

Rating object	Rating information	
<p>Long-Term Local Currency Senior Unsecured Issues</p> <p>Type of issues: Long-term local currency senior unsecured issues Home Markets: Luxembourg Stock Exchange Euronext Brussels</p> <p>Issuers: ex-Eandis System Operator cvba and ex-Infrac System Operator cvba</p> <p>Guarantors: DSOs shareholders respectively</p>	<p>Corporate Issuer Rating: A+ / stable</p> <p>LT Senior Unsecured Issues, LC: A+</p> <p>Rating Date: 5 October 2018 Monitoring until: withdrawal of the rating Publication Date: 15 October 2018 Rating methodology: CRA „Corporate Issue Ratings“ Rating history: www.creditreform-rating.de</p>	<p>Type: Initial rating Solicited</p> <p>Other: n.r.</p>

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Transaction summary

Object of this rating are the long-term (“LT”) local currency (“LC”) senior unsecured issues (“bonds”) issued by Fluvius System Operator cvba (“Fluvius”). Fluvius was formed on 1 July 2018 through the merger of Eandis System Operator cvba (“Eandis”) by absorption of Infrac cvba (“Infrac”).

All the current outstanding bond issues of Eandis and Infrac will be renamed as Fluvius and outstanding ex-Eandis bonds will remain guaranteed by ex-Eandis distribution system operators (“DSO”) guarantors, outstanding ex-Infrac bonds will remain guaranteed by ex-Infrac DSO guarantors. All future bonds of the Group will be issued by Fluvius with a guarantee from Fluvius’ shareholders, i.e. 14 Flemish inter-municipality utility companies.

The bonds issued by ex-Eandis have either been issued separately (private placement, retail bond issuance) or within the framework of a Euro Medium Term Note Programme (“EMTN Programme”), of which the latest base prospectus is dated 25 November 2014. All bonds issued by Eandis are guaranteed on a several but not joint basis by its shareholders, the DSOs Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas.

The bonds issued by ex-Infrac have been issued within the framework of a Euro Medium Term Note Programme (“EMTN Programme”), of which the latest base prospectus is dated 16 October 2014. All Notes issued under the EMTN Programme are guaranteed on a several (and proportionate) and joint basis by Infrac Limburg, Inter-energa, Inter-aqua and Inter-media and on a several (and proportionate) but not joint basis by Infrac West, Iveg, PBE and Riobra.

The rating of A+ attests a high level of credit quality of the LT LC senior unsecured issues of Fluvius with a low investment risk.

In accordance with CRA methods, this corporate issue rating is derived from Fluvius’ corporate issuer rating, which was first prepared on 4 November 2016 (initial rating) and updated on 18 January 2017, 24 April 2017 and 17 January 2018. Information about the current corporate issuer rating of Fluvius as well as the rating update are available on the website of Creditreform Rating AG.

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Issue rating details

Issuer

Fluvius System Operator cvba is the Belgian operating company of 14 Flemish inter-municipality utility companies¹, of which 11 are energy distribution system operators ("DSOs"). Fluvius and its subsidiaries (Atrias, de Stroomlijn and Synductis²) and its 14 shareholders constitute together the Fluvius Economic Group, which is Flanders' largest utility company. The ultimate shareholders of the 14 shareholders of Fluvius are the municipalities of the Flemish Community, i.e. 100% public entities.

Fluvius was established on 1 July 2018 from the merger between Eandis System Operator cvba with Infrac cvba. Eandis absorbed Infrac and changed its name immediately into Fluvius with retro-active accounting effect from 1 January 2018. Fluvius and Fluvius Economic Group will therefore publish their first consolidated financial statements (IFRS reporting) on 31 December 2018. The background of the merger was to create one single multi-utility operating company for electricity and gas distribution networks for the entire Flemish Region as well as to generate synergies in order to reduce costs. Fluvius is also active in sewerage and cable TV infrastructure and in local projects for district heating. The company estimates that annual cost saving of EUR 100 million p.a. can be done, i.e. 15% of the operational costs incurred by Fluvius. These savings are likely to be realized from the year 2022 onwards, after Fluvius has made the necessary investments to integrate staff, business processes, IT systems and other items of Eandis and Infrac.

The group operates 100% of the regulated electricity and gas distribution (11 inter-municipal DSOs), the regulated sewerage system of 84 Flemish municipalities (4 inter-municipalities), the contract-based CATV infrastructure in 91 municipalities (3 inter-municipalities) and manages local projects for district heating in Flanders. Fluvius serves approx. 3.6 million access points for electricity, 2.4 million access points for gas, 0.5 million for sewerage and 0.6 million for CATV in a territory comprising 308 Flemish municipalities. The group employed 5,330 people by the end of 2017 and invested EUR 681 million in the infrastructure. In the future, data management will become a new activity of Fluvius on behalf of the DSOs.

