Enexis 2013 annual results

Investor Presentation

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10 March 2014

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Disclaimer

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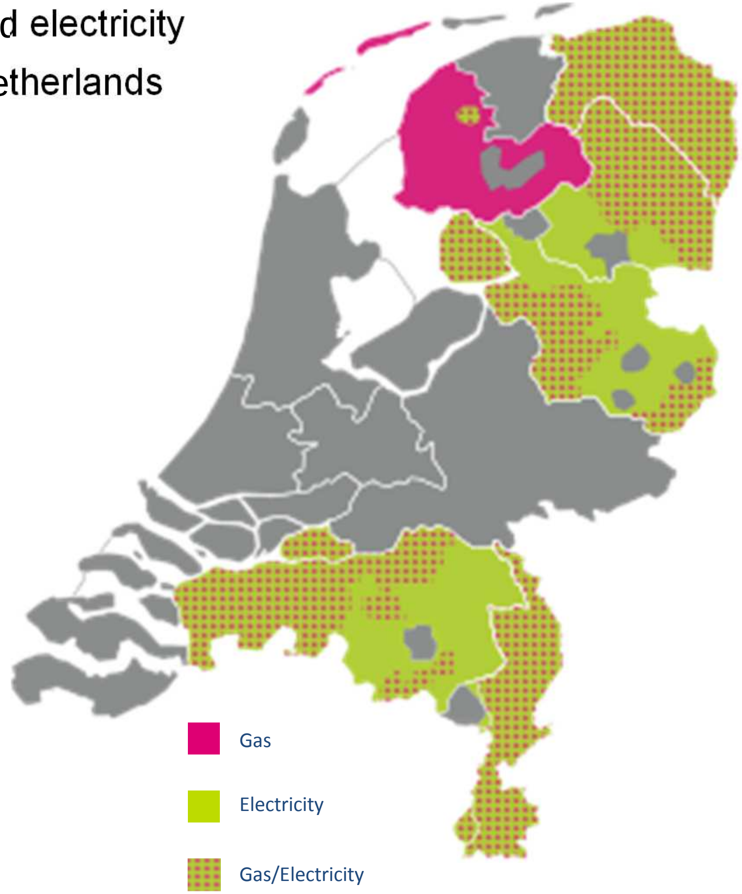
Enexis in 2013

- Development, construction and maintenance of gas and electricity distribution grids in the North, East and South of the Netherlands
  - Approximately 180,000 kilometres of power cables and gas pipelines owned by Enexis
  - 35 TWh electricity and 6.4 billion m3 gas transported
  - Customer connections: approx. 4.7 million
  - Employees: approx. 4,200
  - Shareholders: 6 provinces and 113 municipalities

- Key financials
  - Revenue: € 1,386 million (96% regulated)
  - EBIT: € 424 million
  - Profit for the year: € 239 million
  - Net investment: € 398 million
  - Solvency: 54%

- Rating: S&P AA-/stable, Moody's Aa3/stable



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2013 highlights

- Good profitability with a limited increase in tariffs
- Focus on cost efficiency reflected in profit increase
- Stable level of net investment in grids
- Enexis' role in sustainable development is growing
- Key financial ratios again comfortably met

