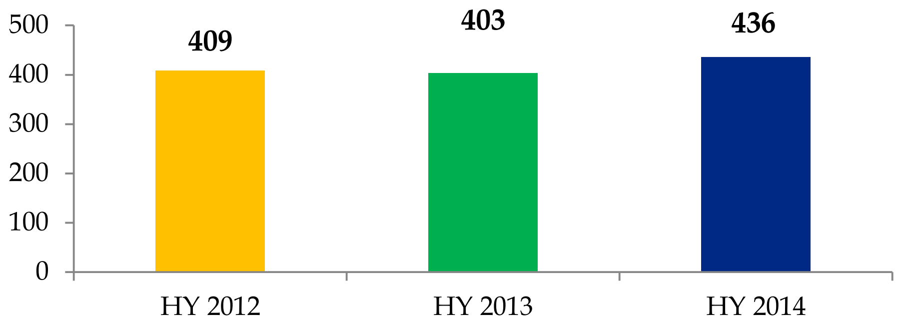
Revenue (in mio €)



Net Operating Income (in mio €)



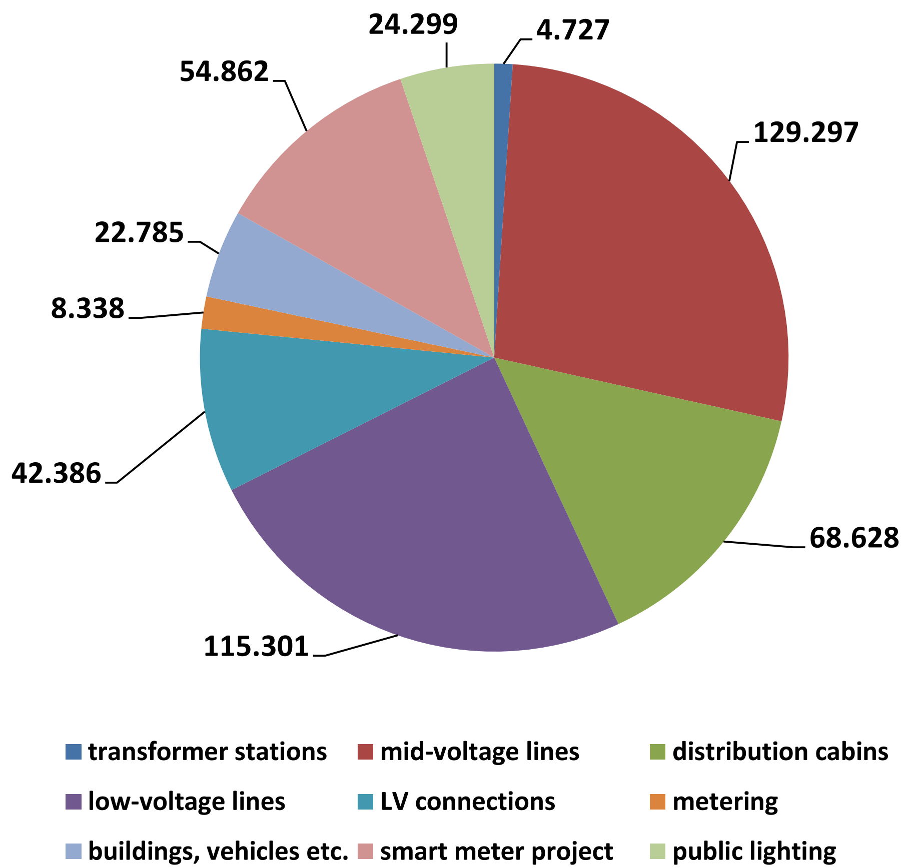
Net CF from Operating Activities (in mio €)



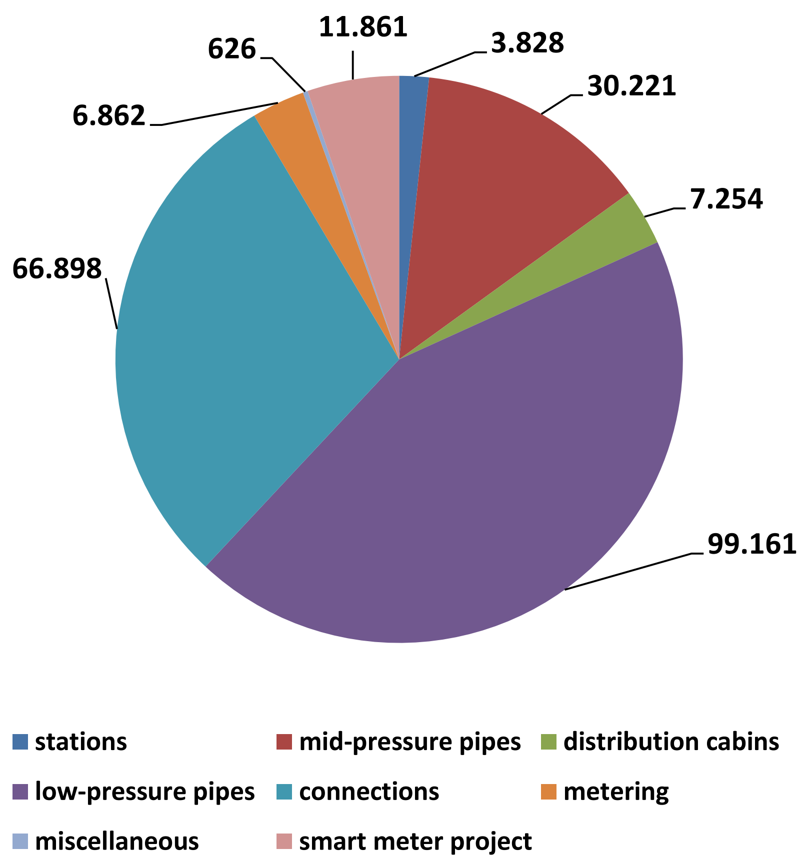
Financial Overview

Capex Programme 2013 (actuals – gross investments)

Electricity: 470,6 mio € (2012: 499,8 mio €)



Gas: 226,7 mio € (2012: 229,2 mio €)



CAPEX /Total Net Fixed Assets: 9,2% (2012: 9,8%)

Short term financing capacity

Liquidity Facilities (as per 31 August 2014)

CP Programmes (“Thesauriebewijzen”)

