Eandis cvba

Investor Presentation

October 2013

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 31 October 2012]. 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 Economic Group's Corporate Structure

234 Municipalities → 79% → **7 Distribution System Operators**

Electrabel → 21% → **7 Distribution System Operators**

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): Eandis cvba and the 4 subsidiaries

Eandis Economic Group: the 7 Distribution System Operators, Eandis cvba and the 4 subsidiaries

(1) Note: SYNDUCTIS not yet consolidated for FY 2012.

Executive Summary

- Eandis is a **Belgian distribution grid operator** established in March 2006 through the merger of GeDis, ENV and Indexis (Flanders)
- 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 **2.9 billion €** and **303.6 mio €** for 2012. Its distribution services cover **234 municipalities (**approx. 78 % of all Flemish municipalities)
- The company is of **strategic importance to the Flemish Region** (Aa2 negative / AA negative , with intrinsic AA+ negative rating / AA stable) and its general policy aim of realising Europe's 20-20-20 objective
- In accordance with the European energy market unbundling principles, **Electrabel's (GDF Suez Group) capital share in each of the 7 DSOs amounts to ± 21%**, and will have to be further decreased to 0% by the end of 2018 at the latest [(2)]
- Moody's identifies Eandis as a **government-related entity** given the 79% ownership by Flemish municipalities/provinces in the DSOs [(1)] (Flemish decree stipulates 100% public ownership by 2018) and the high probability of systemic support to the DSOs from the Flemish Region.

(1) *79%/21% proportion is on the basis of A-shares and E-shares.*
(2) *With the exception of Gaselwest and Sibelgas*

Executive Summary

Strategic Importance to the Community of Flanders	■ 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 municipalities is increasing (up to 100% in 2018 at the latest) ■ All 16 Eandis board members are appointed by the public authorities
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 ■ Mixed DSOs, being Eandis' 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 level with equity currently at 44% of RAB (IFRS Economic Group), moving in the direction of the regulator's norm for leverage ■ The regulator guideline recommends that regulatory asset base (RAB) is funded by 1/3 equity and 2/3 external funding to ensure capital structure stability ■ 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 (6.3 million in 2011 (1) – 57.6% 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* ■ "Flanders ranks high on the socio-economic indicators of the 131 EU-regions. It is thus a prosperous region. A GDP per capita of € 27,447 PPS in 2009, high labour productivity a relatively high disposable income." *(Flanders Outlook 2013, Research Centre of the Government of Flanders, March 2013)*

(1) "Algemene Directie Statistiek & Economische Informatie, 2012 Kerncijfers Statistisch overzicht van België

Eandis vs other Belgian distribution grid operators

Eandis versus Infrax, Sibelga and ORES

Eandis is the **only rated distribution grid player in Belgium** (Moody's: A1 negative); Infrax (Flemish region), Sibelga (Brussels region) and ORES (Walloon region) are non-rated.

Eandis, Sibelga and ORES exclusively operate electricity and gas networks (**regulated activities**); Infrax is also active in cable television and sewage system operations.

Eandis is by far the largest E + G operator in Belgium, enabling the company to **maximise benefits of scale** *[Eandis figures as per 31 December 2012, other figures as per 31 December2011 (1)]*:

	Eandis	Infrax	Sibelga	ORES
municipalities served	234	96	19	198
operating area	Flanders	Flanders	Brussels	Wallonia
employees	4.212	1.611	> 1.000	2.300
connections E	2.569.200	716.476	680.474	1.426.081
connections G	1.635.285	302.914	491.722	510.087
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)

2013 YTD Highlights

- 9 January 2013: **Walter Van den Bossche** appointed CEO and chairman of the company's Management Committee
- 6 March 2013: Eandis Board of Directors approves company's **vision on the future developments and restructuring of the energy distribution sector** in the Flemish Region.
- March 2013: after the municipal elections (October 2012) **statutory renewal of the governing bodies** for both Eandis and the DSOs for a 6-year term. This is also the start of a streamlined corporate structure for the Eandis Economic Group.
- 27 March 2013: **Piet Buyse**, mayor of the city of Dendermonde and chairman of DSO Intergem, elected as new Chairman of the Board of Directors of Eandis
- 1 April 2013: renewed Eandis **Management Committee** (8 members) started
- 23 April 2013: water company **IWVB joins SYNDUCTIS**
- 31 May 20 13: already **more than 23.000 smart meters installed** in the pilot project
- 5 June 2013: Eandis receives the **Business Mobility Award** for its active and multi-faceted policy on sustainable mobility
- June 2013: launch of **FIT**, a company-wide action plan to raise productivity and cost awareness
- 30 June 2013: **headcount stabilised** at 4,313, status quo compared to 30 June 2012 (31 December 2012: 4,340)

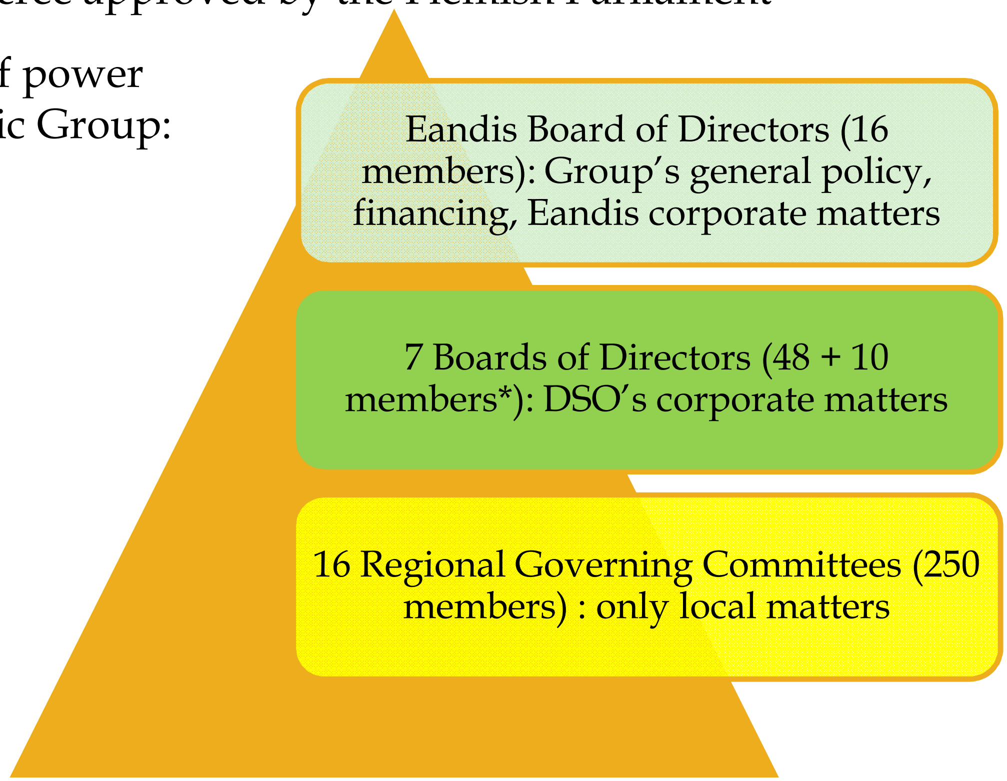
2012 Highlights

- Company strategy focuses on **operational excellence** in core activities (ie distribution grid operations). **5 strategic cornerstones**: compliancy – performance – customer orientation – organisational orientation – learn & growth.
- Municipal elections (October 2012) have led to the statutory **renewal of the governing bodies** for both Eandis and the DSOs in Q1 2013.
- Moody's corporate rating: **Eandis A1 rating (negative outlook)** first time assigned on 12 October 2011. Rating confirmed on 20 December 2011 and 21 December 2012 - **A1 (negative) rating to Eandis's €5bn EMTN programme.**
- **Second benchmark Eurobond issue** on 26 November 2012 : **€500m -** 10 year – 2.75% coupon. Issue met with huge interest from institutional investors throughout Europe (> 6x oversubscribed).
- **2012 gross investments in distribution grid infrastructure**: 725.8 m€, of which 2/3 for electricity and 1/3 for gas.
- Eandis is preparing for **tomorrow's distribution network** with projects on smart grids, smart metering and smart users. **Pilot project with 40,000 smart meters** in 10 different areas. Eandis is also a forerunner in Flanders for the introduction of **electric vehicles**.
- **SYNDUCTIS cvba** established on 21 December 2012 with a 50% stake for Eandis; aims at more synergies between utilities for infrastructure works in the public domain. Other parties can join this initiative.
- Policies on **Rational Use of Energy** (RUE), the battle against energy poverty, innovation etc. pursued.
- Positive figures for **grid reliability and safety** (both frequency and gravity indices) in 2012, though below the 2011 record figures.

