

Investor Presentation

Fluvius System Operator cvba

September 2019

fluvius.



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Please take note of the disclaimer on page 52



1. Our corporate profile and activities

Who is Fluvius?



Fluvius is the overall name for 11 Flemish intermunicipal utility companies and their operating company Fluvius System Operator (FSO), and some other related entities.

- Fluvius System Operator CVBA was created on 1 July 2018 through the merger by absorption of the former operating companies Eandis System Operator CVBA and Infrax CVBA.
- Fluvius System Operator is fully owned by 11 intermunicipal companies. Fluvius is the operating arm of these intermunicipalities.
- These 11 intermunicipal shareholders of Fluvius have operations in
 - (1) the regulated electricity and gas distribution (10 intermunicipal DSOs – all Flemish municipalities)
 - (2) the regulated sewerage system (4 intermunicipalities)
 - (3) the contract-based cable TV (CATV) infrastructure business (4 intermunicipalities)
- All 11 intermunicipal companies are 100% publicly owned by the Flemish municipalities.
- Fluvius serves approximately 3.5 million access points for electricity, 2.2 million for gas, 0.6 million for sewerage and 0.5 million for CATV. Its utility services cover all of the 300 Flemish municipalities. Fluvius is Flanders' largest utility company.
- Fluvius is strategically important to the Flemish Region (*Moody's rating Aa2 stable*) and its general policy aim of realising Europe's climate and energy objectives.

FLUVIUS operating area = entire Flemish Region



Fluvius in figures (30 June 2019)



6.9 million
connections

5,360
employees

832.5 million € investments
in 2018



1.2 million
public lighting points

3.5 million
connections electricity

2.2 million
connections gas

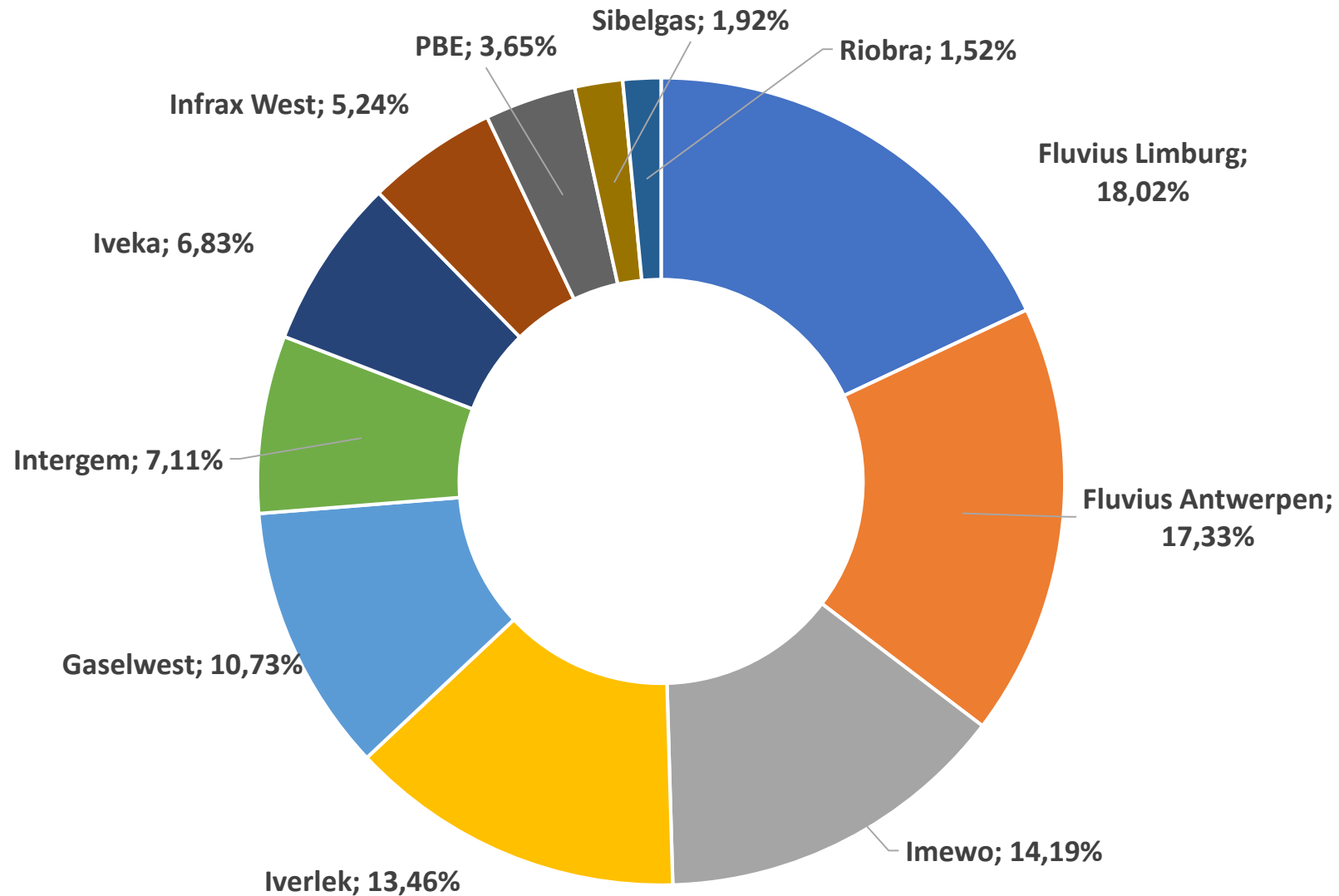
655,000
connections sewerage

558,000
connections CATV

Fluvius Economic Group's Corporate Structure



Fluvius System Operator's shareholders (1 September 2019)



Corporate Structure for the Fluvius Economic Group



Transparent and flexible corporate structure:

- flexible decision-making structure allows for maintaining close links with 300 municipalities
- structure reflects clear division of powers within the Fluvius Economic Group
- coordination and information flow between both levels is guaranteed

FLUVIUS SYSTEM OPERATOR

- Board of Directors with 20 members
- responsible for general strategy & policy, financing, Fluvius corporate matters



11 INTERMUNICIPALITIES

- each with its own Board of Directors
- responsible for the intermunicipality's corporate matters and the relations with the local authorities

Company profile

Fluvius Management Committee (as from 1 May 2019)



Frank VANBRABANT
CEO

Management Committee:

CEO:	Frank VANBRABANT
Supply Chain:	Raf BELLERS
Customer Services:	Tom CEUPPENS
Data Management:	Guy COSYNS
Network Operations:	Wim DEN ROOVER
Network Management:	Jean Pierre HOLLEVOET
Finance & ICT:	David TERMONT (CFO)
Secretary-General:	Nick VANDEVELDE
HR & Communication:	Ilse VAN BELLE
Regulation & Strategy:	Filip VAN ROMPAEY

Corporate Strategy: mission, vision and strategy

Our mission

Sustainably connect with society through our multi-utility solutions.

Our vision

Fluvius wants to become the Flemish multi-utility company, in collaboration with all stakeholders.

Our strategy

Operational excellence aimed at value creation for all our stakeholders. Focus today is on synergies and broadening the services we offer.