- Total size programmes: 522 m€
- Currently outstanding: 0 €

Cash & Cash Equivalents

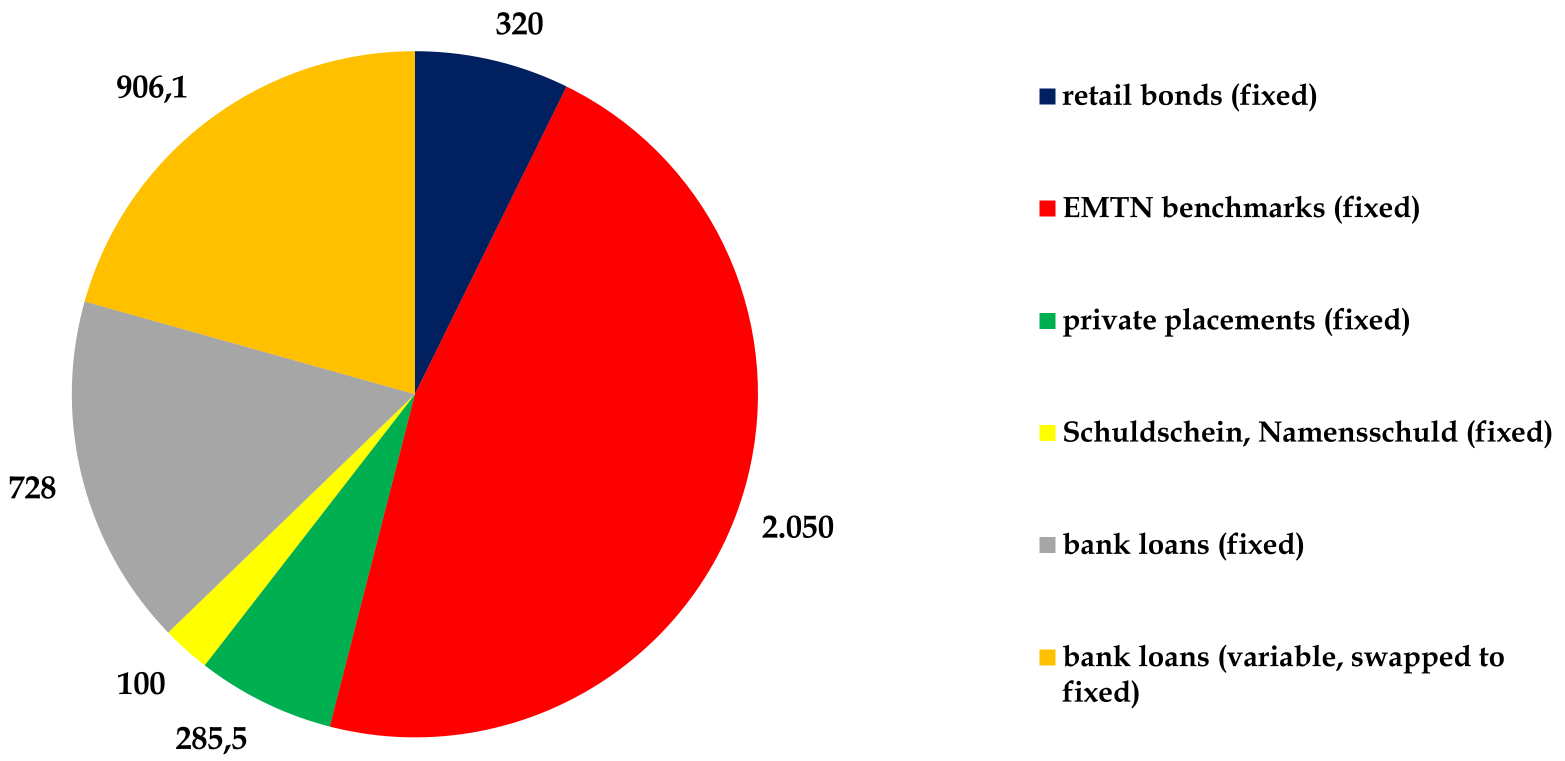
- Bank account: 0 € drawn
- Overnight straight loan facility: 200 m€
  - 0 € overnight loan drawn
- Committed

ST Revolving Credit Facilities

- Total size facilities: 250 m€
- Currently outstanding: 0 €
- Committed

Debt Profile (Economic Group)

LT Debt Profile by Instrument (amounts outstanding as per 31 August 2014 in mEUR)



→ **average lifetime of outstanding debt (31 August 2014):** **8 years and 11 months**

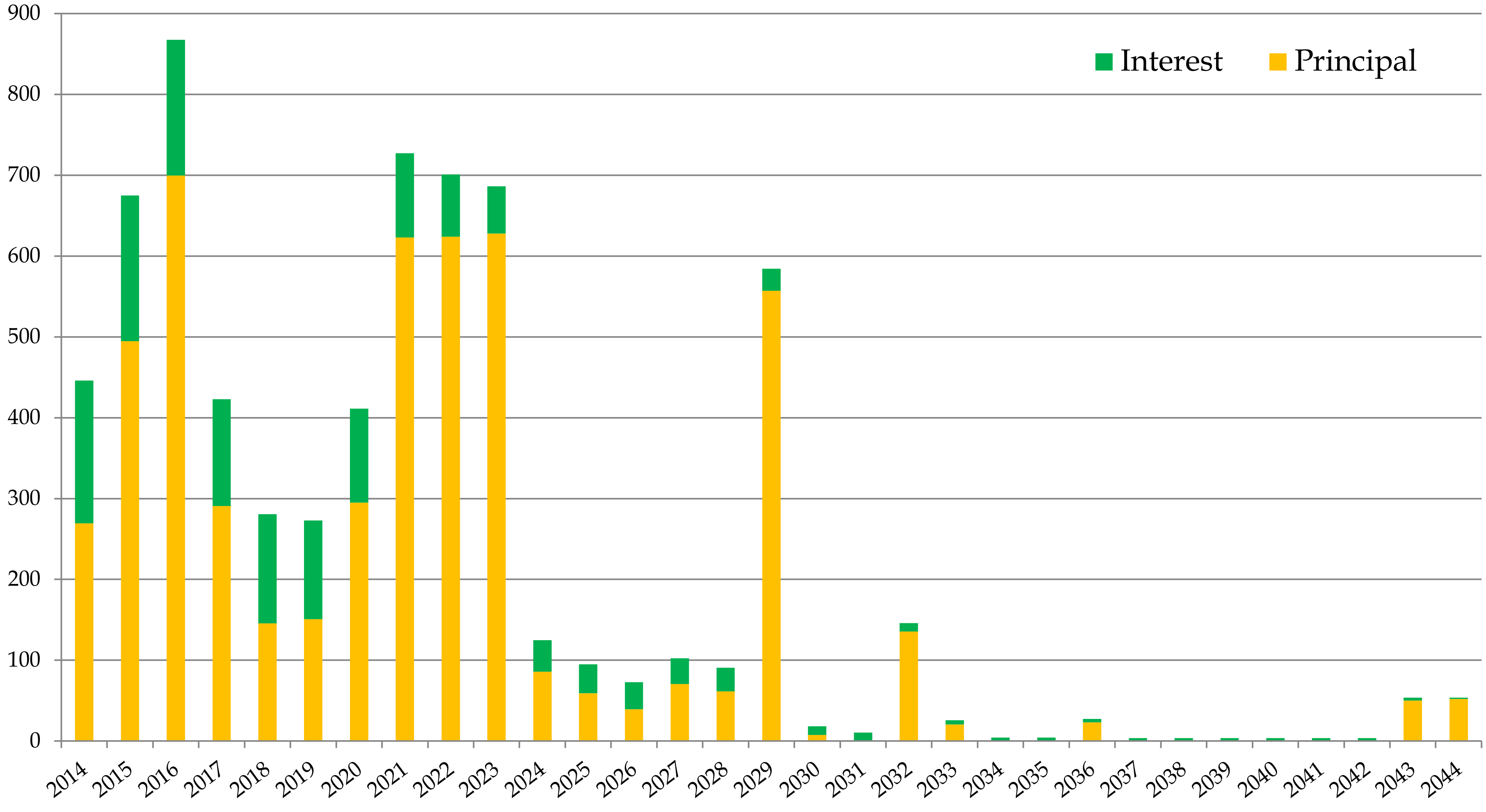
→ **weighted average interest rate on LT financing:** **3,622%**