Developments 2012 (1)

1. Streamlining of Eandis Economic Group's corporate structure

   - strong reduction in number of DSO mandates (-60%), while maintaining close links with 234 municipalities *(PM: local elections in October 2012 – new structure effective as from end of March 2013)*
   - amendment to Flemish Decree approved by the Flemish Parliament
   - clear bottom-up division of power within the Eandis Economic Group:



***: 48 members elected on proposal by public authorities, 10 members elected on proposal by Electrabel**

Developments 2012 (2)

2. 2012 grid tariffs prolonged for 2013-2014
   - decided by CREG on 26 April 2012 to the background of transfer of competency from federal to regional level (as agreed in state reform by federal government Di Rupo)
   - to allow for an orderly transition period (CREG → VREG) – transfer of competency, knowhow etc.
   - see also Moody's analysis *"How might Belgium's pending decisions to freeze distribution tariffs and power prices affect Eandis?"* (27 March 2012)

3. SYNDUCTIS cvba
   - new subsidiary established in December 2012 by Eandis together with two water distribution companies in its operating area (TMVW and IWVA).
   - Eandis takes a (preliminary) 50% stake – other utilities can join SYNDUCTIS later on
   - aims at **structural synergy of energy distribution with other utilities** (water distribution, sewage, telecom) with a clear focus on a better coordination, less inconvenience and more cost efficiency when working in the public domain

4. Green power certificates
   - Flemish Government reformed subsidy mechanisms for green power and CHP certificates (May 2012)

Developments 2012 (3)

<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

Developments 2012 (4)

5. Smart metering

- gradual roll-out most probable scenario for Flemish Region, starting with prosumers, budget meter consumers, SMEs, municipal buildings and large consumers > 3,500 kWh/year [positive business case] – final roll-out scenario to be decided by the Flemish government
- Flemish authorities currently not in favour of a full roll-out scheme for smart metering.
- Eandis pilot project:
  - Total of 40,000 meters (25,000 for E + 15,000 for G) in 10 different areas, each with specific characteristics
  - Installation of meters started in October 2012: installation by own staff and contractors – large scale test of logistic chain
  - Results will be input for cost/benefit analysis of smart metering
- Broad international intrest for Eandis's PLC concept [see Eandis website at http://www.eandis.be/eandis/partner/p_plc_solutions.htm]

Executive Summary

Moody's Corporate Rating for Eandis

A1
(negative outlook)

Credit strengths:

• credit quality of 7 DSOs that own the company
• low business risk profile of regulated electricity and gas distribution operations in Flemish electricity and gas market
• potential support form the Flemish Region
• regulatory framework allows for comprehensive cost recovery and significantly eliminates exposure to volume risk

Credit challenges:

• regulatory framework is relatively young and untested
• planned growth of debt is expected to somewhat weaken debt coverage metrics, but interest coverage ratios remain strong
• negative outlook is driven by Moody's review of the Aaa rating of the Flemish Region

from Moody's Global Credit Research, 12 October 2011

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Rating Action: Moody's assigns A1 rating to Eandis; negative outlook (Belgium)

Global Credit Research - 12 Oct 2011

First-time rating

London, 12 October 2011 -- Moody's Investors Service has today assigned a backed A1 long-term issuer rating to Eandis CVBA (Eandis), a Belgian utility company that is fully owned by seven mixed Flemish Distribution System Operators (DSOs). The DSOs' share capital is 79% held by municipalities and provinces predominantly in the Flemish Region and 21% by Electrabel SA. The rating has a negative outlook, which is driven by Moody's current review of the ratings of the Flemish Region and other sub-sovereign entities. This is the first time that Moody's has assigned a rating to Eandis.

RATINGS RATIONALE

"The A1 issuer rating assigned to Eandis is driven by Moody's assessment of the credit quality of the seven DSOs that own the company and which the rating agency considers to be of comparable credit strength," says Johan Verhaeghe, a Moody's Vice President -- Senior Credit Officer and lead analyst for Eandis. Through the Flemish Energy Decree of 8 May 2009, and with the explicit permission of the regional regulator VREG, Eandis is appointed as the unique operator of the DSOs' networks. In addition, through the DSOs' articles of association, Eandis operates at cost basis, whereby all costs incurred by the company, including financing costs, are passed through to the DSOs. Therefore, Moody's understands that all financial creditors and contractual counterparties have indirect recourse to the DSOs. Eandis's DSO owners are Gaselwest CVBA, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas CVBA.

"The rating reflects the low business risk profile of regulated electricity and gas distribution operations in the Flemish electricity and gas market, which are carried out under a transparent and supportive, albeit relatively new and untested, regulatory framework," adds Mr

Eandis' original A1 rating (October 2011) was confirmed by Moody's in December 2012

Corporate Social Responsibility

- Strategic focus on **sustainability** through **technological innovation** with the overall aim to realize the **Flemish climate objectives:**
  - 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**
  - **smart mobility campaign** for Eandis staff: excellent results for 2012: >2.5 million smart km and 500,850 kg CO_2 saved – mobility campaign will be intensified in 2013
  - **electric mobility**: Eandis actively promotes the use of electric mobility and the implementation of charging infrastructure (innovative concept of 'charging islands') – active partner **of Flemish EVA project** (Electric Vehicles in Action)
- Well-defined and documented **Corporate Governance Policy**
- **Integral risk management** and actively pursued **risk-based internal auditing**

For more details:

ESG Report 2012 at http://www.eandis.be/eandis/ir_publications.htm

Milieurapport 2012 (only in Dutch) at http://www.eandis.be/eandis/pdf/Milieurapport_2012_DataId_9618096_Version_1.pdf

Investment highlights

Key considerations

Strategic importance to the Flemish Region

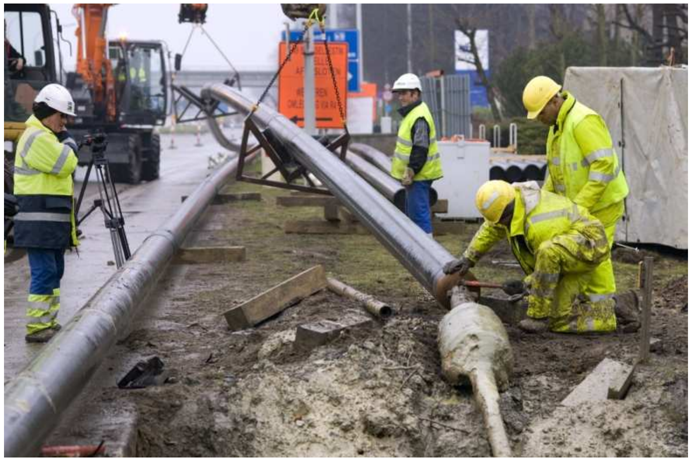
Legal monopolistic business and low risk electricity & gas distribution

Regulated business and strong and predictable cash flows 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 A1 rating from Moody's.

2. Financial Overview (Economic Group)

- Summary financials 2010-2013 (actuals HY & FY and forecast)
- Capex programme 2012 (actuals)
- Short term financing
- Debt and maturity profile
- Investment programme 2013-2017
- Financing needs and funding 2013-2016
- Financial policies and strategy

Financial Overview

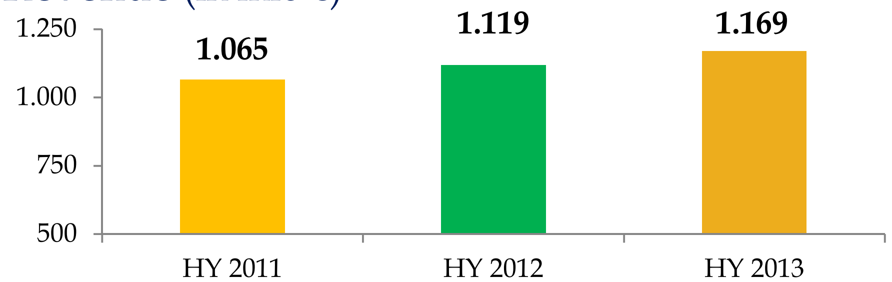
Summary Financials HY 2011-2013 (actuals) for the Economic Group

Financials (IFRS)

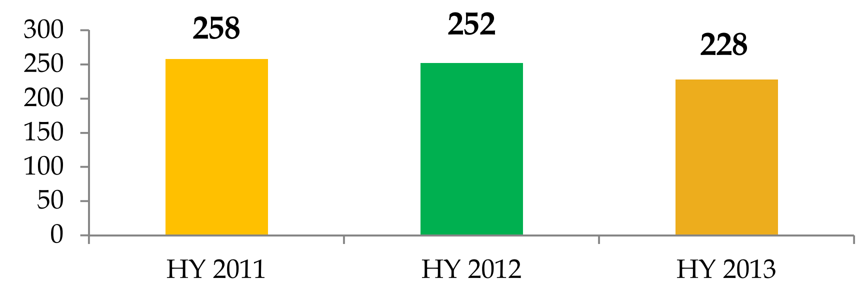
(in mio €)	HY 2011	HY 2012*	HY 2013
Income statement			
Revenue	1.065	1.119	1.169
Total Operating Income	1.421	1.467	1.526
Total Operating Expenses	-1.163	-1.214	-1.298
Result from Operations	258	252	228
Net Finance Income/Expense	-53	-98	-59
Profit before Tax	205	155	170
Profit for the period	**201**	**154**	**169**
Other Comprehensive Income	**-4**	**-87**	**83**
Total Comprehensive Income	**197**	**67**	**251**
Statement of financial position			
Current Assets	847	963	1.203
Non-Current Assets	7.099	7.359	7.619
Total Assets	**7.946**	**8.322**	**8.822**
Non-Current Liabilities	3.946	4.488	4.522
Current Liabilities	1.038	968	1.297
Liabilities	4.984	5.456	5.820
Total equity attributable to owners of the parent	2.962	2.866	3.002
Total Equity and Liabilities	**7.946**	**8.322**	**8.822**
Cash Flow Statement			
Net Cash Flow from Operating Activities	471	409	403
Net Cash Flow from Investing Activities	-315	-300	-303
Net Cash Flow used in/from Financing Activities	-167	-109	-101
Net Increase/Decrease of Cash and Cash Equivalents	**-10**	**-1**	**-1**
Cash and Cash Equivalents on 31 December	6	5	6

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

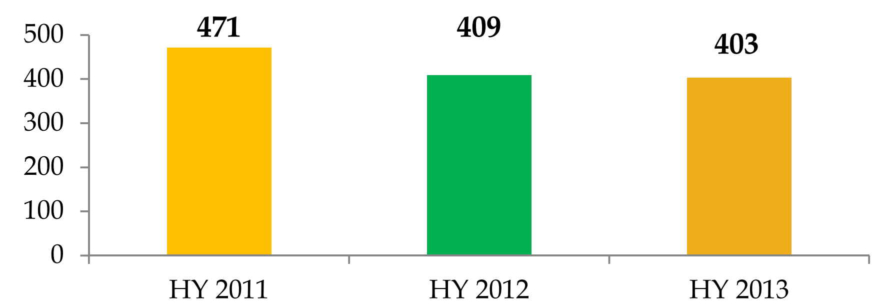
Revenue (in mio €)



Net Operating Income (in mio €)



Net CF from Operating Activities (in mio €)