As of 1 July 2018, Fluvius disposed of EUR 350 million cash facility / straight loans, EUR 200 million revolving credit and commercial paper programmes amounting to EUR 722 million. Total long-term debt amounted to EUR 6.2 bn, of which 50.79% were bonds issued within the framework of EMTN-Programmes, 7.07% private placements, 5.95% retail bonds and 36.19% bank financing. Weighted average maturity of bond issues was 13.3 years.

In our view, the business profile of the group has been reinforced by the creation of Fluvius, as the company disposes of a legally based monopoly in a larger territory (whole Flemish Region) and its strategic importance has been strengthened as a result. The merger allows also a further diversification in the provision of essential services and Fluvius should continue to generate strong predictable cash flows on the background of a supportive Flemish regulatory framework. We hold the view that the integration of Eandis and Infrac may result in structures simplification and costs reduction through the realization of several synergies. Given the lower financial leverage of Infrac compared to Eandis and the better operating performance of Eandis, we do not expect any deterioration of the financials of ex-Eandis with the integration of the two companies into Fluvius. Nevertheless, we do not expect the rating of Fluvius to be upgraded in the short-term, as the merger will generate additional costs and because the financial policy of Fluvius, incl. its long-term financing plan (2030),

¹ Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrac Limburg, Infrac West, Iveg, PBE, Riobra, Inter-energa, Inter-media and Inter-aqua. Also in the DSOs, the following changes are planned in 2019: IMEA will merge with Iveg and Integan and will create together Fluvius Antwerpen; Inter-aqua, Inter-energa and Inter-media will merge and create Fluvius Limburg.

² The two joint subsidiaries of Eandis and Infrac, warmte@vlaanderen and Fluvius cvba, have been dissolved and put in liquidation in the course of the first semester of 2018.

medium-term financing needs and dividend policy remain to be determined by the Board of Directors of Fluvius by the end of 2018.

As the ultimate shareholders of Fluvius are 100% public entities, we consider the group as being a government-related company. Thereby we assume a very high degree of willingness on the part of the Flemish authorities to financially support Fluvius in a crisis scenario. Any change in the sovereign rating of the Kingdom of Belgium (CRA rating AA / stable as of 29 June 2018) or the Flemish Region could therefore have an impact on Fluvius' corporate issuer rating.

The following tables show some key financials of Eandis Economic Group and Infrac for the last 2 years.

Table 1: Financials of Eandis I Source: Eandis Economic Group report 2017, standardized by CRA

Financial ratios' extract Basis: consolidated annual statement per 31.12 (IFRS)	CRA standardized figures	
	2016	2017
Revenues	EUR 2,454 million	EUR 2.652 million
EBITDA	EUR 948 million	EUR 897 million
EBIT	EUR 619 million	EUR 572 million
EAT	EUR 283 million	EUR 236 million
Total assets adj.	EUR 9,522 million	EUR 8.874 million
Equity ratio adj.	25.8 %	29.4 %
Capital lock-up period	31.8 days	30.6 days
Short-term capital lock-up	53.4 %	22.4 %
Return on investment	5.0 %	4.3 %
Net debt / EBITDA adj.	7.2 x	6.6 x
Ratio of interest expenses to debt	2.9 %	2.8 %

Table 2: Financials of Infrac I Source: Infrac consolidated report 2017, standardized by CRA

Financial ratios' extract Basis: consolidated annual statement per 31.12 (Belgian-Gaap)	CRA standardized figures	
	2016	2017
Revenues	EUR 696 million	EUR 711 million
EBITDA	EUR 245 million	EUR 251 million
EBIT	EUR 129 million	EUR 128 million
EAT	EUR 85 million	EUR 82 million
Total assets adj.	EUR 3,612 million	EUR 3,561 million
Equity ratio adj.	62.1 %	64.9 %
Capital lock-up period	36.7 days	35.7 days
Short-term capital lock-up	32.7 %	27.9 %
Return on investment	2.6 %	2.4 %
Net debt / EBITDA adj.	5.1 x	4.4 x
Ratio of interest expenses to debt	2.5 %	2.4 %

Regarding the general structural risks, business risks and financial risks as well as the outlook of the issuer, we refer to the rating reports on the corporate issuer rating of Fluvius System Operator cvba (ex-Eandis System Operator cvba) (A+ / stable) and the information published by the group since then. The specifics of the company and any further relevant details with regard to the merger are described in detail in the rating reports, which can be found on the website of CRA. As mentioned above, the rating is monitored on an ongoing basis.