Financial Overview

Eandis's outstanding bonds (as per 1 September 2014): 2.755,5 m€

Date	Amount (m€)	Type	Maturity	Coupon
23.06.2010	150	Retail	23.06.2017 (7 y)	4,00%
30.12.2010	170	Retail	30.12.2020 (10 y)	4,25%
08.11.2011	500	EMTN benchmark	08.11.2021 (10 y)	4,50%
10.07.2012	135,5	EMTN Private Placement	10.07.2032 (20 y)	3,95%
21.09.2012	50	Schuldschein	21.09.2027 (15 y)	3,50%
26.11.2012	500	EMTN benchmark	26.11.2022 (10 y)	2,75%
28.03.2013	54,5	EMTN Private Placement	28.03.2028 (15 y)	3,50%
28.03.2013	20,5	EMTN Private Placement	28.03.2033 (20 y)	3,75%
24.06.2013	50	Namensschuldverschreibung	24.06.2043 (30 y)	3,50%
09.10.2013	500	EMTN benchmark	09.10.2023 (10 y)	2,875%
05.03.2014	52	Private Placement	05.03.2044 (30 y)	3,55%
05.03.2014	23	Private Placement	05.03.2036 (22 y)	3,55%
07.05.2014	550	EMTN benchmark	07.05.2029 (15y)	2,875%

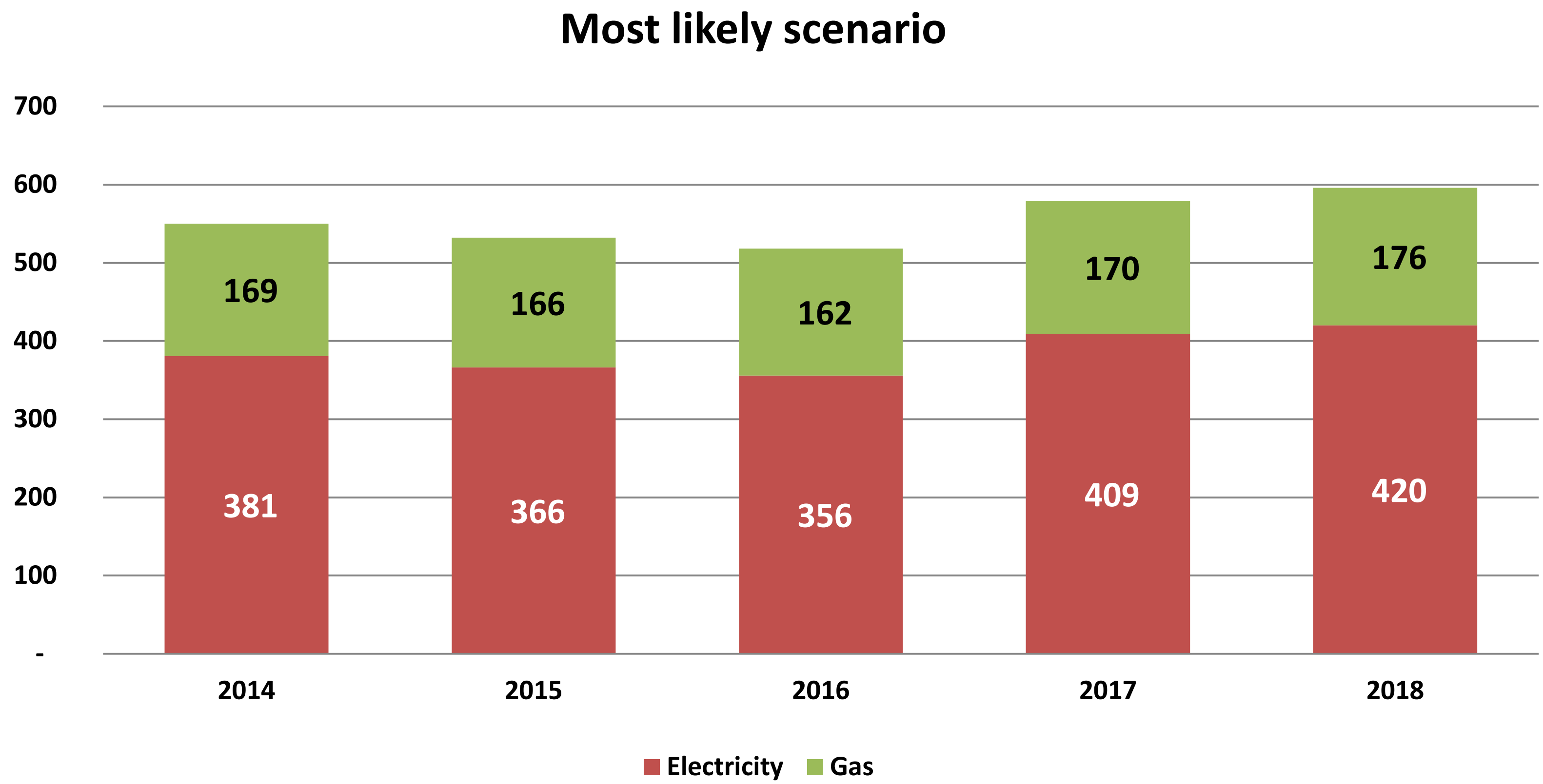
Maturity Profile (Economic Group) per 31 August 2014



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.