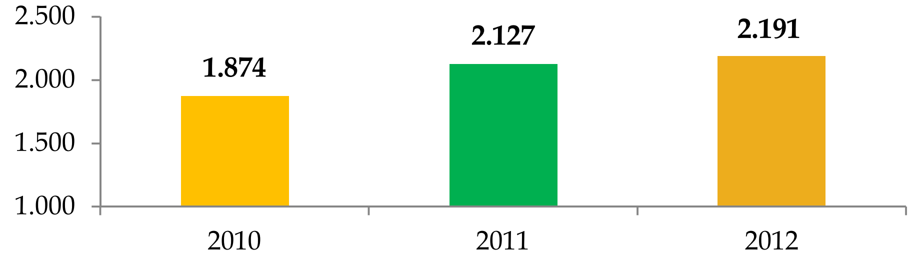
Financial Overview

Summary Financials FY 2010-2012 (actuals) for the Economic Group

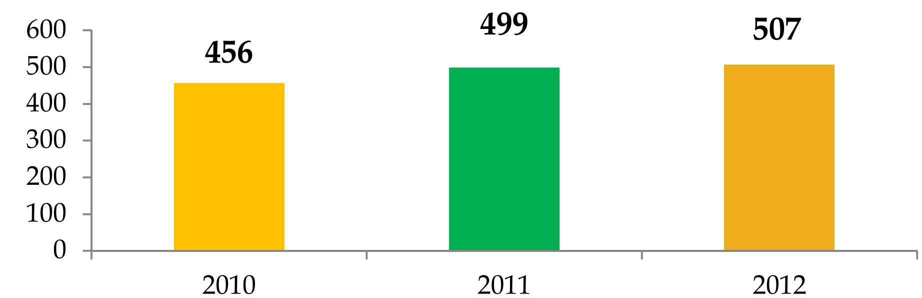
Financials (IFRS)

(in mio €)	2010	2011	2012
Income statement			
Revenue	1.874	2.127	2.191
Total Operating Income	2.512	2.838	2.907
Total Operating Expenses	-2.056	-2.339	-2.400
Result from Operations	456	499	507
Net Financial Income/Expense	-155	-204	-203
Profit before Tax	301	295	304
Profit for the period	273	296	300
Other Comprehensive Income	6	-53	-106
Total Comprehensive Income	278	244	194
Balance Sheet			
Current Assets	846	949	1.201
Non-Current Assets	6.954	7.239	7.502
Total Assets	7.799	8.188	8.702
Total Equity (attributable to the parent)	3.194	2.815	2.784
Non-Current Liabilities	3.754	4.516	4.626
Current Liabilities	850	856	1.292
Total Liabilities	4.605	5.372	5.918
Total Equity & Liabilities	7.799	8.188	8.702
Cash Flow Statement			
Net CF from Operating Activities	469	623	457
Net CF from Investing Activities	-567	-618	-616
Net Cash Flow used in/from Financing Activities	94	-16	159
Net Increase/Decrease of Cash + Cash Equivalents	-4	-11	1
Cash + Cash Equivalents on 31 Dec	17	6	7

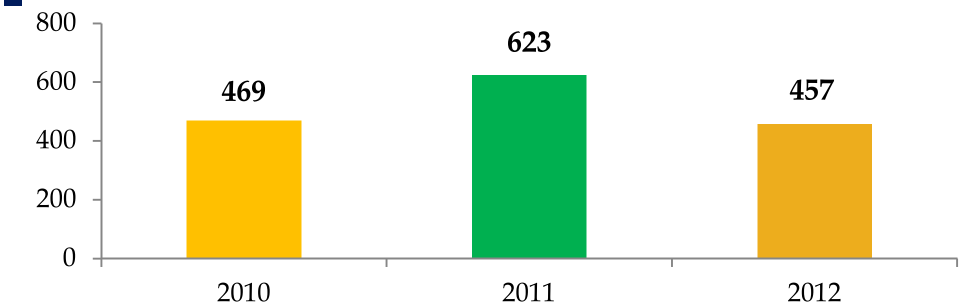
Revenue (in mio €)



Net Operating Income (in mio €)

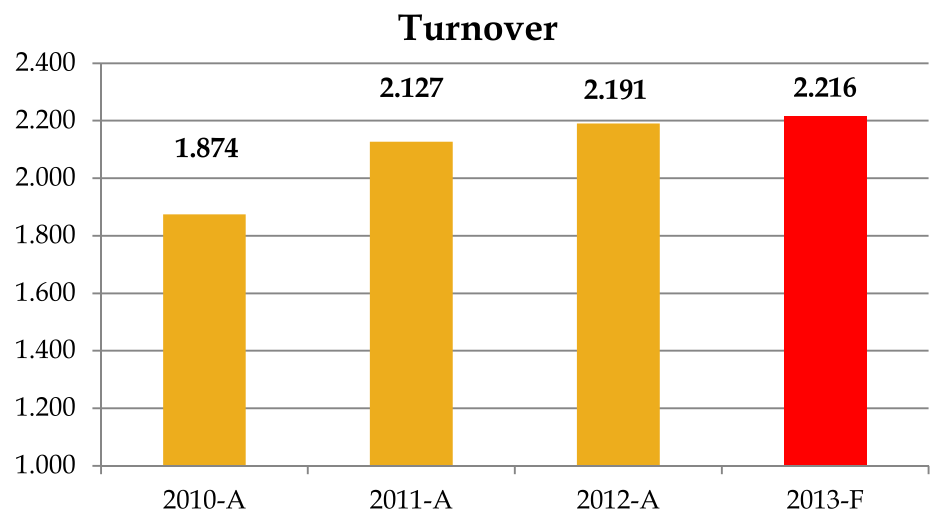


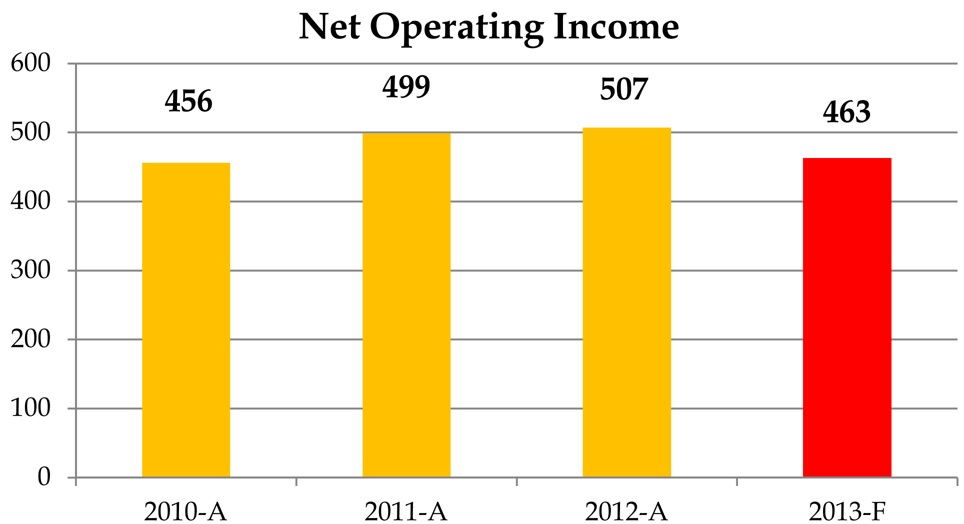
Net CF from Operating Activities (in mio €)

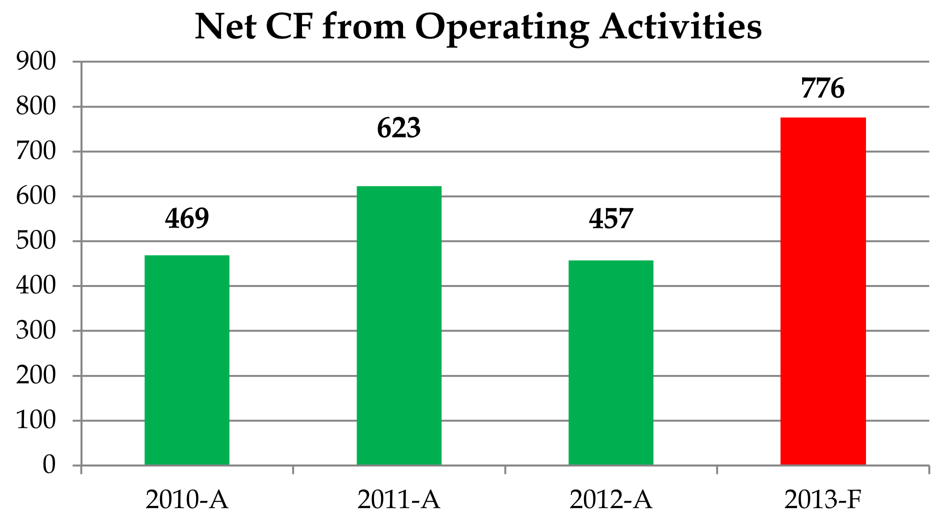


Financial Overview

Actuals/Forecasts 2010 -2013 [IFRS – Non-Audited – in mio €]