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Main developments in 2013

Financial Results 2013	▸ Profit for the year 2013: € 239 million (2012[(1)]: € 224 million) ▸ Operational cost targets have been realised, operating expenses decreased by € 13 million in 2013 ▸ Stable level of net investment in grids. Network expansions reduced due to economic situation ▸ Target financial ratios are comfortably met, with credit ratings from S&P: AA- stable outlook and Moody's: Aa3 stable outlook
Strategic developments	▸ Focus on cost efficiency: good profitability with tariff increase in line with inflation (2.2%), again below maximum allowed level ▸ Shareholders receive a return in line with the regulatory WACC ▸ Review of strategic plan to be approved by the annual general meeting of shareholders in April 2014
Operational developments	▸ High reliability of electricity grids with an average outage time of 23.6 minutes per year around Dutch average of 23.4 min p/y ▸ Gas grid outage time (50 sec p/y) is below Dutch average of 61 sec p/y ▸ Overall customer satisfaction increased to 7.8 (2012: 7.6) ▸ Safety performance (DART rate) at 0.54 (2012: 0.49), programme launched to improve safety awareness
Regulatory developments	▸ Regulator published method decision for 2014-2016 ▸ Regulatory WACC (real, pre-tax) will decline gradually from 6.2% (2013) to 3.6% in 2016. X-factor Electricity: 4.91%, Gas: 6.94% ▸ New regulatory period will become challenging but manageable for Enexis
Financing and other developments	▸ Shareholder loan B has been repaid 1 year before its maturity, financed with the proceeds of Enexis' November 2012 bond ▸ Refinancing shareholder loan B enabled Enexis to optimize its maturity profile and reduce interest costs as of 2014 ▸ End of 2013 Enexis' CEO Mr. Fennema accepted the position of CEO at gas infrastructure company Gasunie

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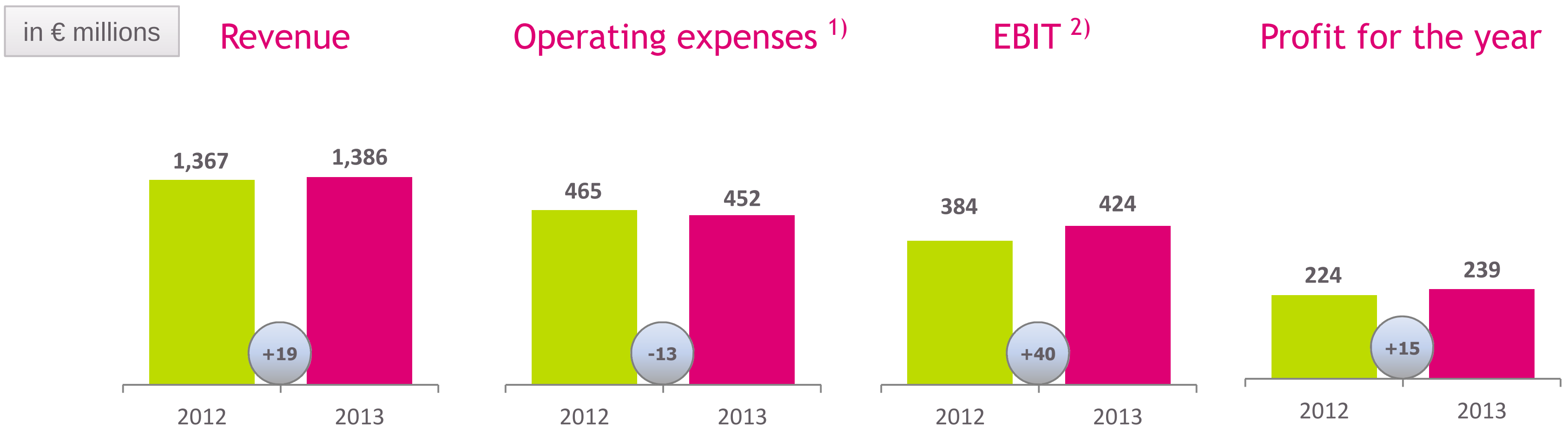
(1) Due to changed international accounting standards, 2012 figures have been restated, see annual report for all details

Focus on cost efficiency reflected in profit increase

- Limited revenue increase in line with tariff development policy
- Ongoing cost savings programme leads to reduced operating expenses
- 50% of profit added to Equity, 50% dividend pay-out



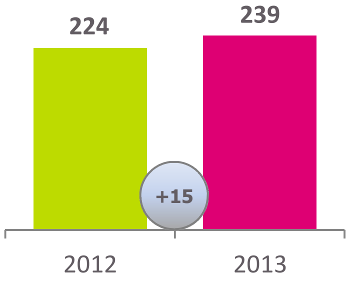
Note 1) Excluding depreciation
Note 2) EBIT= Operating profit plus share of profit of associates