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:

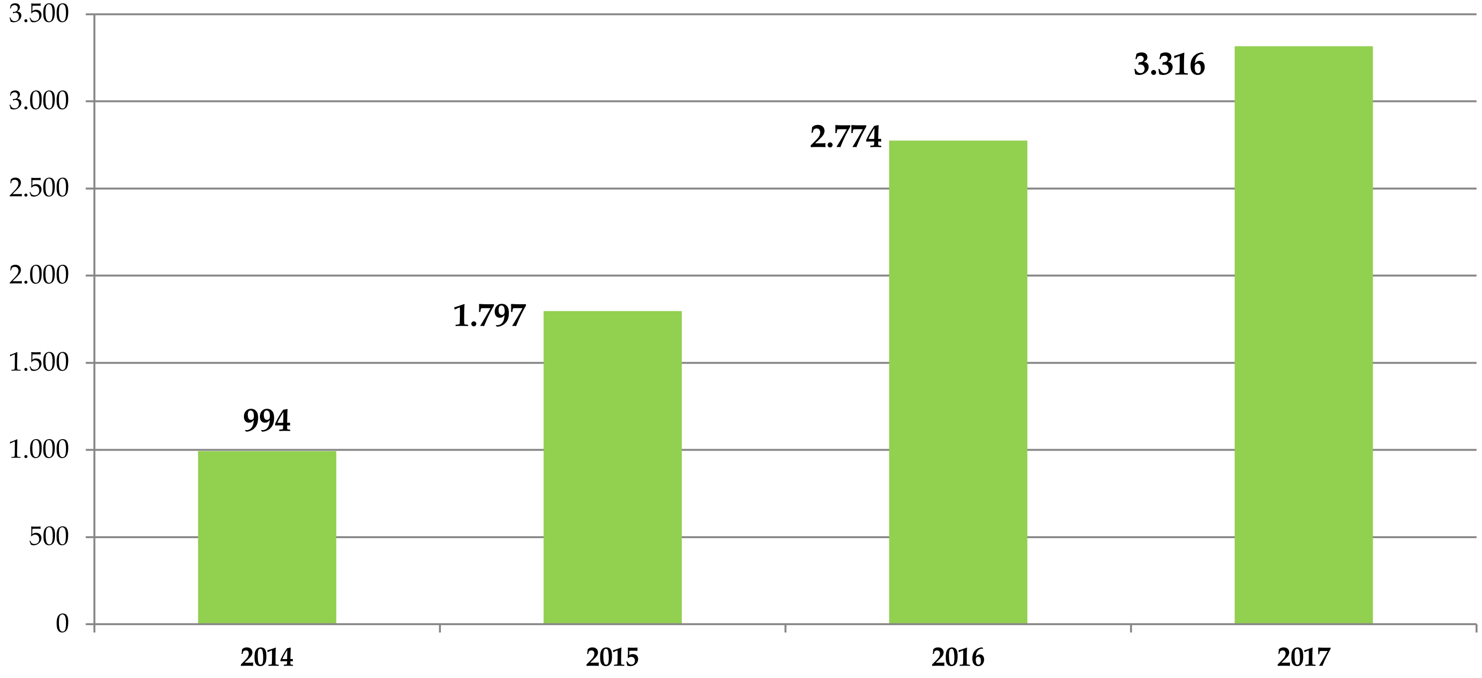
m€	Actuals 2012	Budget 2013	Actuals 2013	Budget 2016 "Autofinancing + 10%"	% change vs 2012	% change vs 2013 (actuals)
grid investments	461,9	523,0	444,4	377,2	-18,3%	-15,1%
grid operations	335,2	294,6	304,9	274,6	-18,1%	-9,9%
support dpts – staff	154,0	167,0	161,2	156,2	1,4%	-3,1%
support dpts - other	330,8	348,6	354,4	348,6	5,4%	-1,6%
TOTAL	**1.281,9**	**1.333,2**	**1.264,9**	**1.156,6**	**-9,8%**	**-8,6%**

Financial overview
Financing needs 2014-2017

Starting point

- investment programme 2014-2017: yearly net financing needs in the order of 500-650 mio €
- Electrabel's general exit from DSOs as per 29 December 2014 through a sale of shares
- repayments and intrest payments under currently outstanding loans and external financing
- realized proceeds from green certificates (2014)

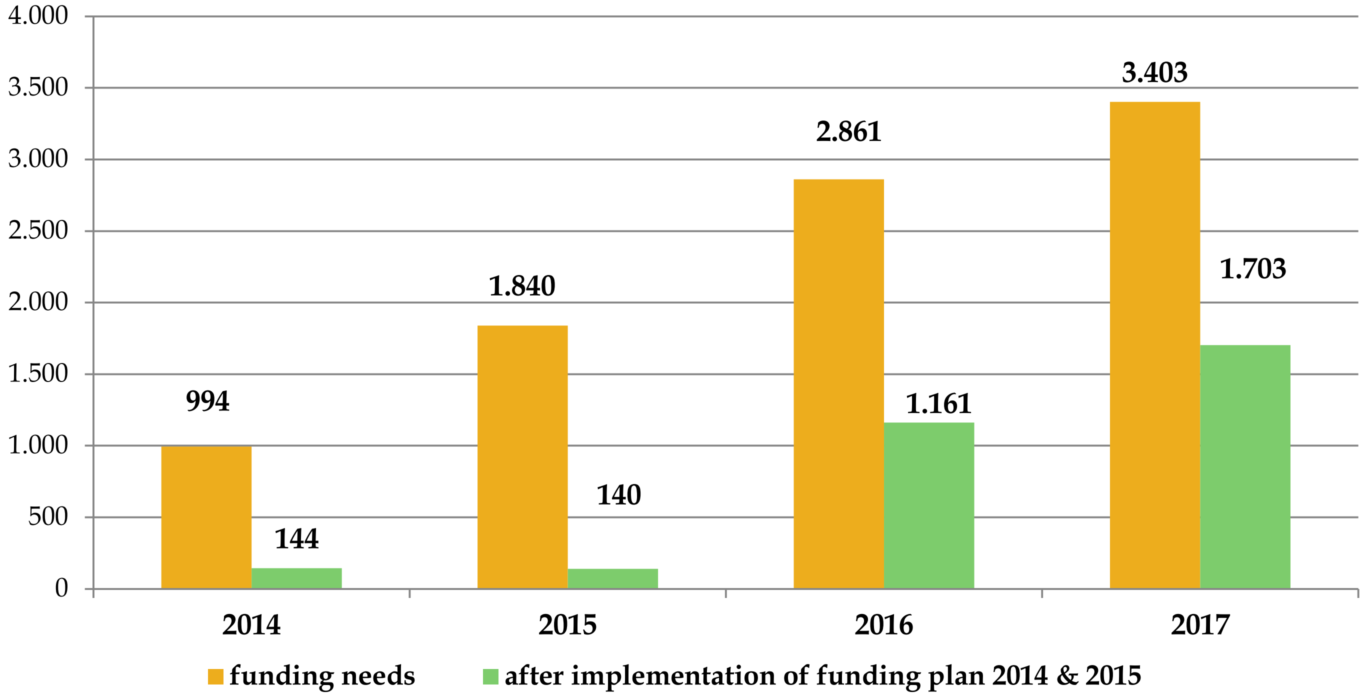
Estimated financing needs per year end *(gross cumulative figures in m€)*:



Financial overview
Funding Programme 2014-2017 (in mio €)

<u>Funding programme 2014-2015</u>
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.