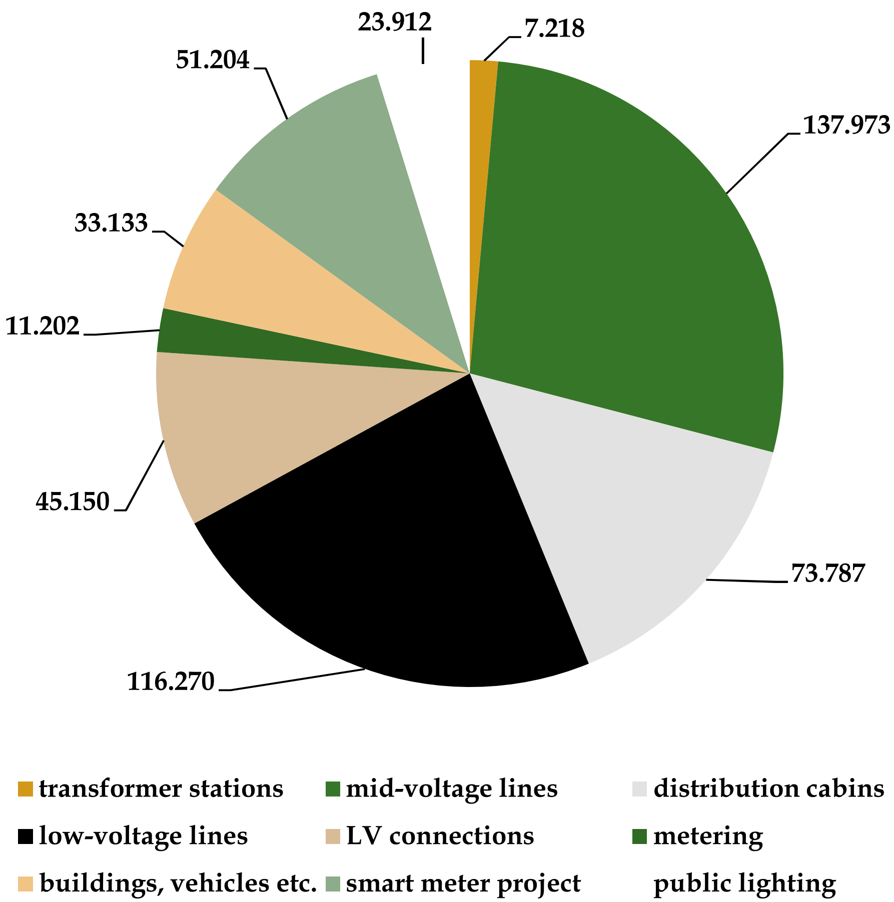




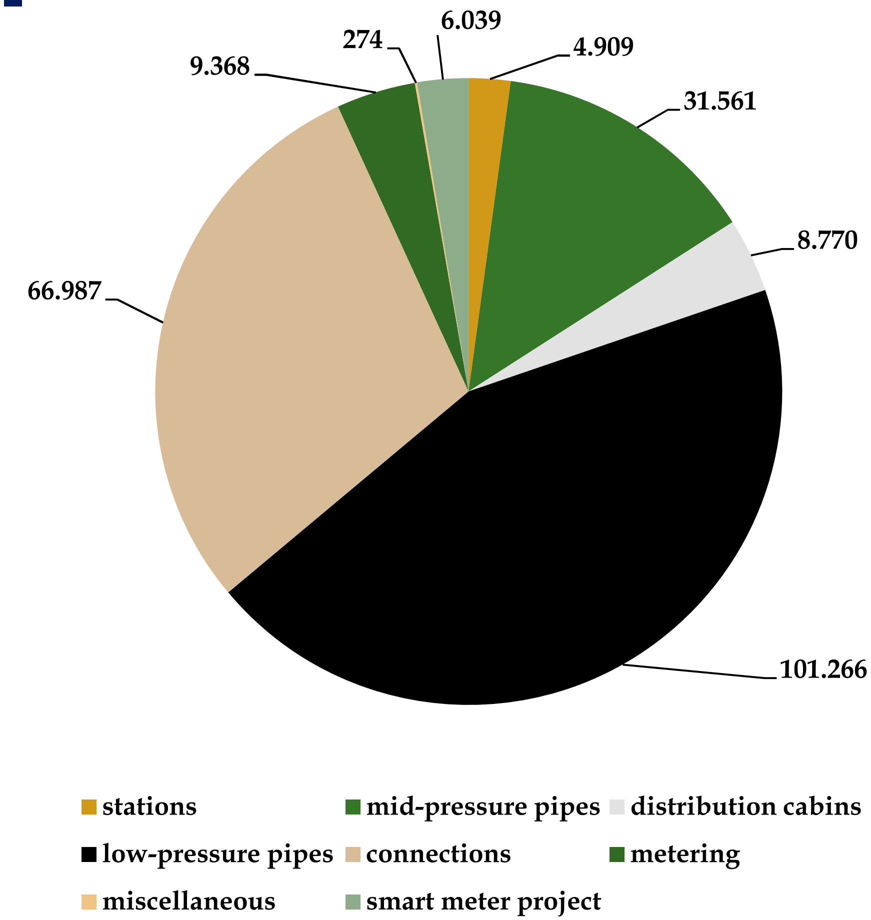
Financial Overview

Capex Programme 2012 (actuals – gross investments)

Electricity: 499.8 mio € (2011: 478.7 mio €)



Gas: 229.2 mio € (2011: 247.1 mio €)



CAPEX /Total Net Fixed Assets: 9,8% (2011: 10,1%)

Short term financing capacity

Liquidity Facilities (as per 25 April 2013)

CP Programmes („Thesauriebewijzen")

- Total size programmes: 522 mio EUR
- Currently outstanding: 0 EUR (25 April 2013)

Undrawn Credit Lines (back-up CP Programs)

- Total size facilities: 90,8 mio EUR
- Currently outstanding: 0 EUR (25 April 2013)

Cash & Cash Equivalents

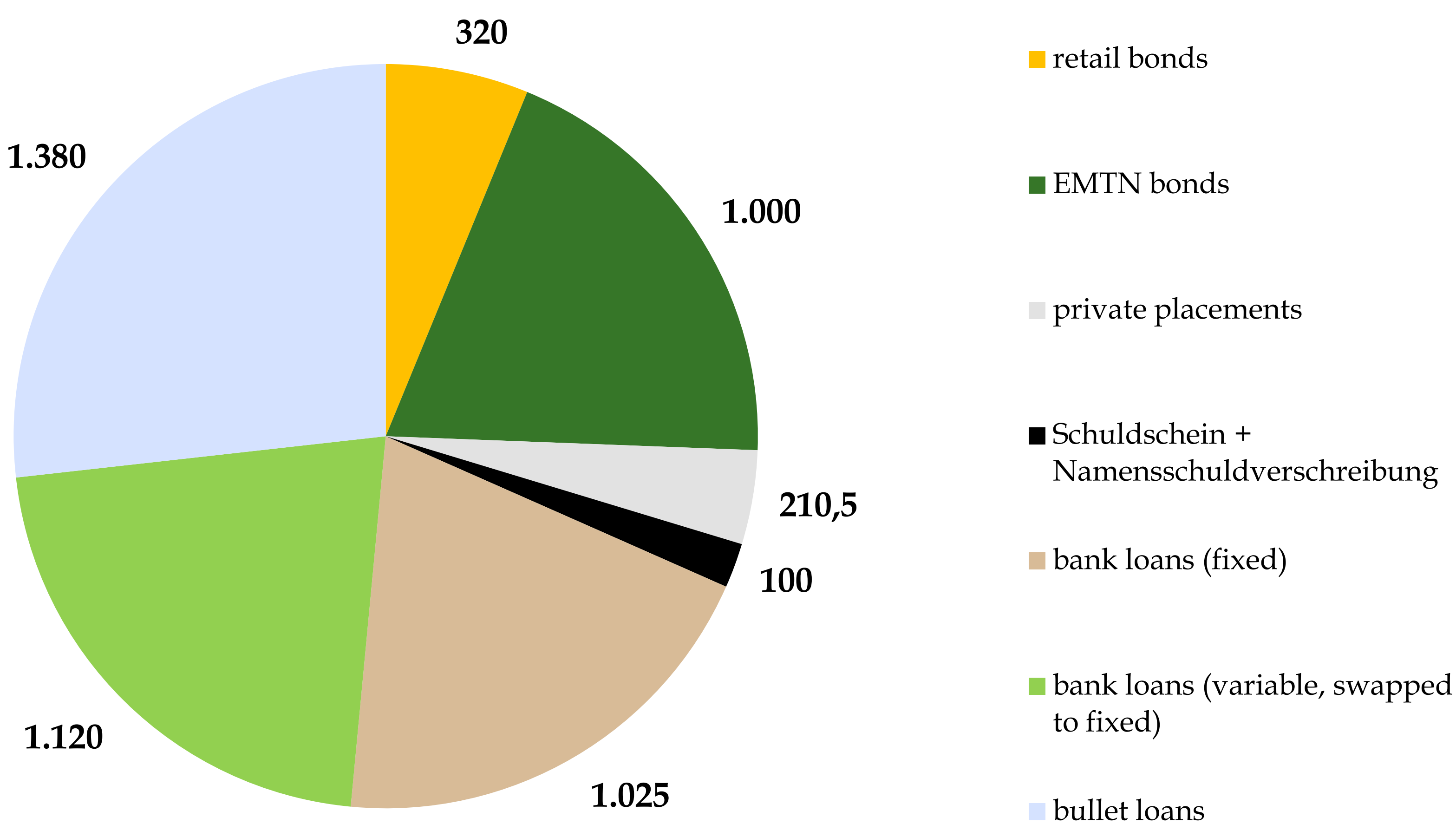
- 39,4 mio EUR (25 April 2013)
- Overnight straight loan facility: 200 mio EUR
- 0 EUR overnight loan drawn (25 April 2013)