Rating object

The rating objects of this issue rating are exclusively the in euro denominated long-term senior unsecured issues, issued by Fluvius (ex-Eandis and ex-Infrac), and which are included in the list of

ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The bonds issued by ex-Eandis, which have been issued within the framework of a Euro Medium Term Note Programme ("EMTN Programme") - of which the latest base prospectus is dated 25 November 2014 - benefit from a guarantee on a several but not joint basis by the following DSOs: Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas. The current EMTN Programme of ex-Eandis amounts to maximum EUR 5 bn. The issues proceeds are used to finance general corporate purposes of the issuer, and in most cases, it consists of the financing of the guarantors' investment programmes (capex) as approved by the regulator. The Notes issued under the EMTN Programme benefit from a negative pledge provision and cross-default mechanism. A redemption at the option of the noteholders may be possible if a put option is specified in the final terms of the Note.

The bonds issued by ex-Eandis, which have been the object of separate bond issuance documentation, benefit also from the several but not joint guarantee from the seven DSOs. The issue proceeds serve to finance the investment programme of the group, the working capital of the regular operations of the group or to refinance other bonds

The bonds issued by ex-Infrac have been issued within the framework of a Euro Medium Term Note Programme ("EMTN Programme"), of which the latest base prospectus is dated 16 October 2014. A first tranche of EUR 250 million was issued in 2013 (duration 10 years) and a second tranche of EUR 250 million was issued in 2014 (duration 15 years). All Notes issued under the EMTN Programme are guaranteed on a several, proportionate and joint basis by Infrac Limburg, Inter-energa, Inter-aqua and Inter-media and on a several and proportionate but not joint basis by Infrac West, Iveg, PBE and Riobra. The issues proceeds are used to finance working capital requirements and the investment expenditure of the issuer and the guarantors. The Notes issued under the EMTN Programme benefit from a negative pledge provision as well as cross-acceleration and cross-default mechanism. A change of control put right has been specified in the final term of each outstanding Note (BE0002448232 and BE0002478536). As Infrac has been dissolved within the framework of the merger and its assets and liabilities have been transferred to the merged entity Fluvius, the conditions 9(f) and 9(h) of the "event of default" of the base prospectus of the EMTN-Programme of Infrac (dated 16 October 2014) applied. This means that the merger constituted an event of default and the bondholders could request an early redemption of the bonds. This early redemption has been waived by the bondholders during a meeting of bondholders on 2 May 2018. Furthermore, the bondholders consented during the meeting to various amendments of the Conditions under the EMTN-Programme in light of the merger of Infrac with Eandis.

Rating result

We assign a rating of A+ to the long-term local currency senior unsecured debt securities issued by Fluvius System Operator cvba. The decision is derived from the corporate issuer rating and its outlook. Any unfavourable change in the current bonds' documentation during the transfer of the outstanding bonds into Fluvius could have a negative impact on the rating. In our understanding, current outstanding ex-Eandis bonds will remain guaranteed by ex-Eandis DSO guarantors and the current outstanding Infrac bonds will remain guaranteed by ex-Infrac DSO guarantors. Any change in the guarantee structure could have an impact on the rating of the LT LC senior unsecured issues of Fluvius.

The following tables gives overviews of the ratings attributed by CRA as well as of the current EMTN Programmes of ex-Eandis and ex-Infrac.

Table 3: Summary of CRA ratings | Source: CRA

Rating objects	Detail information	
	Date	Rating
Fluvius System Operator cvba	17.01.2018	A+ / stable
Long-term LC senior unsecured issues of Fluvius System Operator S.A.	05.10.2018	A+
Other	--	n.r.

Table 4: Overview of 2014 EMTN Programme of ex-Eandis | Source: Eandis System Operator cvba, prospectus dated 25 November 2014

Overview 2014 EMTN Programme			
Programme Volume	EUR 5,000,000,000	Maturity	Depending on the respective Notes
Issuer	Eandis System Operator cvba	Coupon	Depending on the respective Notes
Arranger	Belfius Bank and HSBC	Currency	Depending on the respective Notes
Credit Enhancement	Guarantee on a several but not joint basis by Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas.	ISIN	Depending on the respective Notes

Table 5: Overview of 2014 EMTN Programme of ex-Infrac | Source: Infrac cvba, prospectus dated 16 October 2014