<u>Funding programme 2016-2017</u>
Details to be decided later



Note: gross cumulative figures in m€

Financial Overview

Financial Policies and Strategy

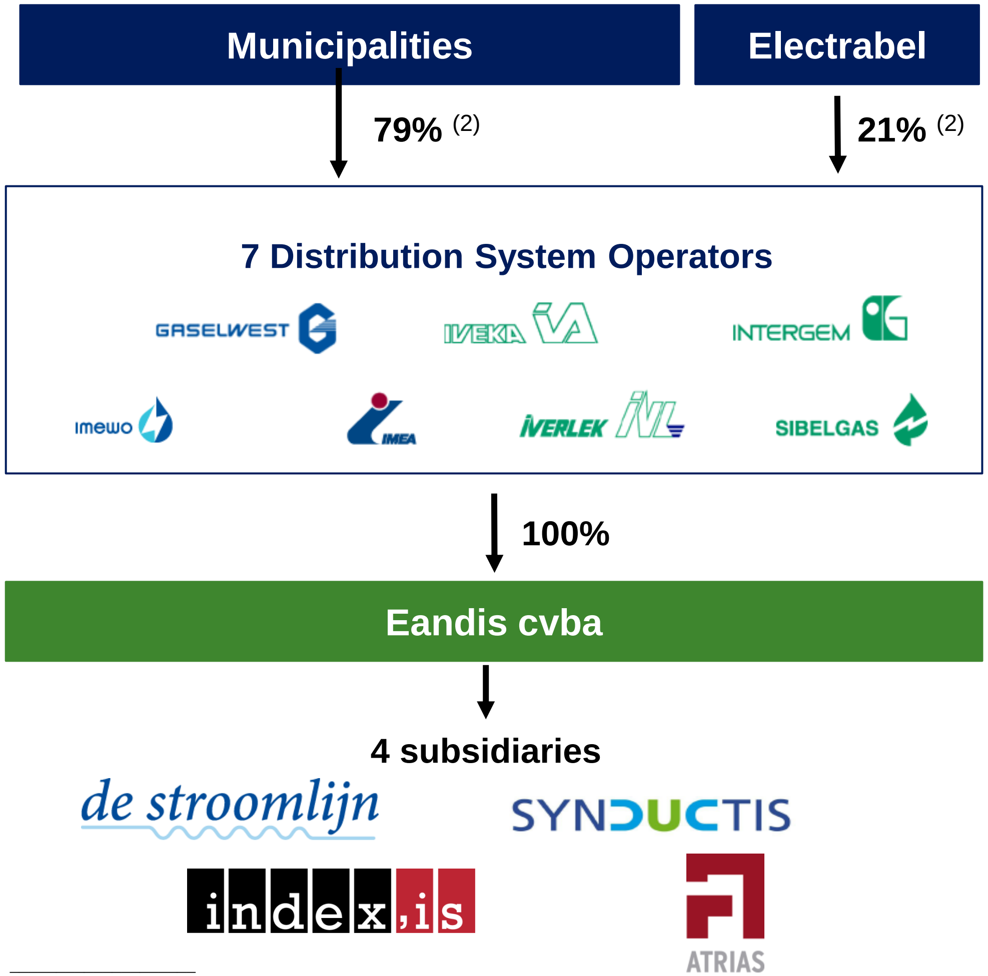
Operational Basis	■ Eandis operates on a cost price basis ■ The DSOs operate on a cost plus basis in a fully regulated framework ■ Each DSO has its own cost structure for E and G separately, therefore 7 x 2 tariff proposals are introduced
DSOs' Capital Structure	■ The regulator uses a defined regulated capital structure with preponderance for debt to equity ■ Current balance sheet structure at approximately 42,4% equity versus 57,6% debt (BE-GAAP figures for regulatory purposes)
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 as per **1 September 2014**



(1) *Flemish Decree 6 July 2001, Chapter VI, Art. 80, paragraph 2*
(2) *Based on A and E-shares*

- Eandis is 100% owned by **7 Flemish mixed DSOs**
- These DSOs are
  - ± 79% **municipalities** (publicly owned); and
  - ± 21% **Electrabel** (GDF Suez Group, privately owned)
- **Strong public involvement** within the context of energy distribution management
- In accordance to Flemish legislation, **Electrabel** will have to **exit from all the DSOs, at the latest in 2018** (*not Gaselwest & Sibelgas*).
- 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.

(°) *For municipalities which belonged to the former gas DSO IGAO, 31 December 2014 is the expiry date (only for the gas activity).*

Company Overview

Ownership Structure as per **30 December 2014**

Municipalities

↓ **100%**

7 Distribution System Operators

↓ **100%**

Eandis cvba

↓

4 subsidiaries

- Eandis is 100% owned by **7 Flemish DSOs**
- These DSOs are now 100% publicly owned (= municipalities)
- A new expiry date of the mandate for each DSO (**9 November 2019)** will be proposed
- At the expiry date of the mandate for 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.
- Flemish governmental agreement (2014) allows for a **private financial partner** (i.e. one not involved in energy generation and/or supply) to participate in the DSOs' capital – amendment to current decree to be approved by the Flemish Parliament

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 of the 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 – renewal procedure for E in HY2 2014, for G in 2015
- Distribution types of gas and electricity [*source: Belfius Bank]*

[balance sheet totals 2012]	Flanders	Wallonia	Brussels
Mixed Intermunicipal	76%	67%	100%
Pure Intermunicipal	24%	32%	0%
Municipalities ('regie')	0%	1%	0%

Business Overview

Eandis' network

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

Electricity Market

Total network length (km)	**95.149**
low voltage	**61.343**
mid voltage	**33.806**
Access points	**2.592.442**
Budget meters in operation	**33.991**
Public lighting points	**833.878**
Volume transported (TWh)	**26,7**