ST Revolving Credit Facilities

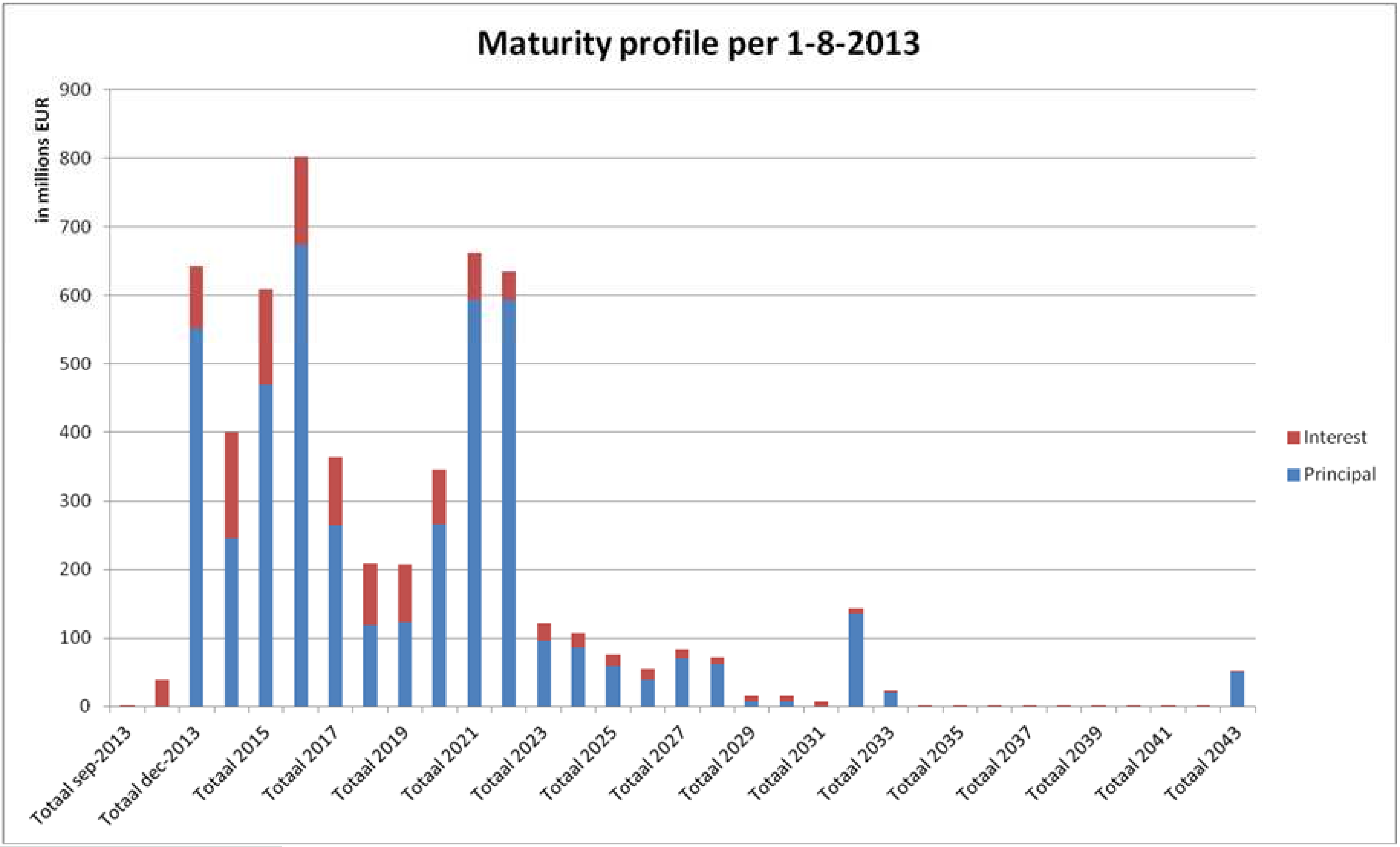
- Total size facilities: 50 mio EUR
- Currently outstanding: 0 EUR (25 April 2013)

Debt Profile (Economic Group)

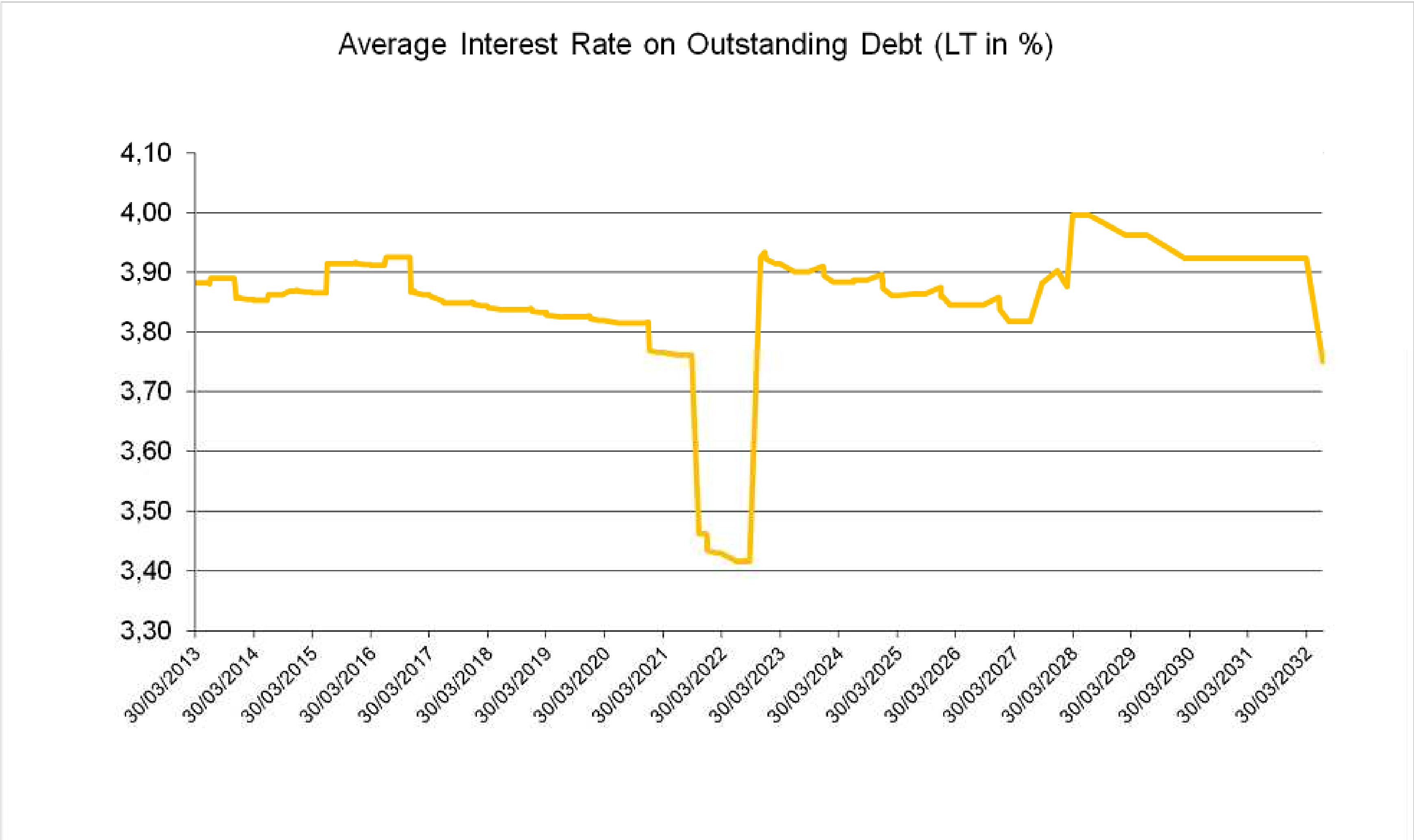
LT Debt Profile by Instrument (5.155,5 mio € nominal amount - 1 August 2013)



Maturity Profile (Economic Group)



Debt Profile: average interest rate



Financial Overview

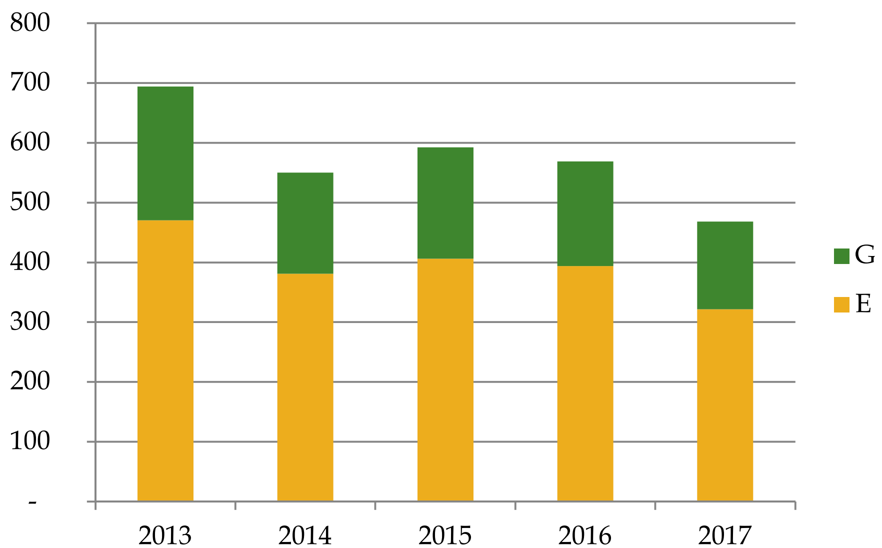
Eandis' outstanding bonds (as per 1 September 2013): 1.630,5 m€

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

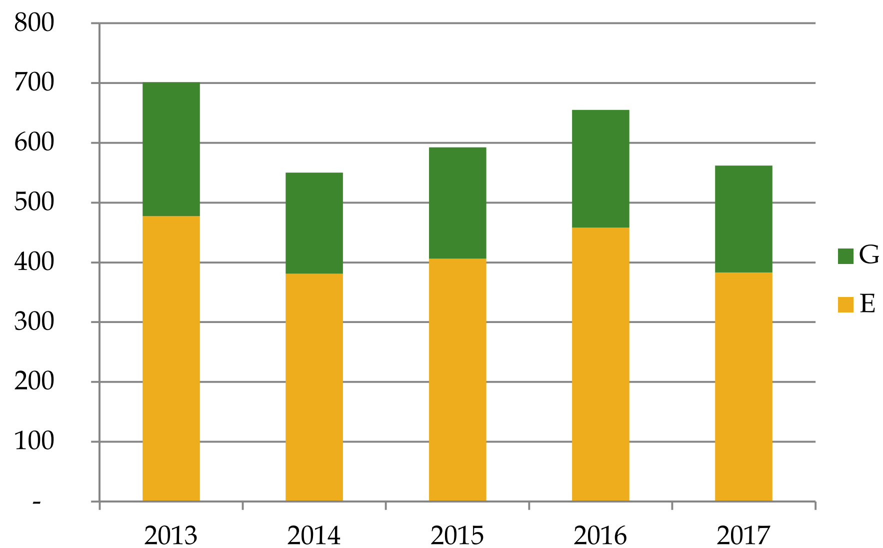
Financial overview

Investment programme - forecasts 2013-2017 (net figures - mio €)

BASE SCENARIO



ALL-IN SCENARIO



All-in scenario includes start-up of smart metering (E/G) and smart grids (E).