Overview 2014 EMTN Programme			
Programme Volume	EUR 500,000,000	Maturity	Depending on the respective Notes
Issuer	Infrac cvba	Coupon	Depending on the respective Notes
Arranger	BNP Paribas	Currency	Depending on the respective Notes
Credit Enhancement	Guarantee on a several, proportionate and joint basis by Infrac Limburg, Inter-energa, Inter-aqua and Inter-media and on a several and proportionate but not joint basis by Infrac West, Iveg, PBE and Riobra	ISIN	Depending on the respective Notes

At the time of the rating, the following EUR-Notes are rated by Creditreform Rating AG:

Table 6: Ratings of Fluvius' long-term LC senior unsecured issues | Source: Fluvius - CRA

ISIN	EUR	Issue date	Maturity	Rating
BE6212766131	170.000.000	30.12.2010	30.12.2020	A+
BE6228266902	500.000.000	08.11.2011	08.11.2021	A+
BE0002420926	500.000.000	30.11.2012	30.11.2022	A+
BE0002443183	500.000.000	09.10.2013	09.10.2023	A+
BE0002285543	200.000.000	23.06.2017	23.06.2025	A+
BE0002481563	400.000.000	04.12.2014	04.12.2026	A+
BE0002429042	51.500.000	28.03.2013	28.03.2028	A+
BE0002470459	550.000.000	07.05.2014	07.05.2029	A+
BE6239860446	110.000.000	10.07.2012	10.07.2032	A+

BE0002430057	23.500.000	28.03.2013	28.03.2033	A+
BE6272425172	95.000.000	27.10.2014	27.10.2034	A+
BE0002212786	23.000.000	05.03.2014	05.03.2036	A+
BE0002211770	52.000.000	05.03.2014	05.03.2044	A+
BE6272359488	170.000.000	27.10.2014	27.10.2044	A+
BE0002478536	250.000.000	29.10.2014	29.10.2029	A+
BE0002448232	250.000.000	30.10.2013	30.10.2023	A+

Under the current issuance conditions, all future LT LC senior unsecured bonds, denominated in euro and included in the list of ECB-eligible marketable assets, which will be issued by Fluvius, will, until further notice, receive the same ratings as the current outstanding LT LC senior unsecured bonds. Other types of debt instruments of the issuer (i.e. *Namensschuldverschreibungen* or *Schuldschein*) have not been rated by CRA so far. The current ratings and information can be seen on the website of Creditreform Rating AG.

Best-case scenario

Best-case scenario: AA-
Worst-case scenario: A

In our best-case scenario for one year, we assume a rating of AA-. As the ratings of the debt securities are linked to the rating of the issuer, we refer to the rating update on the corporate issuer rating of Fluvius System Operator cvba as of 17 January 2018 (A+ / stable).

Worst-case scenario

In our worst-case scenario for one year, we assume a rating of A. As the ratings of the debt securities are linked to the rating of the issuer, we refer to the rating update on the corporate issuer rating of Fluvius System Operator cvba as of 17 January 2018 (A+ / stable).

Note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

Appendix

Rating history

Corporate issuer Fluvius System Operator cvba | Source: CRA

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	04.11.2016	11.11.2016	Withdrawal of the rating	A+ / stable
Monitoring	18.01.2017	19.01.2017	Withdrawal of the rating	A+ / stable
Monitoring	24.04.2017	25.04.2017	Withdrawal of the rating	A+ / stable
Monitoring	17.01.2018	13.08.2018	Withdrawal of the rating	A+ / stable

LT LC senior unsecured issues issued by Fluvius System Operator cvba | Source: CRA

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	05.10.2018	12.10.2018	Withdrawal of the rating	A+

Regulatory and legal disclosures

After having prepared an unsolicited corporate issuer rating of Eandis System Operator cvba on 4 November 2016, the management of the company commissioned Creditreform Rating AG with the preparation of a corporate issuer rating (solicited rating) on 7 December 2016 (standing order). The

rating on the corporate issuer has been set to A+ / stable on 18 January 2017 and reaffirmed on 24 April 2017 and on 17 January 2018.

The issue rating of Fluvius has been ordered by Fluvius on 28 September 2018. The rating is based on the analysis of the issues documentation, on published information and on internal evaluation factors. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating's "Corporate Issue Ratings" methodology. A complete description of Creditreform Rating's rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Marie Watelet (m.watelet@creditreform-rating.de) and Rudger van Mook (r.vanmook@creditreform-rating.de), both located in Neuss, Germany. The last conference call with the company took place on 9 August 2018.

The rating was presented to the rating committee on 5 October 2018. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Please note:

This report exists in an English version only. This is the only binding version.

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No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

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To prepare this credit rating, CRA has used following substantially material sources:

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments
3. Website and Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The 'Basic Data' information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the 'Basic Data' card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within 'Basic Data' information card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

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