(*) All figures as per 31 December 2013 - Source : Eandis Annual Report 2013

Business Overview

Eandis' network

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

Gas Market

Total network length (km)	41.831
low pressure	34.059
mid pressure	7.772
Access points	1.672.268
Budget meters in operation	23.651
Volume transported (TWh)	56,2

(*) All figures as per 31 December 2013 - Source : Eandis Annual Report 2013

4. Belgian Energy Market & Regulatory Framework

- Overview Belgian Federal State
- 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 **liberalisation of the energy market** in order to
  - Increase production capacity via import and new production units
  - Improve competition on the generation side
  - Provide the framework for a neutral, technically well integrated and cost efficient network 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 Kyoto norm and the 20-20-20 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 liberalisation of the energy market, one federal (**CREG**) and several regional regulators (Flanders: **VREG**) have been set up in Belgium
- **The federal regulator's areas of competence (CREG)** are
  - 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** are
  - 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[1]
- no 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) mean that there is now no legal basis for a binding consultation
- 2015/2016 : transitory tariff period ??

(1) VREG appointed by Flemish Decree of 14 March 2014

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

→ to be confirmed in formally approved tariffs guidelines

Regulatory Framework

DRAFT Flemish Distribution Grid Tarification – main principles

General principles proposed by VREG in its consultation procedure

The following elements are only a proposal by the VREG and they are not final. However, they might be indicative of the general tarification principles envisaged by VREG – DSOs/Eandis do not endorse the VREG consultation procedure

- **tariff methodology** should be non-discriminatory, avoid tariff shocks and provide stability, transparency and endorse operational efficiency
- VREG proposes a **revenue cap model** for a DSO's revenues, setting maximum revenue per individual DSO, arguing that this model incentivises cost efficiencies and remedies the regulator's information handicap
- revenue caps updated annually, for changes in **retail price index**
- **exogenous costs** (i.e. non-manageable costs) excluded from this revenue cap (?)
- WACC to be used for calculating **fair remuneration** for DSO's shareholders

Current (federal) regulatory Framework

Tariffs and Fair Beneficiary Margin: Procedure

- Step 1 - Define the value of the invested capital or the "**regulated asset base**" (RAB): the economic reconstruction value of the regulated fixed assets, increased or decreased by the amount of net working capital as appropriate.
  - These assets are re-valued each year to take into account decommissioned assets and new investments, and their depreciation.
  - For each type of regulated asset, legislation provides the depreciation terms to be applied (percentage and period). Depreciation periods can go from 3 years for hardware up to 50 years for cables or pipes.
- Step 2 - Regulated financial structure is set at **33% equity /67% debt**
- Step 3 – Calculate remuneration as per **WACC** (Weighted Average Cost of Capital) formula:
  1. Equity ≤ 33% of RAB: Remuneration = (Risk Free Rate + Equity Risk Premium* β) * IP
     - Risk Free Rate: yield of 10-yr Belgian Government bond OLO
     - Equity Risk Premium: 3,50% for both electricity and gas
     - β : 0,65 for electricity – 0,85 for gas
     - IP : illiquidity premium for non-listed operator of 20%
  2. Equity > 33% of RAB: Remuneration = Risk Free Rate + 70 base points
  3. Embedded costs: = real financing cost of interest bearing debt

Important principle: distribution tariffs cover DSOs' entire costs, incl. financial costs

Thank you !

Eandis cvba
Brusselsesteenweg 199, B-9090 Melle

Your contact: Koen Schelkens, Investor Relations
Tel: +32/9/263 45 04 - mail to: investors@eandis.be
www.eandis.be

Annexes

Company Overview

Organizational Structure: Management Committee

Walter VAN DEN BOSSCHE, CEO

Chairman Management Committee

Guy COSYNS
Director Customer Operations

Frank DEMEYER
Director HR & Organisational Management

Luc DESOMER
Director Public Affairs & Communications

Wim DEN ROOVER
Director Network Operations

Jean Pierre HOLLEVOET
Director Network Management

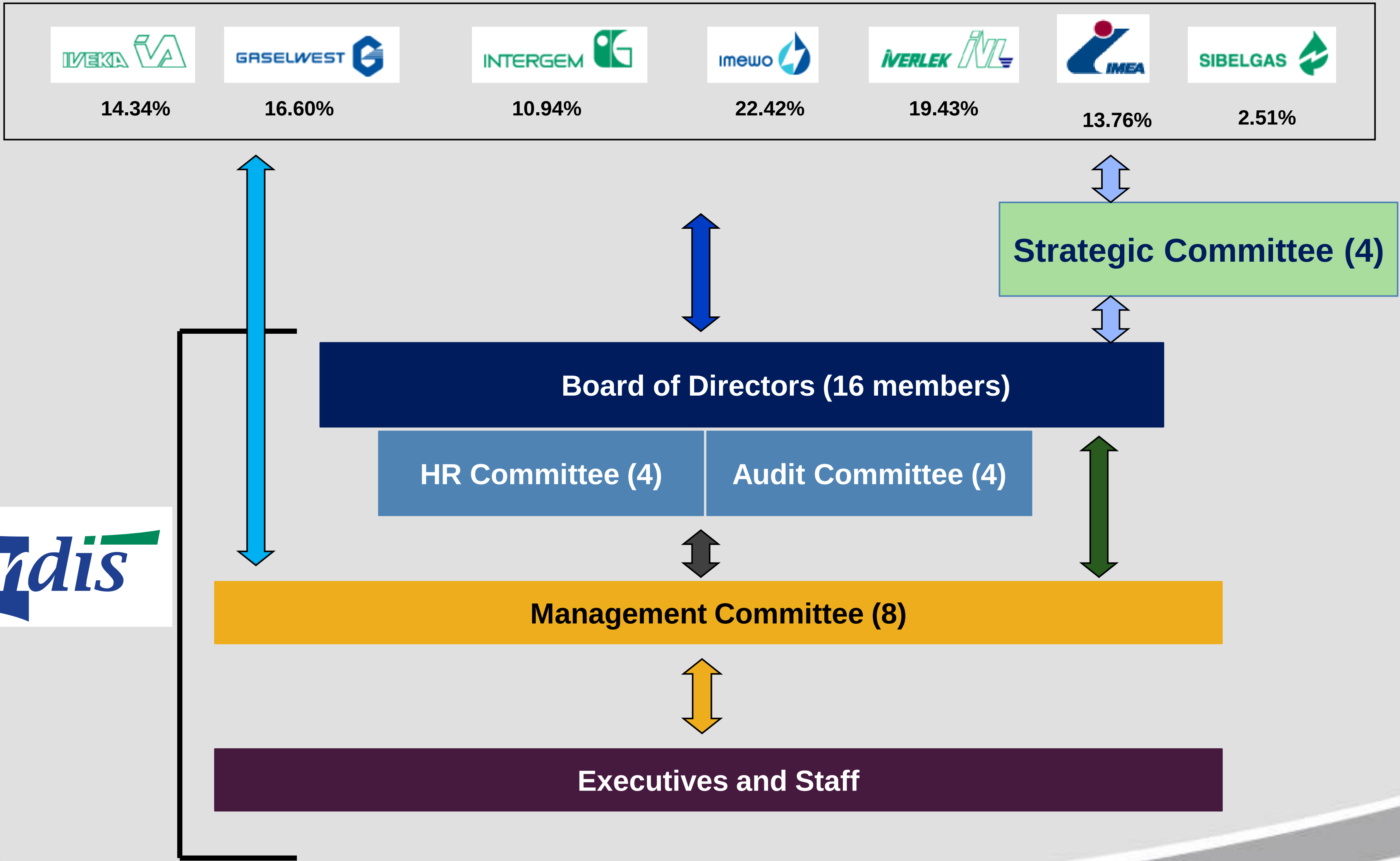
David TERMONT
Director Finance, Administration & ICT