1 System management of public multi-utilities.

2 Data management independent from the energy market.

3 Making society more sustainable.

4 Taking up our societal role as energy supplier.

5 Additional solutions and services on top of the regulated utility offering.

Corporate Social Responsibility & Sustainability

Strategic focus on corporate social responsibility & sustainability with the overall aim to realize the Flemish climate objectives:

Fluvius positioned as the preferred partner of local authorities in their drive towards energy efficiency

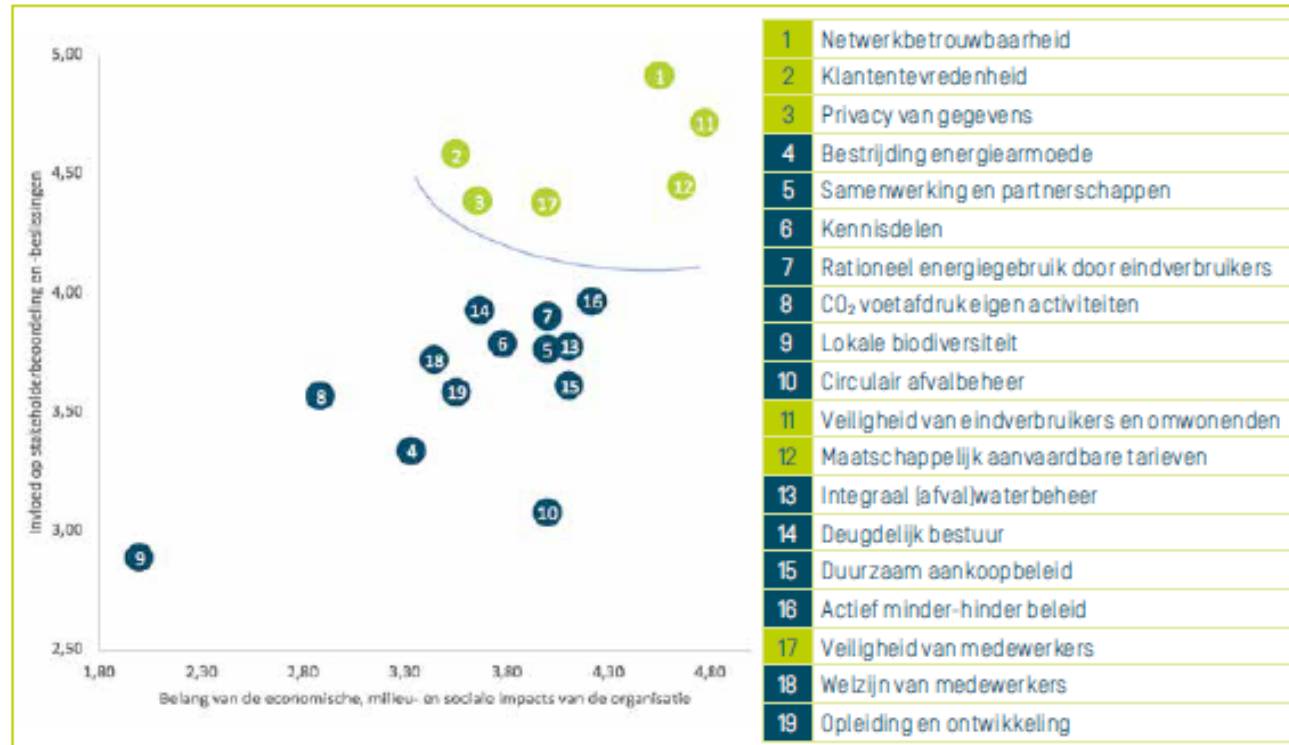
- objective: reduction of our own CO₂ emissions with 20% by 2020 (compared to 2008)
- sustainable mobility: active promotion of electric mobility, implementation of charging infrastructure, CNG and natural gas vehicles
- public lighting: investment programme of EUR 635 million until 2030 for switch of all public lighting in Flanders to LED technology leading to >45% energy efficiency gains
- LT Environmental Plan 2015-2019: implementation through annual Action Plans is on track



- solar panels on 9 Fluvius sites – 850,000 kWh generated in 2018
- all policy decisions by Board and Management Committee to be explicitly screened on environmental, social ethical and financial impacts
- policies enshrined in a CSR Charter (*to be approved*), a Corporate Governance Charter and an Ethical Charter
- integral risk management and risk-based internal auditing

Ex-Eandis rated 'Prime' by Oekom Research (currently ISS) for its sustainability & corporate social responsibility performance (2017)
- ESG screenings by Vigeo Eiris and Sustainalytics available as well

CSR & Sustainability: materiality



1	Netwerkbetrouwbaarheid	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
2	Klantentevredenheid	8 DECENT WORK AND ECONOMIC GROWTH
3	Privacy van gegevens	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
11	Veiligheid van eindverbruikers en omwonenden	11 SUSTAINABLE CITIES AND COMMUNITIES
12	Maatschappelijk aanvaardbare tarieven	7 AFFORDABLE AND CLEAN ENERGY
17	Veiligheid van medewerkers	8 DECENT WORK AND ECONOMIC GROWTH

Our CSR & sustainability policy is based on a **materiality analysis**, executed end 2018 with online consultation of stakeholders. See **materiality matrix** above. The 19 material topics have also been screened on their **urgency**.

Finally, the 19 relevant topics were linked to the **UN Sustainable Development Goals (SDGs)**.

Our strengths – key considerations for investors



- largest Flemish multi-utility with almost 7 million customers served, covering the entire Flemish region
- 100% public shareholders
- low risk business profile across all activities
- robust capital structure and strong liquidity position
- stable cash flows due to tariff regulation or long-term contractual agreements
- highly experienced management and staff
- strategic focus on operational excellence, synergies and sustainability



Strength of Fluvius's credit is confirmed by solid investment grade ratings by Moody's and Creditreform Rating.

2. Recent highlights

Fluvius System Operator as the merger of Eandis and Infrax



Rationale for the merger:

- shared interests of Eandis and Infrax had increased over time
- energy transition and switch towards system operator role require a maximum of benefits of scale
- synergies will benefit consumers' end tariffs
- fully in line with Flemish Government's policy: one single multi-utility operating company for Flanders

Important dates:

- legal kick-off date: 1 July 2018 - commercial kick-off date: 7 February 2019

Legal aspects of the merger:

- merger by absorption, followed by change of name into Fluvius System Operator
- existing shareholders of Eandis and Infrax are now shareholders of Fluvius System Operator in a 'share-based only' transaction - no other direct impact on DSOs
- ex-Eandis bonds remain guaranteed by ex-Eandis DSO guarantors, Infrax bonds remain guaranteed by ex-Infrax DSO guarantors. Future bonds to be issued by Fluvius System Operator will have guarantee by all Fluvius shareholders.

Impact on FY 2018 accounts:

- IFRS: HY1 = Eandis only / HY2 Fluvius (= Infrax + Eandis) – BE-GAAP: full year Fluvius



2019 Highlights (1)



- **7 February:** commercial launch of the Fluvius brand name and logo
- **21 February:** Fluvius (in collaboration with Elia, ORES, Resa and Sibelga) launches IO.Energy, a digital communication platform facilitating the energy transition and the development of new services in the energy market
- **27 February:** Brussels Court of Appeal rejects DSOs' claim to repeal VREG's decision on the allocation of historical balances – financial impact processed in Economic Group's 2018 accounts
- **15 March:** inauguration of steam grid ECLUSE in the Antwerp port area, with annual savings of 100,000 ton CO₂
- **28 March:** Extraordinary General Assembly appoints new Board of Directors (and other governing bodies) for Fluvius
- **1 April:** merger of Fluvius shareholders Iveg and IMEA, plus Integan, into Fluvius Antwerpen
- **1 April:** merger of Fluvius shareholders Inter-aqua, Inter-energa and Inter-media into Fluvius Limburg
- **10 April:** Brussels Court of Appeal confirms VREG's decision on additional annual cost savings imposed on Fluvius



2019 Highlights (2)



- **11 May:** LT structural collaboration with De Voedselbanken (Food Banks) signed
- **1 July:** kick-off of digital meter roll-out in the Flemish Region
- **25 July:** Moody's affirms A3 rating, changes outlook from positive to stable
- **26 July:** Creditreform affirms A+ rating with stable outlook