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 per cent'
  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€	Reality 2012	Budget 2013	Budget 2016 "Autofinancing + 10%"	% change vs 2012	% change vs 2013
grid investments	461,9	523,0	377,2	-18%	-28%
grid operations	335,2	294,6	274,6	-18%	-7%
support dpts – staff	154,0	167,0	156,2	1%	-6%
support dpts - other costs	330,8	308,6	308,6	-7%	0%
TOTAL	**1.281,9**	**1.293,2**	**1.116,6**	**-13%**	**-14%**

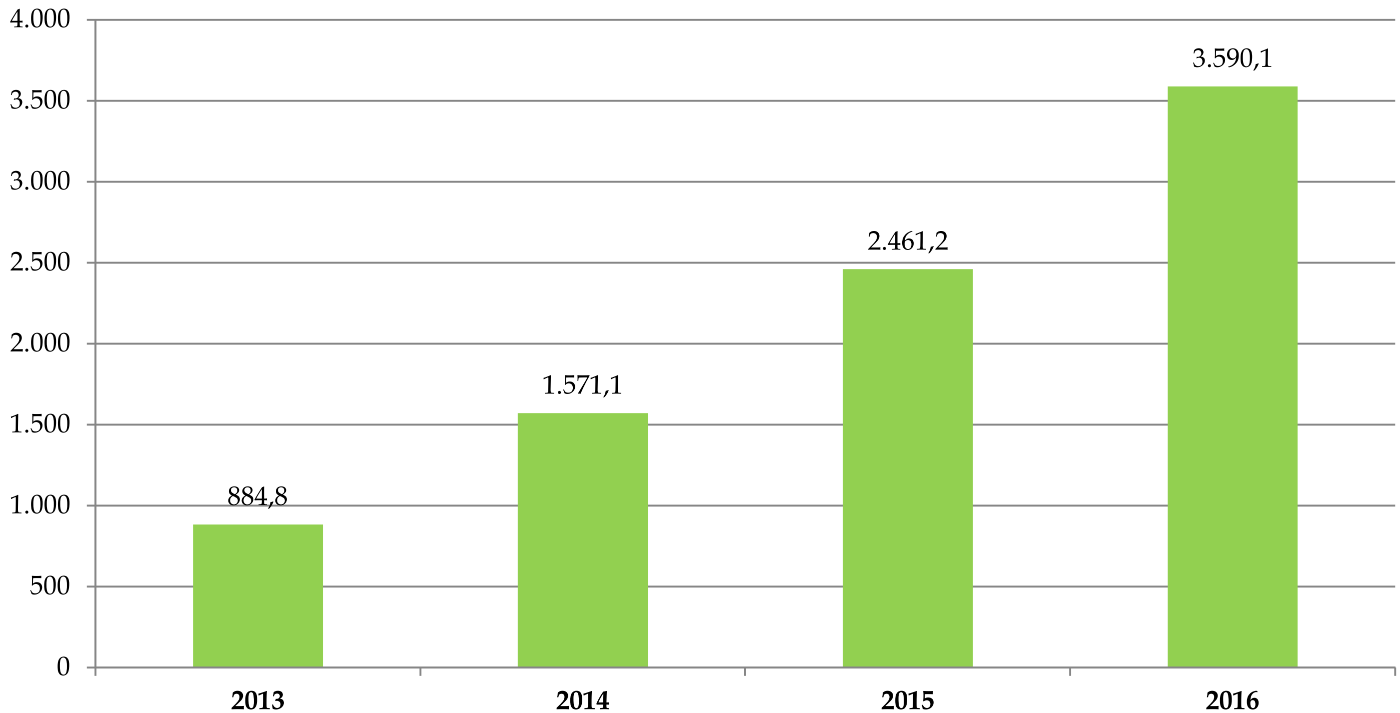
Financial overview

Financing needs 2013-2016 (in mio €)

Starting point

- investment programme 2013-2016: yearly net financing needs in the order of 600-700 mio €
- Electrabel's compulsory exit from ex-IGAO *(gas distribution in 29 municipalities)* by end 2014
- repayments and intrest payments under currently outstanding loans and external financing

Estimated financing needs per 1 September (*gross cumulative figures*):



Financial overview

Funding Programme 2013-2016 (in mio €)

Funding programme 2013-2015:

Depending on market conditions and opportunities / approved by Board of Directors (June 2013) through a mix of bank loans, EMTN bond and MTN private placement.

Remaining funding programme 2013:

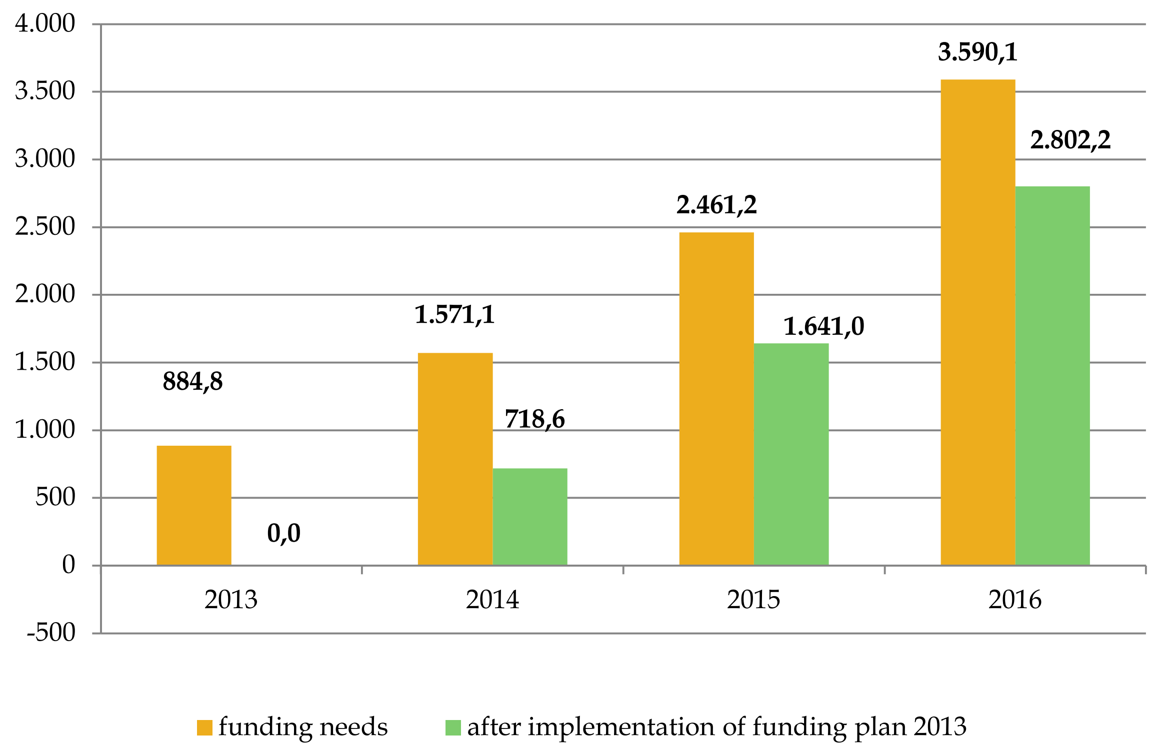
Approved amortized bank loans (275 m€) and issue EMTN-tranches (500 – 600 m€).

Funding programme 2014-2015:

Approval of Board of Directors Eandis of additional issue EMTN-tranches (1600 m€) or combined use of bank loans, private placements or other financing means than EMTN (up to 800 m€) with EMTN-tranches .

Funding programme 2016:

details to be decided later



Note: gross cumulative figures

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 highly or fully regulated framework
	  ■ Royal decree relative to tariff structure for connection to the electricity network of 11 July 2002
	  ■ Royal decree relative to tariff structure for connection to the gas network of 29 February 2004
	■ Tariff proposals (separately for Electricity and Gas) are introduced by the network operators to, and for approval by, the CREG
	■ Each DSO has its own cost structure, therefore 7 x 2 tariff proposals are introduced

DSOs' Capital Structure	■ The federal regulator uses a defined regulated capital structure (1) i.e.
	  ■ 33% equity
	  ■ 67% debt
	■ Currently approximately 44%/56%. This ratio will slowly evolve towards the regulator's 33%/67% as the RAB grows.

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

(1) Source: CREG – Lignes Directrices 18 June 2003 – Doc Ref (R)030618-CDC-2199 for gas and (R)030618-CDC-2198 for electricity

Regulatory Framework
Financial Aspects

	ELECTRICITY	GAS
Allowed Return on Equity up to 33%	6,3065% post tax nominal (2012)	7,1465% post tax nominal (2012)
Regulated Asset Base	Eandis: €4,50bn excl. working capital (Dec 2012)	Eandis: €2,98bn excl. working capital (Dec 2012)
Incentive Regulation	system of bonus/malus & obligatory efficiency improvement (CPI-X)	system of bonus/malus & obligatory efficiency improvement (CPI-X)
Regulatory Leverage	67% debt vs 33% equity	67% debt vs 33% equity
Length of Regulatory Cycle	4 years - tariff freeze for 2013-2014 at 2012 level*	4 years – tariff freeze for 2013-2014 at 2012 level*

* CREG decision (April 2012) to allow for an orderly transfer of the tariff competency to the regional regulators.

3. Company & Business Overview

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

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Company Overview

Ownership Structure

Municipalities — 79% (2)

Electrabel — 21% (2)

7 Distribution System Operators

GASELWEST, IVEKA, INTERGEM, IMEWO, IMEA, IVERLEK, SIBELGAS

100%

Eandis cvba

4 subsidiaries

de stroomlijn, SYNDUCTIS, index.is, ATRIAS

- 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.