Donald VANBEVEREN
Director Regulation & Strategy

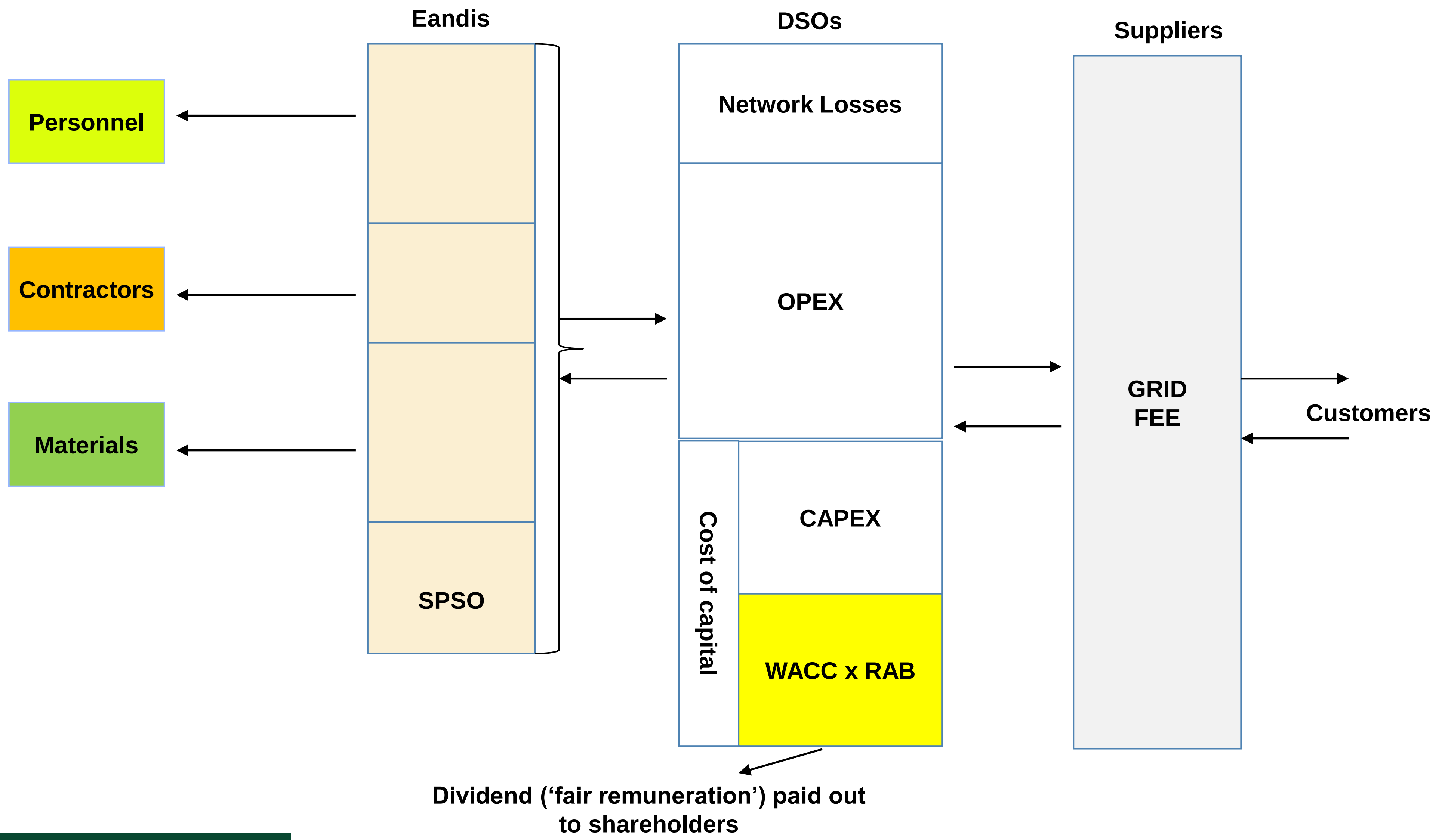
eandis

Company Overview

Corporate Structure: Eandis and 7 DSOs



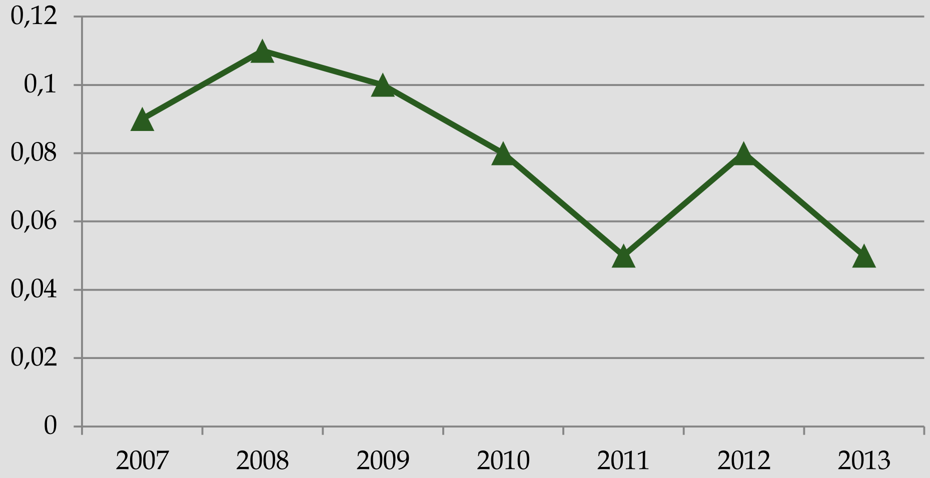
Regulatory Framework
Cash Cycle



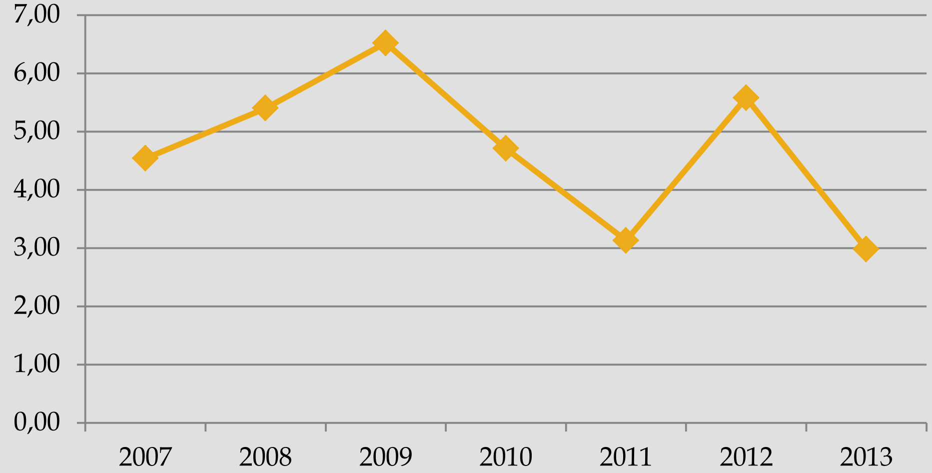
Eandis: safety & reliability

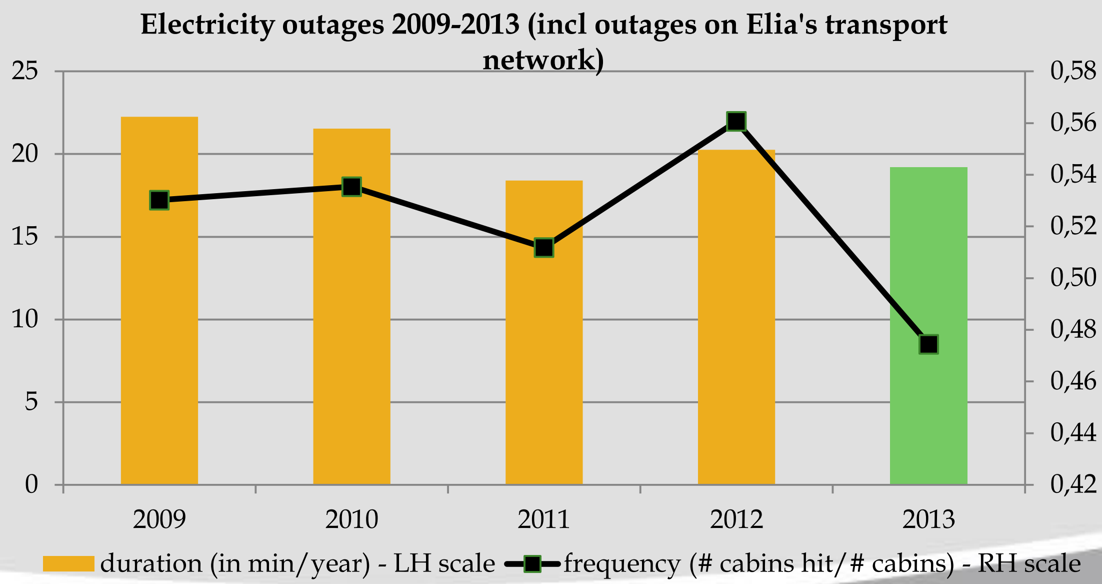
Industrial accidents (2007-2013) / electricity outages (2009-2013)

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: 248 [(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 2013 (BE-GAAP)
  - Balance sheet total: € 3.609.320
  - Share capital: € 257.700
  - Debt: € 3.351.620 of which € 2.808.952 < 1 year / no LT debt)
  - Turnover: € 12.587.947

(1) Farys is the new name for T.M.V.W.
(2) As per end 2013

Eandis's subsidiary: Indexis cvba

index,is

- 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: 8 members (of which 4 for Eandis, incl. Chairman Guy Cosyns)
- Staff 52 *(on 31 December 2013)*
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Will gradually phase out its activities (≈ parallel to start of federal clearing house Atrias)
- Financials 2013 (BE-GAAP)
  - Balance sheet total: € 12.044.879
  - Share capital: € 3.216.131
  - Debt: € 8.757.440 (of which € 8.753.555 < 1 year / no LT debt)
  - Turnover: € 21.721.125

eandis

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: 11 *(on 31 December 2013)*
- 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 2017
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated in Eandis according to the equity method
- Financials 2013 (BE-GAAP)
  - Balance sheet total: € 4.581.539
  - Share capital: € 18.600
  - Debt: € 4.562.909 (of which € 4.561.485 < 1 year / no LT debt)
  - Turnover: € 4.342.950