3. Our markets and their regulatory frameworks

Fluvius's activities

Distribution of Electricity and Gas

- electricity and gas distribution grids owned by 10 intermunicipal DSOs – all DSOs execute their operations through their operating company Fluvius System Operator
- combined area of operations: entire Flemish region (300 municipalities)
- legal basis: Flemish Energy Decree – regulator: VREG
- tariffs and shareholder margin established by VREG based on regulated tariff methodology
- electricity: 3.5 million access points – 1.2 million lighting points – 95,445 km LV grid and 46,690 km MV grid – 32.4 TWh transported
- gas: 2.2 million access points – 47,089 km low-pressure grid and 9,948 km mid-pressure grid – 63.3 TWh transported
- RAB E&G networks (2018): EUR 9.9 billion

The DSOs for E/G are:

1. Fluvius Antwerpen
2. Fluvius Limburg
3. Gaselwest
4. Imewo
5. Infrax West
6. Intergem
7. Iveka
8. Iverlek
9. PBE
10. Sibelgas

Fluvius's activities

E&G Distribution - Regulated Tarification 2017-2020



- 14 December 2018: VREG approved and published the 2019 DSO tariffs, based on the 2017-2020 tariff methodology
- basic tarification principles:
 - **Exogenous costs**: budget-based allowed income with balances budget/reality to be compensated for in subsequent tariff periods
 - **Non-exogenous costs**: revenue regulated ('revenue cap' or 'allowed income'):
 - $AI_n = AI_{n-1} * [1 + CPI - x + q]$ in which
 - AI = allowed income
 - x = efficiency factor
 - CPI = consumer price index
 - q = quality factor (*not yet implemented*)
 - includes a RAB x WACC-based margin for shareholders with gearing [= debt/(debt+equity)] set at 60%
 - cost of equity (post-tax) at 5.24%, with risk-free rate = 1-year average yield on 10y Belgian OLO for 75% & German Bund for 25%, market risk premium at 5.01% (E & G) and equity β at 0.76
 - cost of debt at 3.04%
 - → RAB-based WACC at 3.9% (post-tax); WACC at 5.0% (pre-tax)
- VREG allows for the recovery of regulatory assets/liabilities 2010-2014 over a 5-year period (2016-2020)

Fluvius's activities

Sewerage

- sewerage networks owned by 4 intermunicipal companies that also execute operational activities on these networks (purification excluded) - 84 municipalities (= 27% of Flanders)
- legal basis: Flemish Drinking Water Decree (compliant with EU Water Framework Directive) - regulator: Flemish Environment Agency (VMM)
- fixed assets: EUR 1.1 billion – EUR 97 million invested in 2018
- tarification aspects:
 - remuneration imposed by law; pass-through via invoice of drinking water companies to end consumers; maximum tariff set
 - drinking water tariff (*'integral water bill'*) consists of (1) the volume of water consumed, (2) sewerage contribution and (3) purification contribution (= Aquafin). For each element, there is a fixed contribution, a basic tariff (€/m³) and a higher comfort tariff (€/m³)
 - drinking water companies pay a municipal waste water contribution to the sewerage intermunicipalities
- VMM and municipalities pay investment grants (75% of total investment) to the sewerage intermunicipalities
- all profits are reinvested – no pay-outs

The sewerage entities are:

1. Fluvius Antwerpen
2. Fluvius Limburg
3. Infrax West
4. Riobra

Fluvius's activities

Cable Distribution

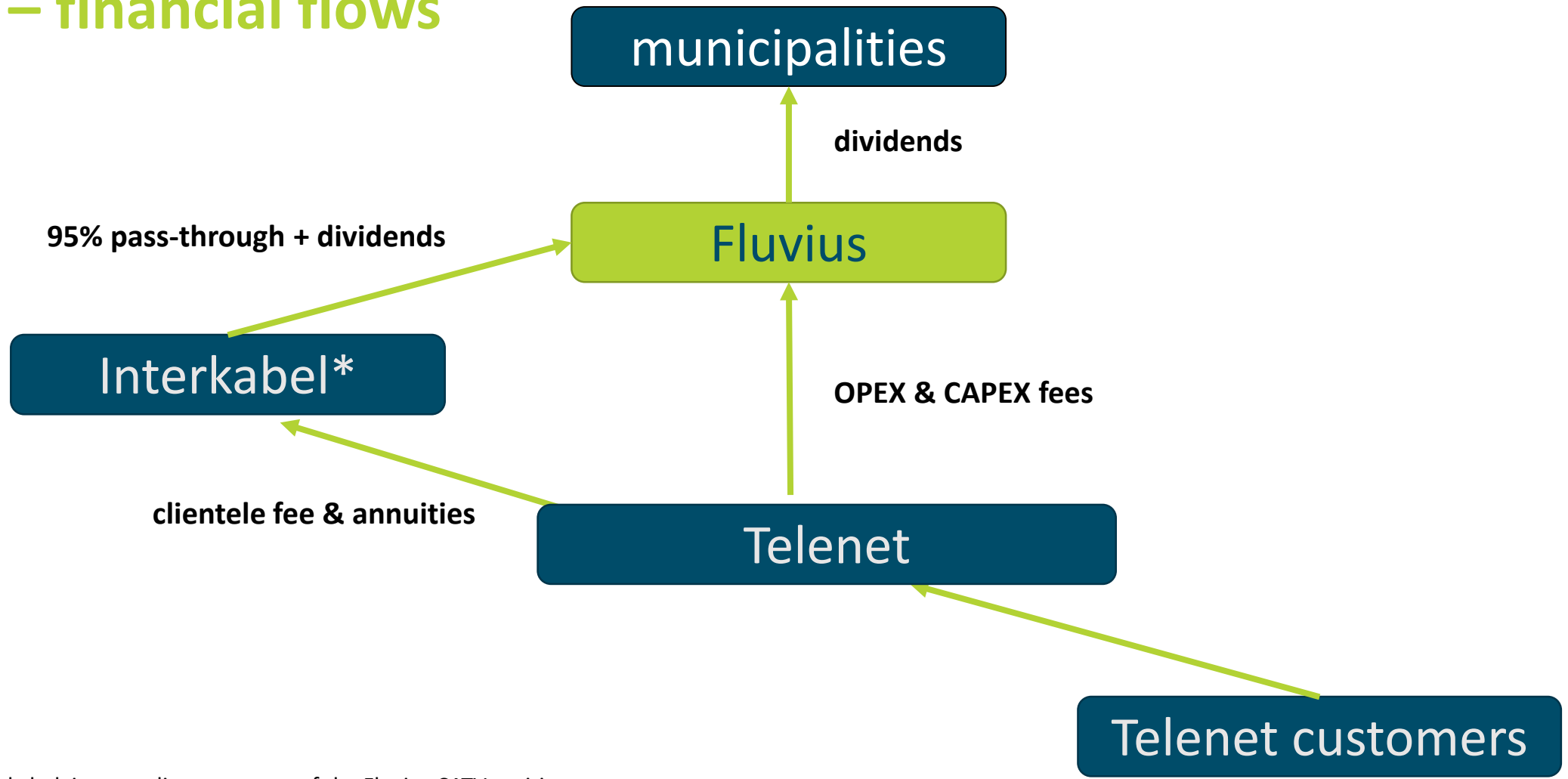
- cable network infrastructure owned by 4 intermunicipal companies, covering 30% of Flanders
- regulators: BIPT and VRM
- commercial operations on these networks run by telecom operator Telenet, based on 2 LT-contracts (1996 lease contract and 2008 commercial contract) – no commercial risks at Fluvius entities
- financial aspects: Fluvius receives from Telenet
 - **OPEX fee** : fixed remuneration that follows Telenet's operational costs, until 2046, registered as turnover (2018: EUR 26.8 million) → other operating income
 - **CAPEX fee** : 6.25% ROI, until 2046, registered as financial revenue (2018: EUR 19.6 million) → financial income
 - **clientele fee**: 60% on original investments, fixed indexed amount until 2046, EUR 5.8 million in 2018 → revenue (95%) and dividends received (5%)
 - **annuities**: 40% on original investments, OLO interest, until end of depreciations (ie currently until 2023), EUR 2.6 million in 2018 → revenue (95%) and dividends received (5%)
 - clientele fee and annuities paid out to **Interkabel**, but 95% pass-through to Fluvius, together with Interkabel dividends