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

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

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 July 6, 2001. All items not explicitly covered by this decree are covered by the corporate rules for a "cooperative company" ("cvba")
- End 2018: 94% of Eandis's DSOs for E and G will be publicly held

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
- Distribution types of gas and electricity [*source: Belfius Bank]*

[balance sheet totals 2010]	Flanders	Wallonia	Brussels
Mixed Intermunicipal	77%	67%	100%
Pure Intermunicipal	23%	32%	0%
Municipalities ('regie')	0%	1%	0%

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Business Overview
Eandis' network

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

Electricity Market

Total network length (km)	**93,678**
low voltage	**60,500**
mid voltage	**33,178**
Access points	**2,569,200**
Budget meters in operation	**34,762**
Public lighting points	**826,238**
Volume transported (TWh)	**26.6**

(*) All figures as per 31 December 2012 - Source : Eandis Annual Report 2012

Business Overview

Eandis' network

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

Gas Market

Total network length (km)	41,262
low pressure	33,597
mid pressure	7,665
Access points	1,635,285
Budget meters in operation	23,229
Volume transported (TWh)	52.6

(*) All figures as per 31 December 2012 - Source : Eandis Annual Report 2012

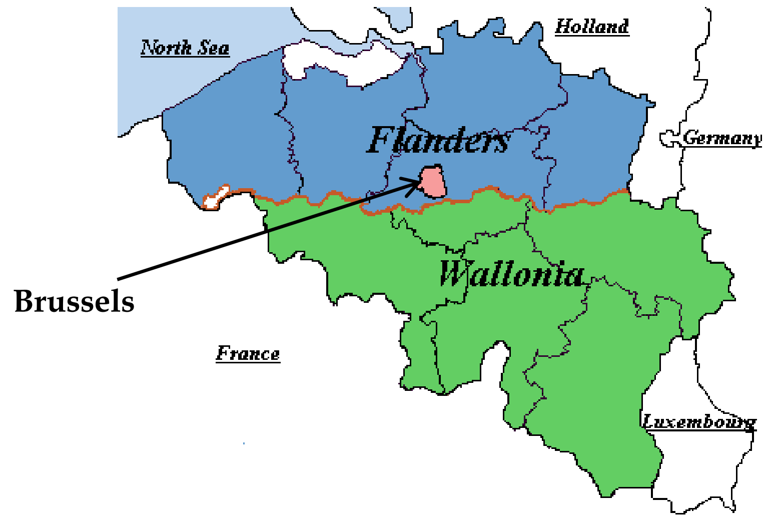
4. Belgian Energy Market & Regulatory Framework

- 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
Overview Belgian Federal State

Belgium is a federal country comprising

- 3 Regions (Flanders, Wallonia, Brussels Capital) and
- 3 Communities (Dutch, French, German speaking)
- in Flanders, the responsibilities of region and community are combined as if a single entity



- The **Federal government** is responsible, amongst other things, for "*matters, which, owing to their technical and economic indivisibility, require equal treatment at national level*"

- Inversely, the **Regions** are responsible, amongst other things, for "*matters which are technically and economically divisible and may be treated at regional level*"

Regulatory Framework

Purpose and Organisation of the Regulatory Framework

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
- **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
  - Tariff approval for distribution (until end 2013)
- **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
  - Tariff approval for distribution (as from 2014)

Federal government Di Rupo agreed on transfer of distribution grid tarification competency to the regions (CREG → VREG), probably as from 2015 or 2016.

Regulatory Framework
Tariff Setting – Key Characteristics

- **Tariffs must aim at**
  - Being non-discriminatory and transparent
  - **Being fixed relative to costs** and **enabling the network operator to cover its costs** incurred in the framework of its regulated activities, incl. financial costs
  - **Including a fair beneficiary margin** for the remuneration of the capital invested in the network with a view to ensure its optimal development
  - Targeting the optimal use of the transport capacity of the networks
  - Being clear: (i) relative to conditions and modalities of use of the networks, (ii) relative to ancillary services and (iii) relative to possible extra-charges associated to public service obligations
  - Taking into consideration the reserved capacity to guarantee the service of distribution

- **Tariffs are fixed for a period of 4 years**
  - Gas : Gas Law of April 1965, art 15/5bis, §2
  - Electricity : Electricity Law of April 1999, art 12 and 12quater
  - Current situation: end of tariff period 2009-2012 - 2012 tariffs prolonged for 2013-2014

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

Regulatory Framework

Tariffs and Treatment of Differences between costs and revenues ("bonus/malus")

- This is referred to in the RD of September 2, 2008, as the **"bonus/malus" treatment**, i.e. the treatment of the differences between budgets and reality of costs and revenues
- Differences relating to **manageable costs** will be to the benefit of the shareholder ("bonus") or are to be borne by it ("malus")
- Differences relating to **non-manageable costs** (e.g. depreciations, public service obligations, network losses) and to **volumes of transported energy** are considered as a global liability or receivable towards the customers
- Bonus 2009: 6,9 mio € for electricity / 6,7 mio € for gas / approved by the CREG
- Bonus 2010: 18,4 mio € for electricity / 9,8 mio € for gas / not yet approved by the CREG
- Bonus 2011: 29,3 mio € for electricity / 11,7 mio € for gas / not yet approved by the CREG
- Bonus 2012: 28,7 mio € for electricity / 13,4 mio € for gas / not yet approved by the CREG
- Bonuses 2010-2012 will probably not be approved by the CREG due to upcoming regionalisation of distribution grid tariff competency

Annexes

Company Overview

Organizational Structure: Management Committee (as from 1 April 2013)