Normalised profit for the year increased to €248 million

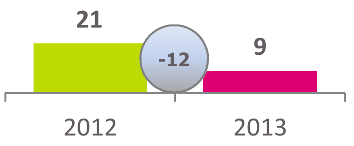
- Exceptional item 2013 concerns penalty interest on early repayment of shareholder loan B
- For 2012 this consisted of staff related provisions and impairments of associates

in € millions

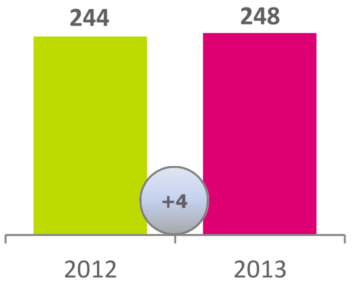
Profit for the year



Exceptional items (after tax)

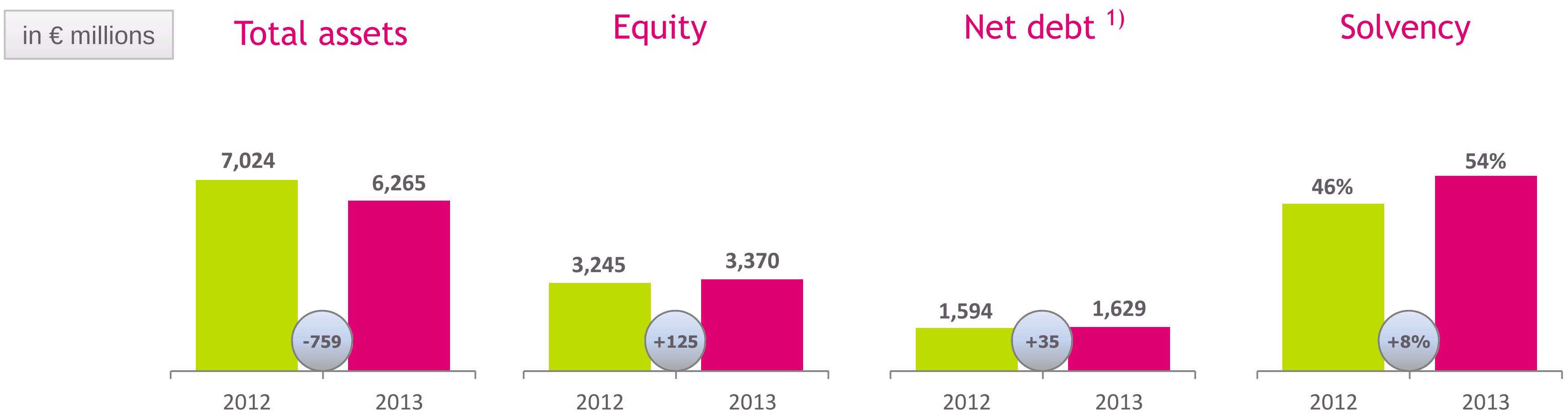


Normalised profit for the year



Solvency at strong level

- Solvency back to 54% end of 2013
- Total assets decreased due to €500 million repayment of shareholder loan with bond proceeds and introduction of the New Market Model €300 million
- Stronger equity position due to 50% profit addition, net debt slightly higher



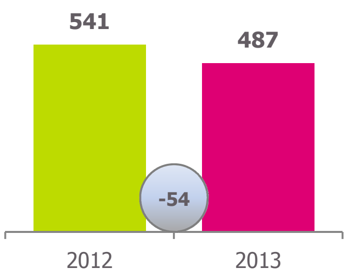
Note 1) Net debt = Interest bearing liabilities (current + non-current) minus cash and cash equivalents minus other financial assets (short-term)