The CATV entities are:

1. Fluvius Antwerpen
2. Fluvius Limburg
3. Infrax West
4. PBE

Fluvius's activities

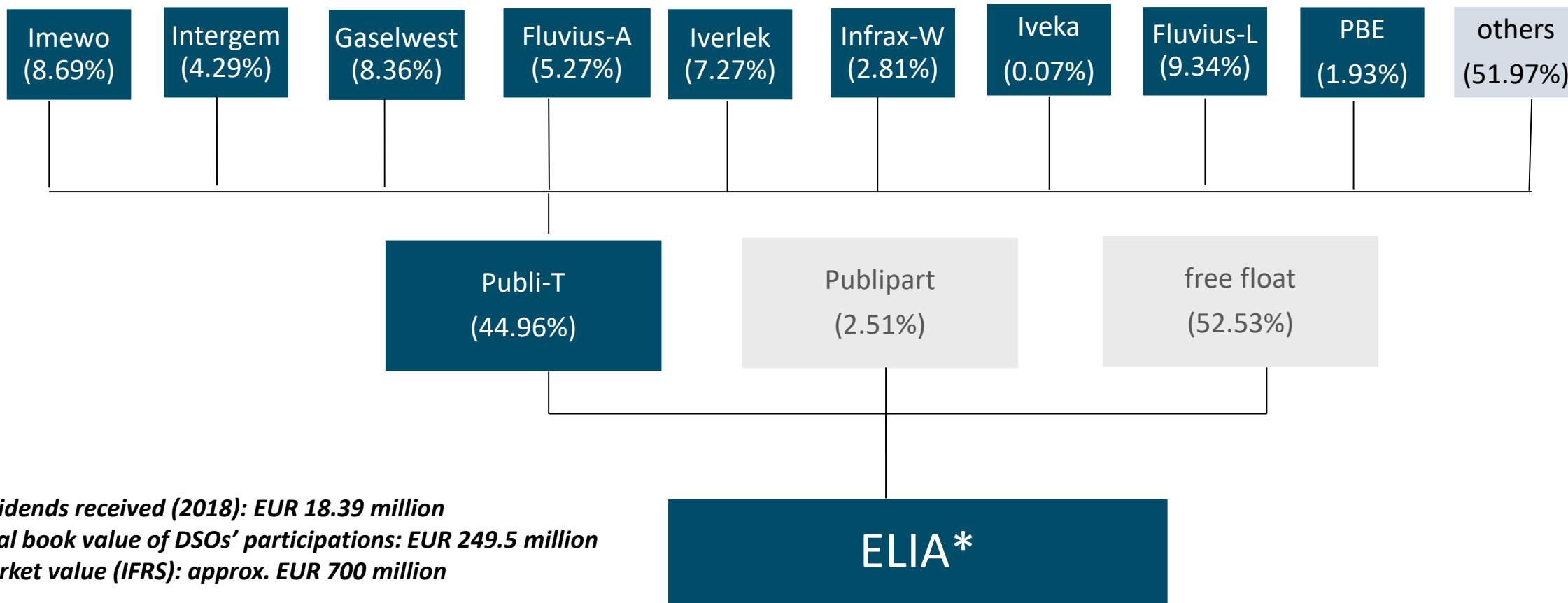
CATV – financial flows



*Interkabel: intermediate structure of the Fluvius CATV entities

Fluvius's activities: financial participations

Belgian Electricity TSO Elia through Publi-T

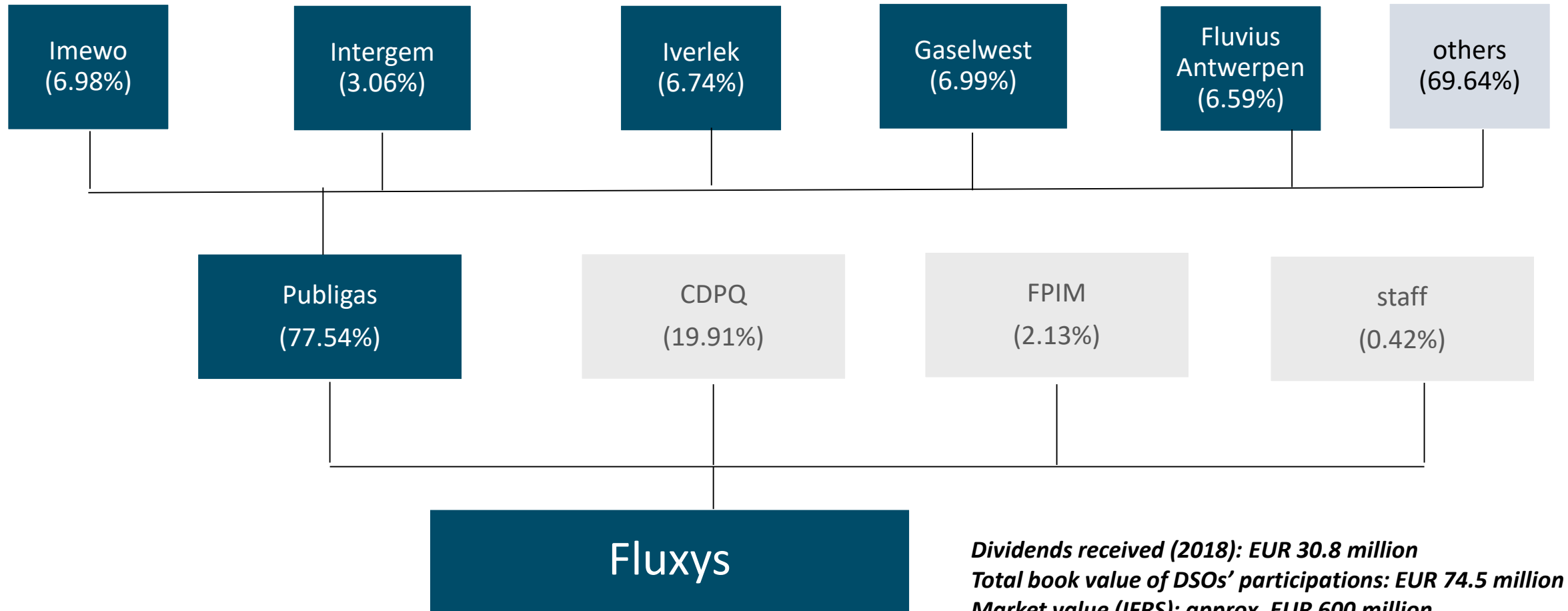


Dividends received (2018): EUR 18.39 million
Total book value of DSOs' participations: EUR 249.5 million
Market value (IFRS): approx. EUR 700 million

** including 80% of German TSO 50 Hertz*

Fluvius's activities: financial participations

Belgian Gas TSO Fluxys through Publigas



Fluvius's activities

Data Management

Challenge: how to organise the data flow, a.o. data from digital meters?