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

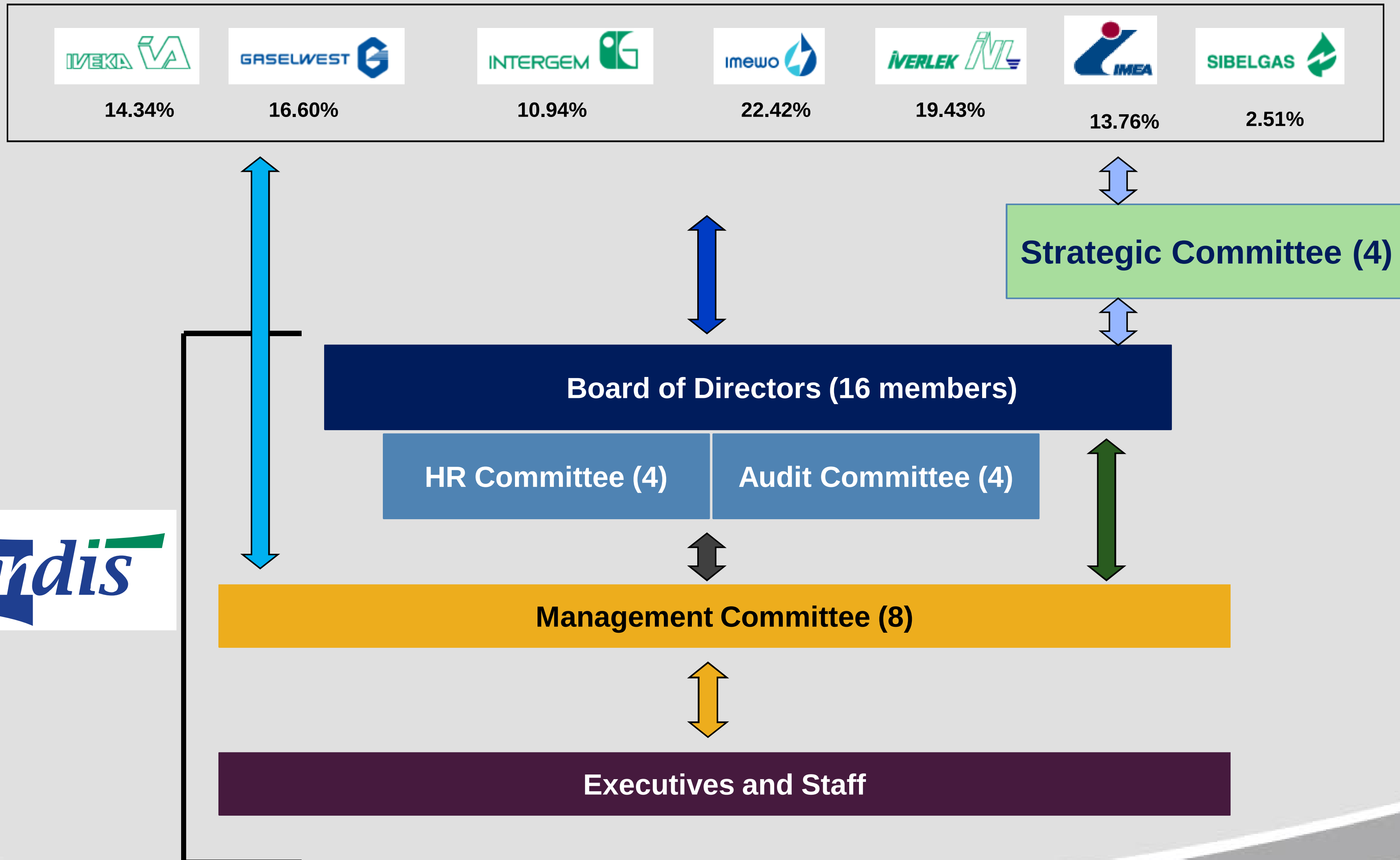
Donald VANBEVEREN

Director Regulation Strategy

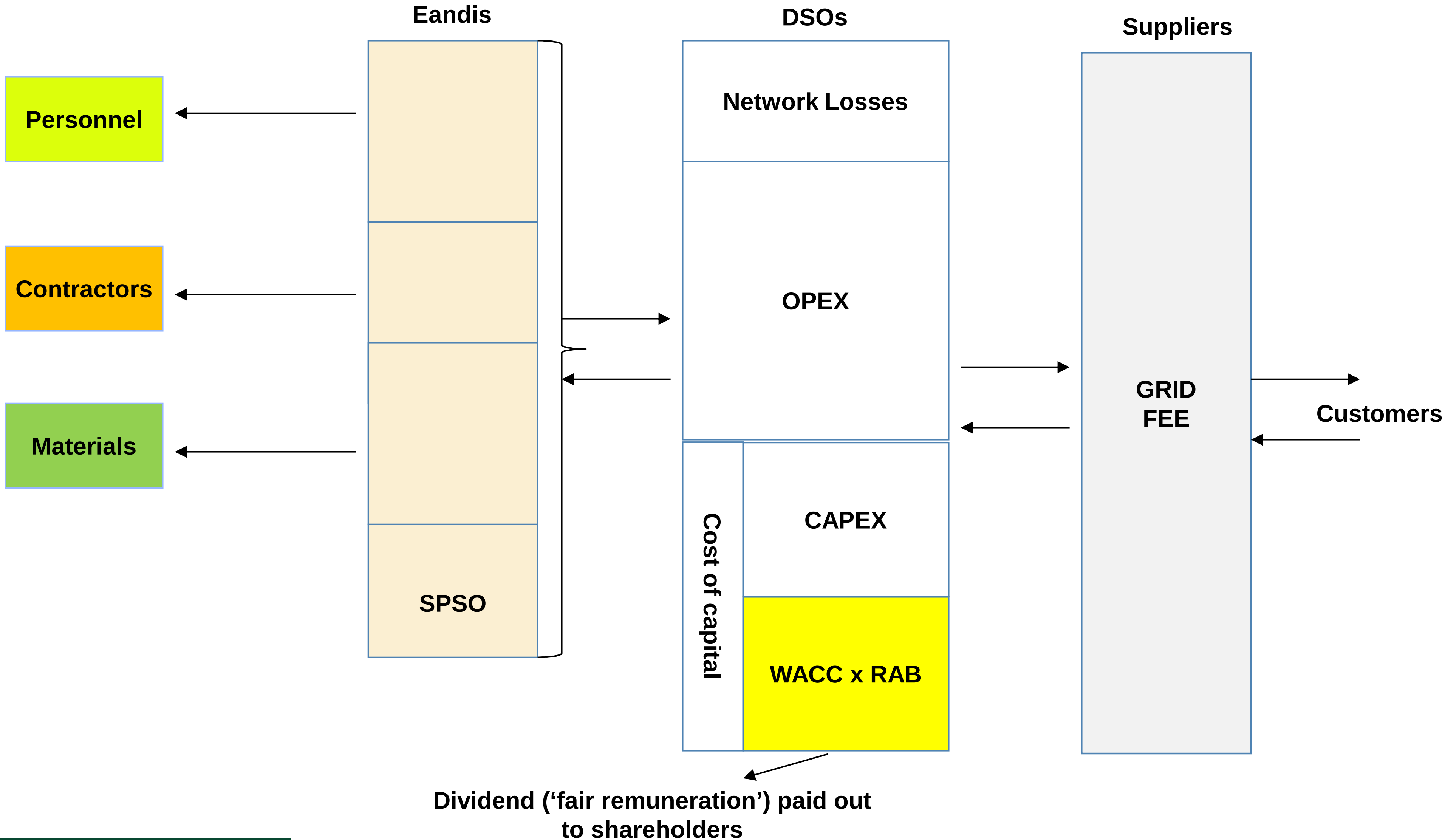
eandis

Company Overview

Corporate Structure: Eandis and 7 DSOs



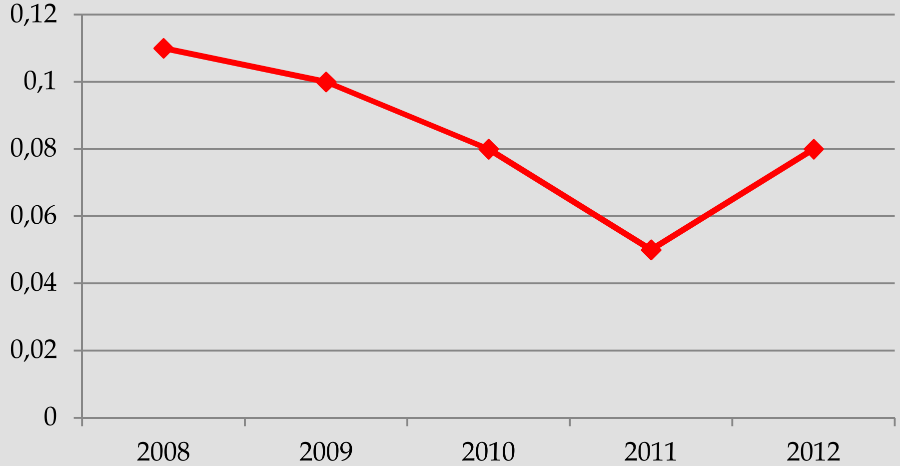
Regulatory Framework
Cash Cycle



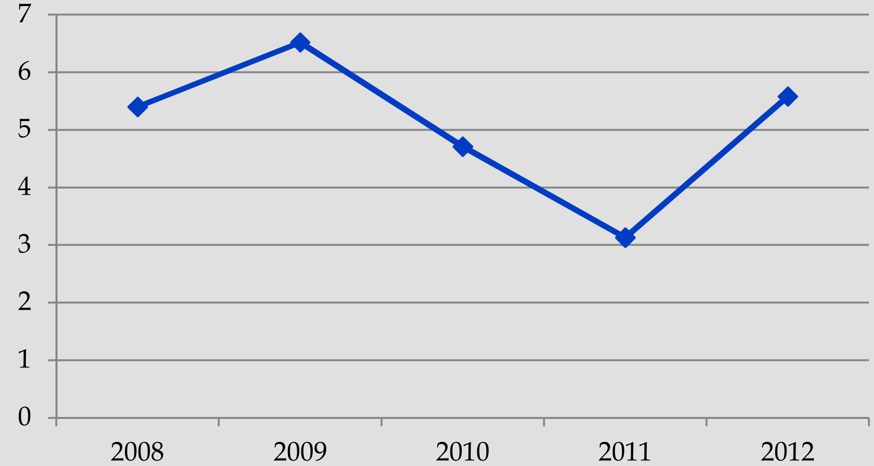
Eandis: safety & reliability !

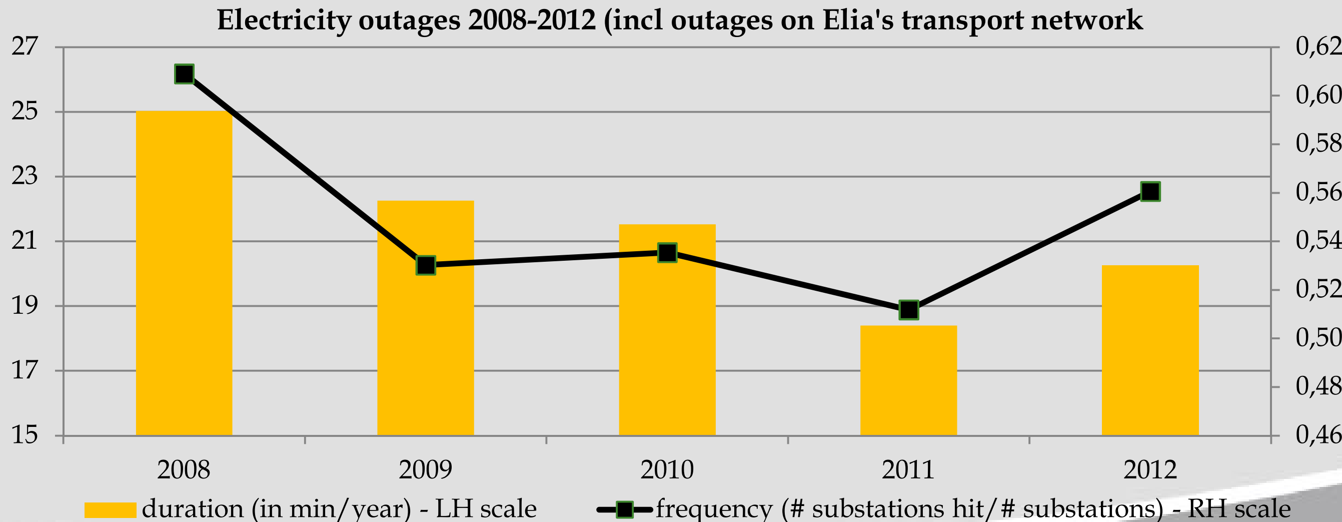
Industrial accidents / electricity outages (2008-2012)

Gravity Index (Eg)



Frequency Index (Fg)





Source: Synergrid and 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' subsidiary: De Stroomlijn cvba

- Activity: call centre for distribution network related issues
- Shareholders: Eandis (64,03%), and the water companies TMVW (32,98%) and AWW (2,99%)
- Board: 7 members (of which 4 for Eandis, incl. Chairman David Termont)
- Staff: 255 (1) on 3 sites (Mechelen, Ghent and Ypres)
- Start of operations: 1 February 2007
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Financials 2012 (BE-GAAP)
  - Balance sheet total: € 2.147.783
  - Share capital: € 257.700
  - Debt: € 1.890.083 (of which € 1.526.253 < 1 year / no LT debt)
  - Turnover: € 12.265.592

(1) As per end 2012

Eandis' 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: 8 members (of which 4 for Eandis, incl. Chairman Paul Gistelinck)
- Staff 52 *(on 31 December 2012)*
- Start of operations: mid 2002
- 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 2012 (BE-GAAP)
  - Balance sheet total: € 14.647.692
  - Share capital: € 3.216.131
  - Debt: € 11.360.253 (of which € 11.355.077 < 1 year / no LT debt)
  - Turnover: € 23.798.088

Eandis' subsidiary: Atrias cvba

ATRIAS

- Shareholders: Eandis, ORES, Infrax, Sibelga and Tecteo (Eandis holds 25% of share cap
- Board: 12 members (of which 3 for Eandis, incl. Chairman Walter Van den Bossche)
- Staff: 11 (31 December 2012)
- Established: 9 May 2011
- Start of operations: mid 2011
- Will operate 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 2016
- Works at **cost price** (no margin/profit) for its shareholders
- Consolidated in Eandis according to the equity method
- Financials 2012 (BE-GAAP)
  - Balance sheet total: € 3.814.484
  - Share capital: € 18.600
  - Debt: € 3.795.884 (of which € 3.795.287 < 1 year / no LT debt)
  - Turnover: € 2.658.404

eandis

Eandis' subsidiary: SYNDUCTIS cvba

- Date of establishment: 21 December 2012
- Shareholders: Eandis (50%), TMVW (44,95%), IWVA (2,26%) and IWVB (2,79%) - other utilities can join at all times

  [E*andis' 50% capital share will be diminished when other utilities join SYNDUCTIS)*
- Board: 5 members (of which 2 for Eandis, incl. Chairman Geert Versnick)
- Managing director: Ludy Modderie (TMVW)
- Staff: -
- Start of operations: 2013 (starting with carefully selected 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 yet (i.e. for financial year 2012) – first financial year ends 31 December 2013

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.