Investment cash flow around €400 million

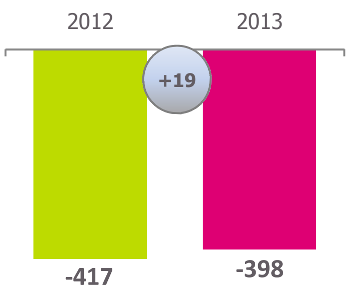
- Lower operating cash flow mainly due to reduced net working capital
- Slightly lower investment cash flow due to finished offices in 2012 and decreased (customer driven) expansion investments in 2013
- Investment cash flow and paid dividend exceeded operating cash flow in 2013, which was covered by the reduction of deposits

in € millions

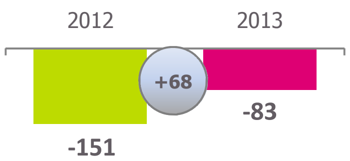
Operating cash flow



Investment cash flow [1)]



Financing cash flow [1)]

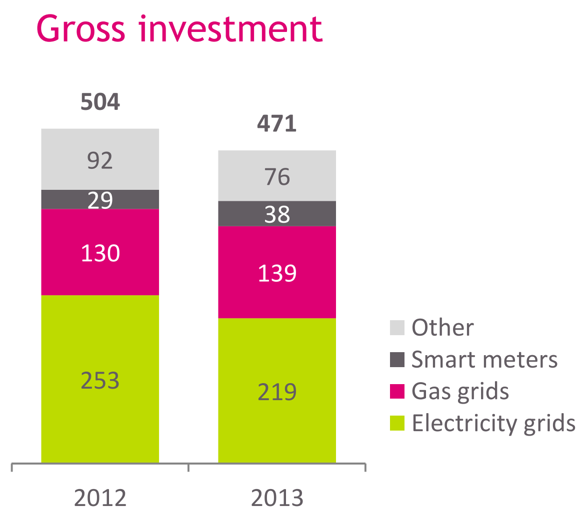


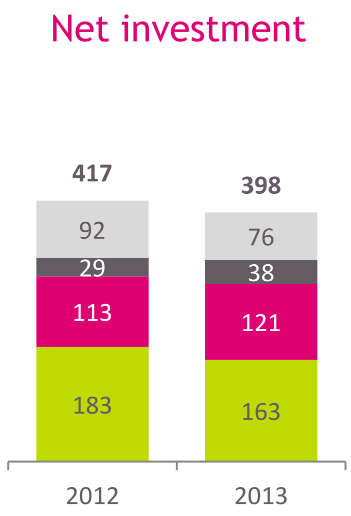
Note 1) In the annual report, loans granted, increase/decrease of deposits and repayments of loans granted are stated under 'Investment activities'. In this presentation these are represented as part of the financing activities since they relate to the temporary invested proceeds of the bond issuance in November 2012. (2012: -/- €369M, 2013: + €532M)

Stable level of net investment in grids

- Investments in network expansion (customer driven) decrease by €27 million, partly compensated by additional replacement investments
- Advance customer contributions account for the difference between gross and net investments (€73 million in 2013)

in € millions

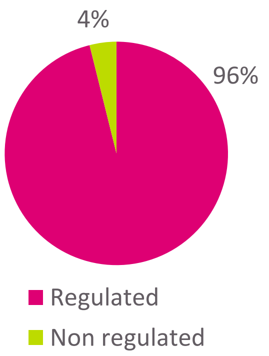




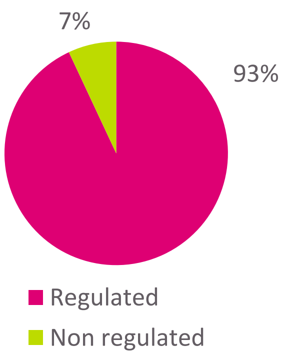
Non regulated business Fudura remains small but profitable for Enexis

- Non regulated activities strengthen the regulated core business, as for example commercial metering and rental of energy equipment
- Grid management services for third party owned girds
- Supporting residential neighborhood' initiatives to save energy