Data management has been entrusted to DSOs and their operating company Fluvius System Operator as an additional activity (by Flemish Energy Decree and Flemish Energy Resolution)

Activity is bound by strict provisions on independent operations and protection of data & privacy



Fluvius's activities

Newest activities

- **District heating:**
 - Fluvius is already involved in 17 local projects, with a direct focus on the grid (building and maintenance)
 - positive business case required
- **Fibre-to-the-Home (FttH)** for the entire Flemish Region:
 - Fluvius wants to play a role of infrastructure manager in the roll-out of an open-access Flemish FttH grid ('last mile') – no involvement in content delivery
 - Fluvius initiated a pilot project with Points-of-Presence approach in Genk (May 2019) - 4 other pilot projects to follow – total budget of EUR 30 million – required target of 6,25% return on investment



4. Our financial profile

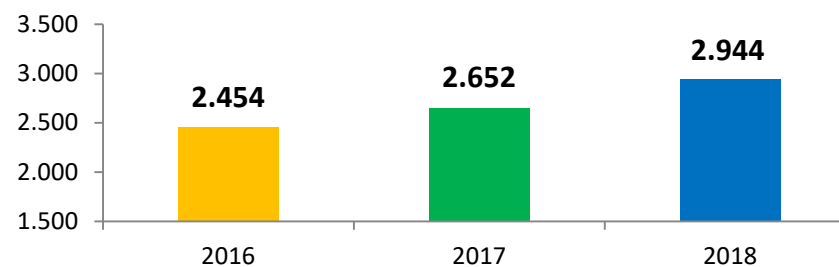
Financial Overview FLUVIUS

Summary Financials FY 2016-2018 (IFRS, actuals) for the Economic Group

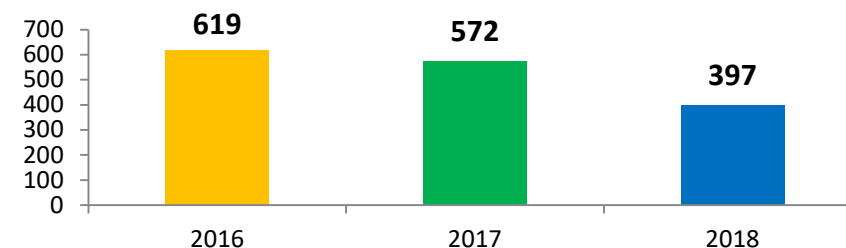


(in mio €)	2016	2017	2018
Statement of Profit/Loss			
revenues	2.454	2.652	2.944
operating revenues	2.789	3.019	3.499
operating expenses	-2.170	-2.448	-3.102
result from operations	619	572	397
net financial income/expenses	-190	-175	-101
profit before tax	429	423	295
profit for the period	283	236	191
other comprehensive income	10	141	75
total comprehensive income	293	377	266
Statement of Financial Position			
current assets	1.715	1.013	971
non-current assets	7.903	7.925	13.373
total assets	9.618	8.938	14.345
total equity (incl minority interest)	2.064	2.255	5.919
non-current liabilities	5.995	5.830	7.190
current liabilities	1.559	853	1.236
total liabilities	7.554	6.683	8.426
total equity & liabilities	9.618	8.938	14.345
Cash Flow Statement			
net CF from operating activities	709	1.174	1.020
net CF from investing activities	-351	-393	-529
net CF used in/from financing activities	-359	-752	-501
net increase/decrease of cash/cash equivalents	-1	29	-10
cash + cash equivalents at 31 Dec	3	31	22

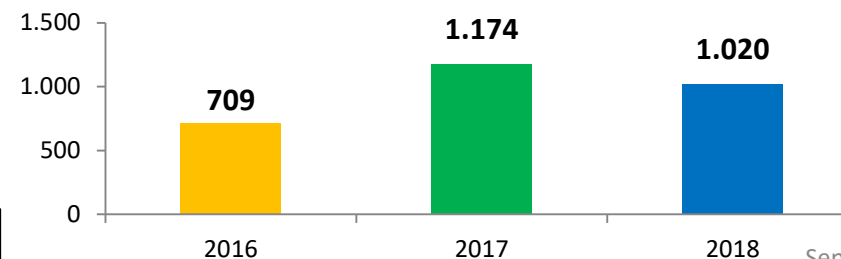
Revenue (in mio €)



Result from Operations (in mio €)



Net CF from Operating Activities (in mio €)



Note: 2016/2017: Eandis Economic Group;
2018: 6 m Eandis Ec. Group – 6 m Fluvius Economic Group

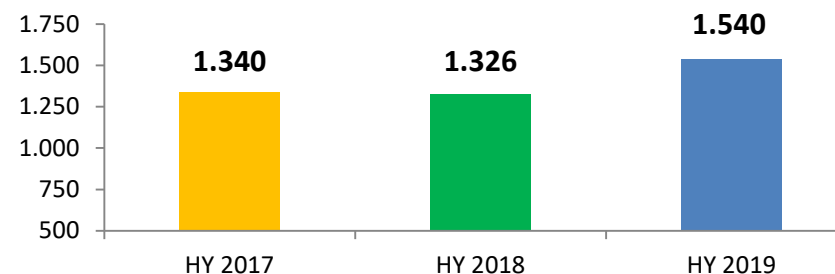
Financial Overview FLUVIUS

Summary Financials HY 2017-2019 (IFRS, actuals) for the Economic Group Fluvius

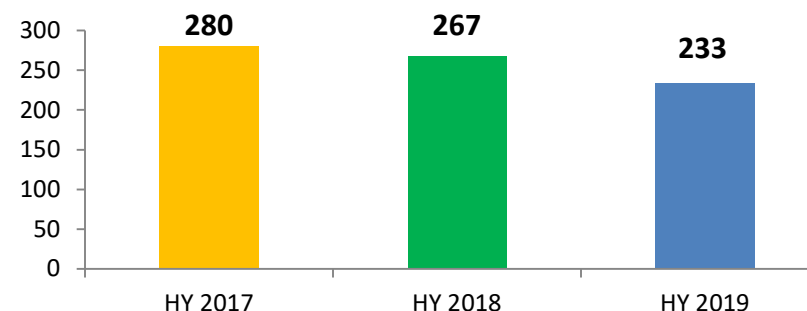


(in mio €)	2017	2018	2019
Statement of Profit/Loss			
revenues	1.340	1.326	1.540
operating revenues	1.514	1.501	1.774
operating expenses	-1.234	-1.234	-1.542
result from operations	280	267	233
net financial income/expenses	-69	-53	-77
profit before tax	211	214	156
profit for the period	129	141	141
other comprehensive income	31	-15	51
total comprehensive income	161	126	192
Statement of Financial Position			
current assets	1.367	1.076	1.176
non-current assets	7.923	9.127	13.804
total assets	9.290	10.203	14.979
total equity (attributable to parent)	2.203	3.435	6.093
non-current liabilities	6.096	5.844	7.436
current liabilities	990	923	1.450
total liabilities	7.087	6.767	8.887
total equity & liabilities	9.290	10.203	14.979
Cash Flow Statement			
net CF from operating activities	621	559	532
net CF from investing activities	-201	-259	-207
net CF financing activities	-420	-121	-189
net increase/decrease cash/cash equivalents	0	179	137
cash + cash equivalents at 30 June	3	211	158

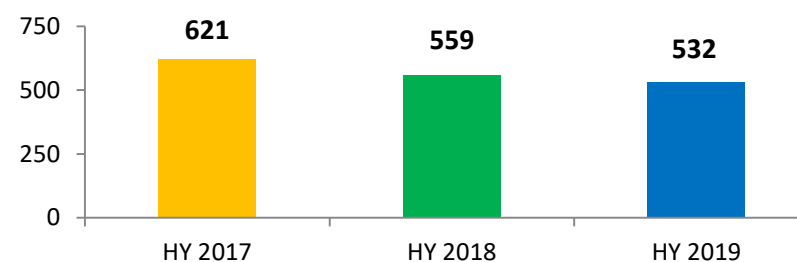
Revenue (in mio €)



Result from Operations (in mio €)



Net CF from Operating Activities (in mio €)