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
  one year collaboration agreement with telecom operator Belgacom
  [Eandis's 50% capital share will be diminished when other utilities join SYNDUCTIS]
- 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 will have to find 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 efficiency for the utilities
- Works at **cost price** (no margin/profit) for its shareholders
- No consolidation for fiscal year 2013
- <u>Financials 2013 (BE-GAAP)</u>
  - Balance sheet total: € 1.153.604
  - Share capital: € 18.600
  - Debt: € 1.135.004 (all debt < 1 year / no LT debt)
  - Turnover: € 972.946

Regulatory Framework

Public Services Obligations

- **RUE** (Rational Use of Energy, 'REG' in Dutch)
  - The Regulator requires the DSOs to **reduce primary energy use**.
  - DSOs are responsible for sending metering reports to the VREG. These are used to issue the certificates for **renewable energy**
    - Electricity supplied by a plant producing renewable energy (monthly basis)
    - Supplier's share of electricity transported over the distribution network (annual basis)
  - **Energy from CHP** units has similar reporting responsibilities as for renewable energy
- **SPSO** (Social Public Service Obligations, 'SODV' in Dutch)
  - Goal : Ensure **minimum supply of electricity and gas** to any household in Flanders
    - Role of social supplier for customers dropped by commercial suppliers
    - Free electricity of minimum 100 kWh per residence + 100 kWh per family member + no distribution cost (compensated for by existing regulation)
    - 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)
  - **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.