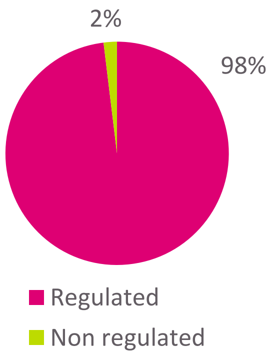
Revenue for 2013 [1)]



Profit for the year 2013



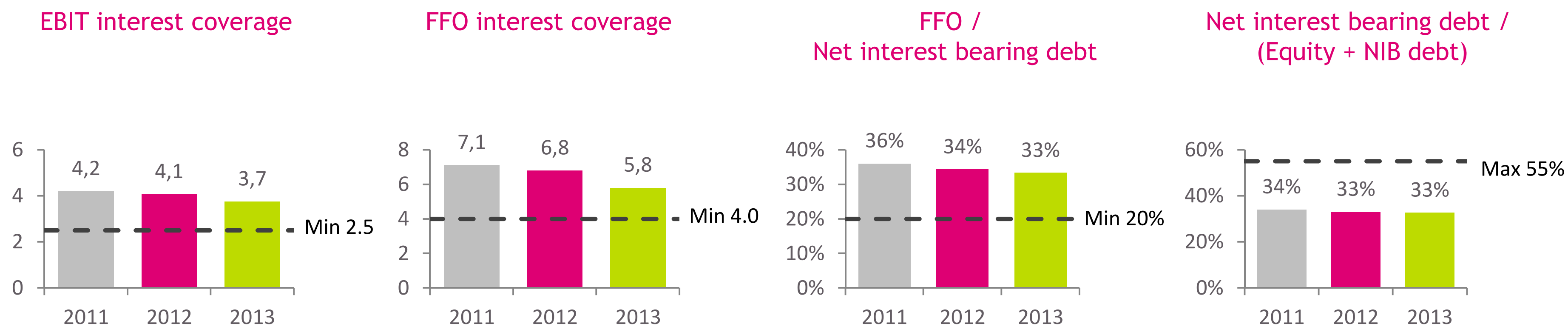
Total assets



Note 1) Reported after eliminations.

Key financial ratios again comfortably met

- Management is committed to an A rating profile, safeguarded by our key financial ratios
- One-off penalty interest on early repayment of shareholder loan tranche B reduces 2013 interest coverage ratios and FFO to debt ratio
- Excluding one-off effect, all ratio's are in line with 2012 ratios



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Question & Answers

Thank you for your attention

Financial agenda

- 10 April 2014: Annual General Meeting of Shareholders
- 7 August 2014: Half year results

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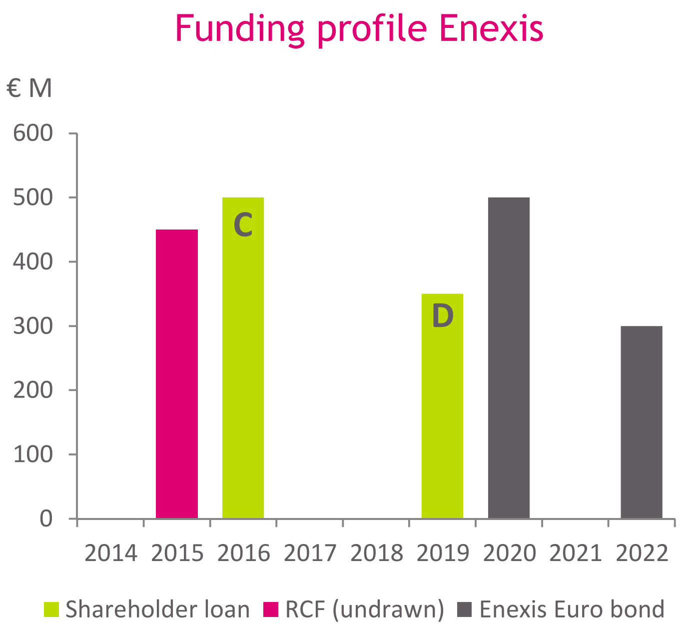
Funding profile shows gradual refinancing of shareholder loans