Note: 2017/2018: Economic Group Eandis pre-merger;
2019: Economic Group Fluvius post-merger

Moody's Corporate Rating of Fluvius

A3 (stable)

Credit Strengths:

- strong link with region through provision of essential energy network services
- strong underlying business risk profile from operation of monopoly network assets
- transparent and supportive regulatory framework, but relatively short track record
- conclusion of merger bolsters group's profile with net debt/fixed assets expected to remain around 60%

Credit Challenges:

- adverse allocation of regulatory balances; accelerated recovery in green & cogeneration certificates in previous years will lead to lower projected earnings than expected in 2019-2020
- material step-up in capital spending and continuing high dividend payout will weigh on financial flexibility
- exposure to higher-risk activities outside of core regulated energy network businesses, but will remain limited to 10% of group earnings



from: Moody's Credit Opinion
(12 August 2019)

MOODY'S
INVESTORS SERVICE

CREDIT OPINION

12 August 2019

Update

✓ Rate this Research

RATINGS

Fluvius System Operator CVBA

Domicile	Belgium
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Fluvius System Operator CVBA

Update following outlook change to stable

Summary

The robust credit quality of [Fluvius System Operator CVBA](#) (Ruvius, A3 stable) reflects that of the 11 intermunicipal utility companies, which own the company and severally guarantee its liabilities. The regulated electricity and gas distribution network operations of the DSOs in the Flemish region of Belgium, have a low business risk, supported by a regulatory framework that is supportive and transparent, although relatively new and untested in the context of European regulated network peers, following the transition of tariff-setting responsibilities from the national to regional regulators in 2014.

The outlook for Fluvius was changed from positive to stable, reflecting our expectation that the cash flow-based metrics for the Fluvius Economic Group will revert to a level commensurate with the guidance for the current rating, as a result of a decrease in tariffs implemented by the regulator until the end of the current regulatory period to 2020, combined with a material step-up in capital spending from 2019 and relatively high dividends.

Rating history:

- 12 Oct 2011 - 13 Mar 2014 : A1 (negative)
- 13 Mar 2014 - 2 Dec 2014: A1 (stable)
- 2 Dec 2014 – 14 Dec 2016: A1 (negative)
- 14 Dec 2016 – 29 Jun 2018: A3 (stable)
- 29 Jun 2018 – 25 July 2019: A3 (positive)
- since 25 July 2019: A3 (stable)

Creditreform's Corporate Rating of Fluvius

A+ (stable)

Credit positives:

- government-related company, 100% public shareholders
- strategic importance for the Flemish Region – strengthening of regional relevance after merger
- transparent and supportive regulatory framework
- low-risk business profile across all operations (regulation and LT-contracts)
- strong earnings capacity; predictable revenues and cash flows
- enhanced efficiency due to multi-utility and Infrax merger
- improved equity ratio due to merger
- good liquidity position
- guarantee of the shareholders for debt taken by operating company

Credit negatives:

- capital-intensive business, high fixed costs
- limited upside potential given the revenue cap
- Impact of VREG decision on allocation of 2010-2014 regulatory balances
- ongoing investments required
- High net total debt / EBITDA
- relatively high pay-out ratio



from: Creditreform Rating Report
(26 July 2019)

Creditreform Corporate Issuer / Issue Rating

Fluvius System Operator cvba

Creditreform
Rating

Rating object		Rating information	
Fluvius System Operator cvba		Corporate Issuer Rating: A+ / stable	Type: Update solicited
Creditreform ID: 2000000589 Incorporation: 1 July 2018 Based in: Melle, Belgium (Main) Industry: Operating company of eleven utility intermunicipalities CEO: Frank Vanbrabant		LT Senior Unsecured Issues, LC: A+ / stable	Other: n.r.
<u>Rating objects:</u> Long-term Corporate Issuer Rating: Fluvius System Operator cvba Long-term Local Currency (LC) Senior Unsecured Issues		Rating date: 26 July 2019 Monitoring until: withdrawal of the rating Initial rating: www.creditreform-rating.de Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Government-Related Companies" CRA "Rating Criteria and Definitions"	
		Rating history: www.creditreform-rating.de	

Rating history:

- 18 Jan 2017-5 Oct 2018: A+ stable (Eandis)
- as from 5 Oct 2018: A+ stable (Fluvius)

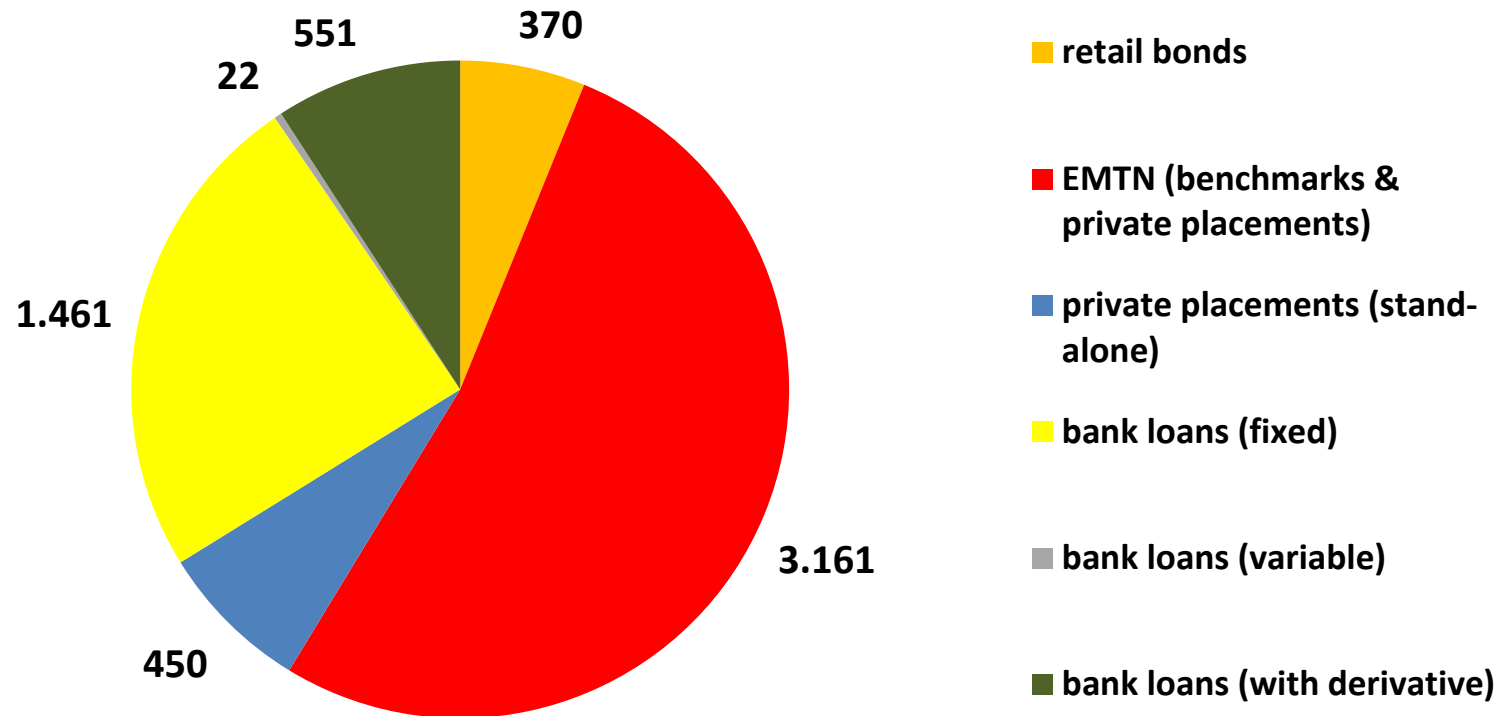
Liquidity Facilities (as per 30 June 2019)