- **Euro Medium Term Note (EMTN) programme of € 3 billion** has been established in December 2011
- In order to secure financial flexibility, limit potential refinancing risk and ensure regular bond issuances to establish Enexis as a recognized issuer in the market, the SH-Loans were structured in a range of maturities:
  - Tranche B: € 500 million, tenor of 5 years (Sept 2014) – refinanced in September 2013 by the bond of € 500 million issued in November 2012 with a tenor of 8 years
  - Tranche C: € 500 million, tenor of 7 years (Sept 2016)
  - Tranche D: € 350 million, tenor of 10 years (Sept 2019)
- Bonds issues:
  - 2020 bond € 500 million, tenor 8 years (Nov 2020)
  - 2022 bond € 300 million, tenor 10 years (Jan 2022)



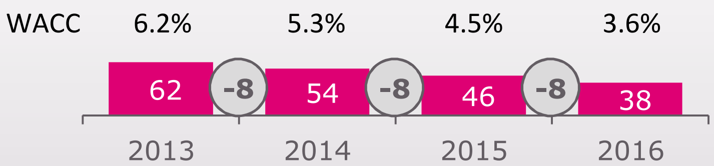
- **Revolving Credit Facility (RCF) of € 450 million** (undrawn) will mature in June 2015 and will be timely renewed

Regulatory Framework

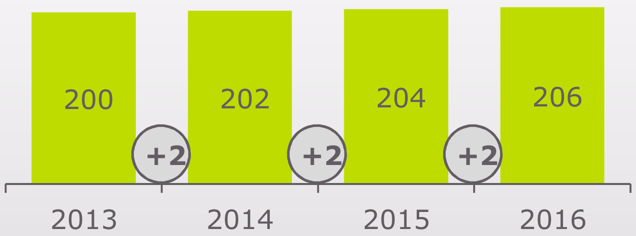
Regulatory Asset Base (RAB):	1,000
Efficient operating costs:	200
Yearly efficiency target:	1%
CPI:	2%

Note: All indicative Figures!

WACC x RAB (+ cpi)

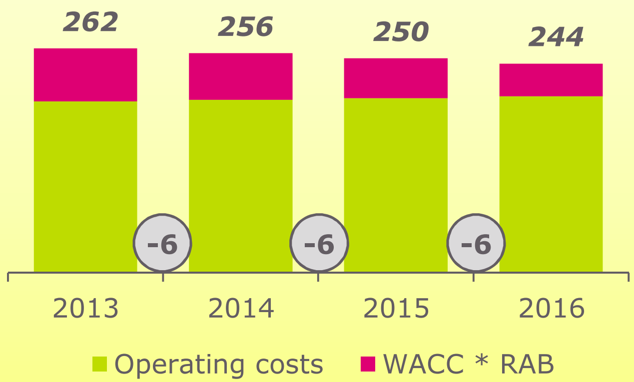


OPERATING COSTS (+ cpi - efficiency target)



ALLOWED REVENUES (+ cpi - x)

(WACC x RAB + OPERATING COSTS)



X = 5%

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New regulatory period will become challenging but manageable for Enexis

- Methodology in line with previous years (CPI - X)
- Regulator set allowed revenues in 2014 directly to the efficient cost level (one-off)

  Minimal impact for Enexis due to our policy of affordable tariffs in 2012 and 2013 (customer tariffs below the allowed maximum level)

- The allowed return (WACC, real and pre-tax) on the Regulatory Asset Base will decrease gradually from 6.2% in 2013 to 3.6% in 2016

  Enexis' financial expenses from 2014 onwards have been reduced by the 2 bond issues. Shareholder return is based on regulatory WACC

- X-factor Electricity: 4.91%, Gas 6.94%

  Ongoing cost efficiency programme to match regulatory efficiency target