A	Cash facility / Straight Loan	TOTAL : 225 m€ (2 banks)	}	total amount: 925 m€
B	Revolving Credit	TOTAL : 200 m€ (1 bank)		
C	Commercial Paper Programme ("Thesauriebewijzen")	TOTAL : 500 m€ (4 banks)		
A and B are committed facilities; C is a non-committed programme				

Debt Profile (Fluvius Economic Group)

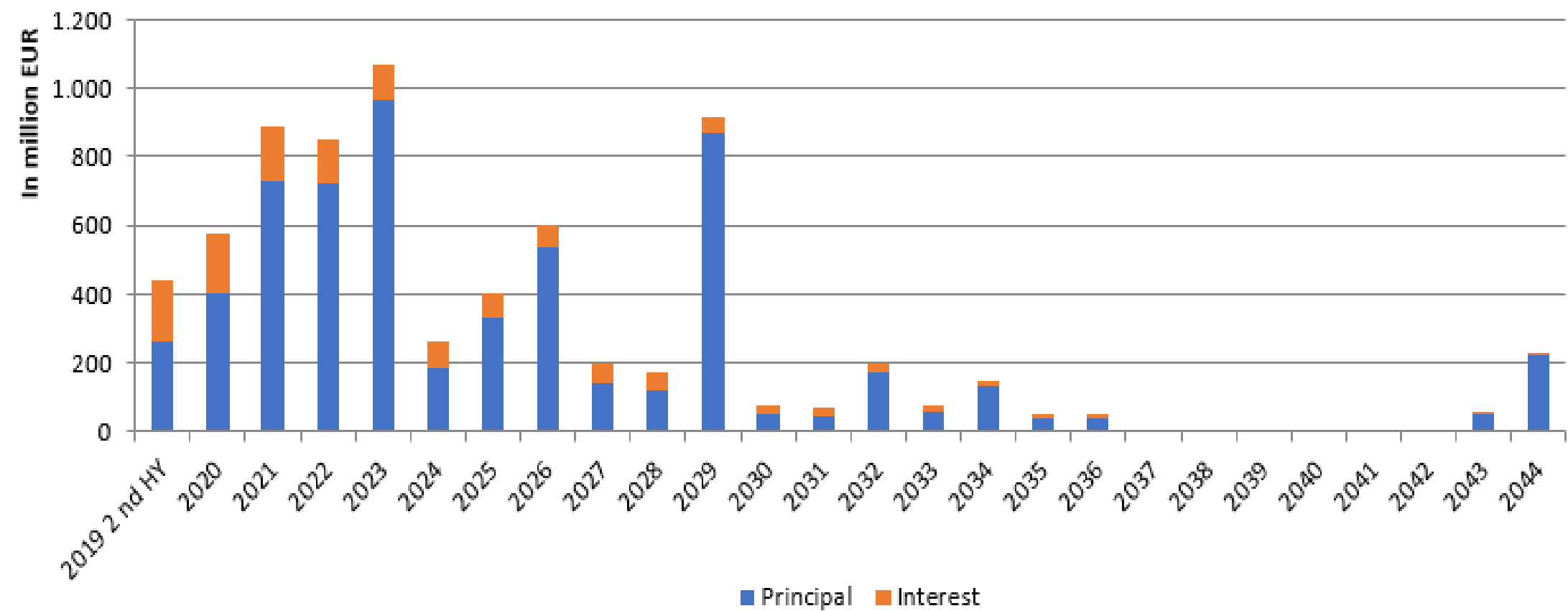
LT Debt Profile by Instrument (6,014.3 m€ outstanding as per 30 June 2019)



average maturity: 8 years 6 months
average interest rate: 2.94%

Financial Overview

Maturity Profile of Outstanding Bonds (as per 30 June 2019)



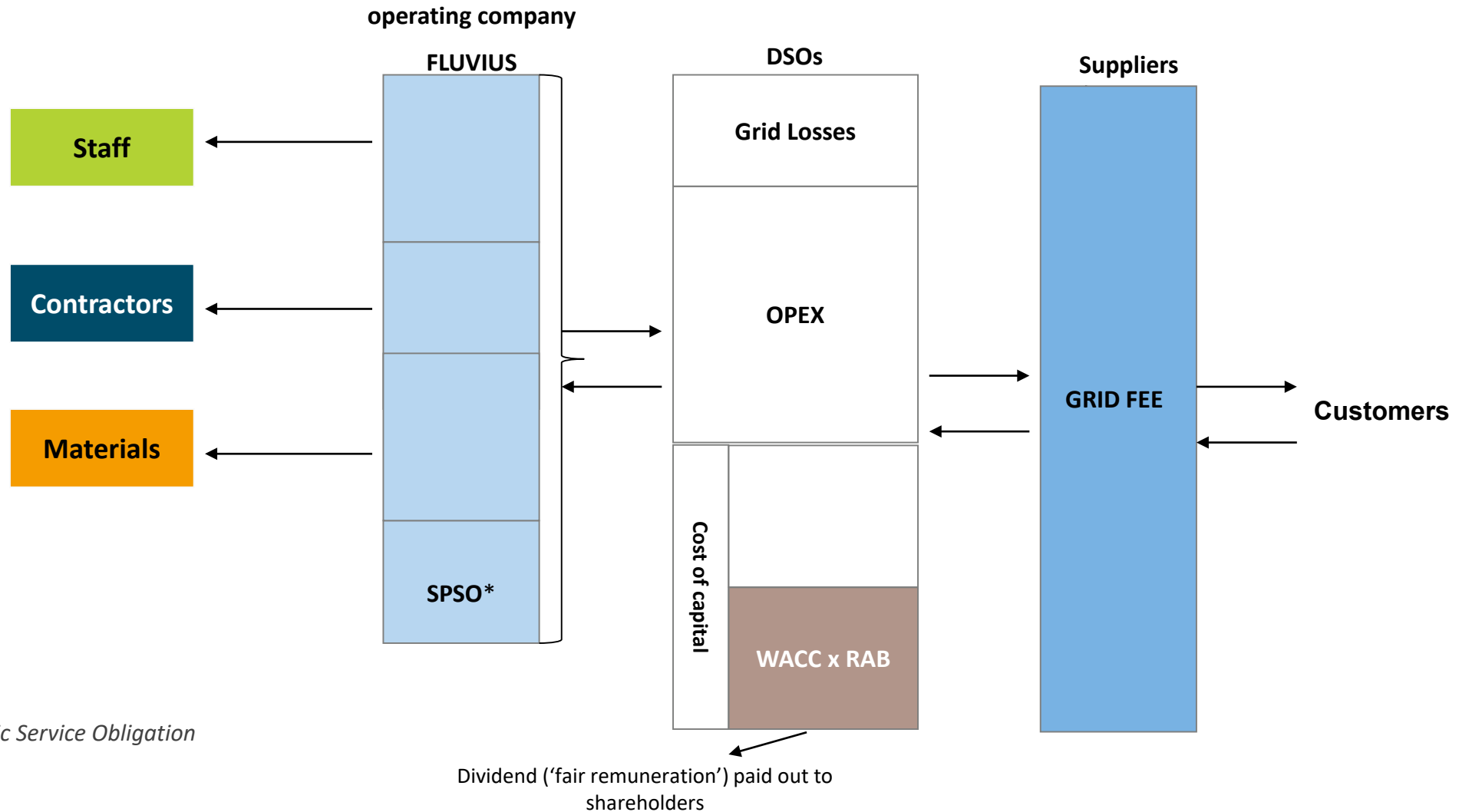
Financial Overview

Outstanding bonds at Fluvius (as per 30 June 2019)

[in order of maturity date]

Type	E = Eandis I = Infrax	Amount (m€)	Issue Date	Maturity date	Maturity	Coupon
Retail	E	170	30/12/2010	30/12/2020	10	4,250%
EMTN benchmark	E	500	8/11/2011	8/11/2021	10	4,500%
EMTN benchmark	E	500	30/11/2012	30/11/2022	10	2,750%
EMTN benchmark	E	500	9/10/2013	9/10/2023	10	2,875%
EMTN sub-benchmark	I	250	30/10/2013	30/10/2023	10	3,750%
Retail	E	200	23/06/2017	23/06/2025	8	2,000%
EMTN sub-benchmark	E	400	4/12/2014	4/12/2026	12	1,750%
Schuldschein	E	50	21/09/2012	21/09/2027	15	3,500%
EMTN Private Placement	E	54,5	28/03/2013	28/03/2028	15	3,500%
EMTN benchmark	E	550	7/05/2014	7/05/2029	15	2,875%
EMTN sub-benchmark	I	250	29/10/2014	29/10/2029	15	2,625%
EMTN Private Placement	E	135,5	10/07/2012	10/07/2032	20	3,950%
EMTN Private Placement	E	20,5	28/03/2013	28/03/2033	20	3,750%
Private Placement	E	95	27/10/2014	27/10/2034	20	2,600%
Private Placement	E	23	5/03/2014	5/03/2036	22	3,550%
Namensschuldverschreibung	E	50	24/06/2013	24/06/2043	30	3,500%
Private Placement	E	52	5/03/2014	5/03/2044	30	3,550%
Private Placement	E	170	27/10/2014	27/10/2044	30	3,000%

Cash Cycle E&G distribution



SPSO = Social Public Service Obligation

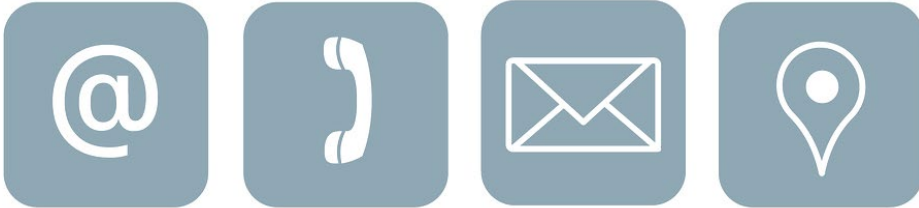
5. Executive summary

Executive Summary



Strategic Importance to the Flemish Region	➡	<ul style="list-style-type: none"> ■ Fluvius covers 100 % of the municipalities of the Flemish region ■ Fluvius operates essential utility services for Flemish society: electricity and gas distribution, public lighting, sewerage and CATV networks
Favourable Regulatory Environment for Energy (Revenue Cap)	➡	<ul style="list-style-type: none"> ■ The energy DSOs have a legally based regional monopoly for electricity and gas distribution ■ Tariff mechanism with a 4-year regulatory period based on a revenue cap model, including a fair profit margin as remuneration on invested capital
Efficient Operating Scheme	➡	<ul style="list-style-type: none"> ■ Group structure with 1 operating company (Fluvius System Operator) for several utility companies allows for efficient operations and benefits of scale ■ Pooling of staff and all operational, financial and management activities
Strong Cash Flow Visibility	➡	<ul style="list-style-type: none"> ■ Predictable revenue streams in all activities
Low Risk Profile	➡	<ul style="list-style-type: none"> ■ Low business risk – the DSOs and other intermunicipalities are not involved in competitive activities ■ Intermunicipalities own 100% of their network infrastructure
Favourable Economic Dynamics	➡	<p>The Flemish region (Aa2 stable) is Belgium's (Aa3 stable) most populated region (6.55 million on 1 Jan 2018 – 57.6% of national population). Moody's on Flanders: "The region's high GDP and income per capita, both from a pan-European perspective and compared with other Belgian federated entities, supports the Flemish Community's capacity to generate revenues and, ultimately, the region's creditworthiness." "The ratings reflect the entity's strong fiscal performance, expected to continue in to the medium-term; and a debt burden which is low relative to Belgian and Aa-rated peers." Flanders' credit strengths: (1) strong track record of budgetary discipline and continued commitment to fiscal consolidation, (2) modest debt burden and ample access to liquidity and (3) strong and diversified economic base." (<i>Moody's Rating Action 10 Nov 2017 & Moody's Credit Opinion 15 Sep 2017</i>) i.e. GDP per capita = EUR 37,200 (2016), which is 20% above the EU-28 average.</p>

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6. Annexes

- Intermunicipalities & DSOs
- Regulation & tarification
- Fluvius's subsidiaries
- Overview of activities (core & related)
- Abbreviations
- Disclaimer

Company Overview

Intermunicipalities and DSOs

Intermunicipalities - Overview

- In Belgium, local municipalities are in charge of several public services (waste management, water management, environment, energy distribution, ...)
- The municipalities may organise these tasks in two ways
 - through a “municipal company” in which each municipality organises the service with its own staff and financial resources
 - through an association of several municipalities, (also called “intermunicipality”) in which several municipalities are associated to provide a common service
- Legal status of companies of public law
- In Flanders, intermunicipalities are governed by the Flemish Decree of 22 December 2017 on Local Authorities
- Intermunicipal licenses are valid for 18 years without exit possibilities

DSOs - Overview

- Most municipalities opted for intermunicipal associations as their electricity and gas distribution system operator (“DSO”)
- Intermunicipal DSOs, being public law companies, do not have a commercial character, thus Belgian bankruptcy law does not apply
- In view of their mission on behalf of their public shareholders, intermunicipal DSOs perform a public service observing the principles of equality, continuity, regularity of service in relation to suppliers and customers, rather than by pure economic profit
- Each intermunicipal DSO holds a legal monopoly for the area covered by its network
- Each intermunicipal DSO owns its proper grid infrastructure
- Each intermunicipal DSO is appointed by the energy regulator for a renewable term of 12 years: ownership of network (or rights of use) is prerequisite for obtaining such a licence – current DSO licences for E are valid until 5 September 2026, for gas until 14 October 2027

Regulatory Framework E&G

Purpose and Organisation



Purpose

Organise the energy market in order to

- Increase generation capacity through import and new generation units
- Improve competition on the generation side
- Provide the framework for neutral, technically well integrated and cost efficient networks for gas and electricity transmission and distribution
- Benchmark cost of energy
- Reduce costs
- Permanently monitor the market and if necessary adjust regulations to improve its organisation
- Have a well functioning retail market

Take action with a view to satisfy the climate objectives

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

Areas of Competence

In order to organise the Belgian energy market, one federal (CREG) and 3 regional regulators (Flanders: VREG) have been set up

CREG's areas of competence

- Electricity generation (except from renewable sources and combined heat & power systems)
- Electricity transmission on > 70 kV grids
- Gas storage and gas transport
- Transmission tariffs

The 3 regional regulators' areas of competence

- Local distribution of electricity (voltage \leq 70kV)
- Local distribution of natural gas
- Energy production from renewable sources and combined heat & power systems
- Rational use of energy (RUE)
- (Social) public service obligations
- Organisation of supply market and supply licenses
- Distribution tariffs

Regulatory Framework E&G

Public Service Obligations (PSO)

DSOs are crucial in implementing the Flemish Government's public service / social welfare policies. DSO role as supplier of last resort also shows the Government's confidence in the DSOs' grids and operations.



Public Service Obligations are a number of diverse obligations imposed on the E&G DSOs. There are 3 types of PSOs:

1. Technical

- DSO is required to connect each end user to the distribution grid for E and G at a maximum cost of EUR 250

2. Social

- DSO acts as social supplier for customers dropped by commercial suppliers
- cut-offs from grid only allowed when strict conditions are met; protection of socially vulnerable customers
- DSO as supplier of last resort when commercial supplier fails

3. Ecological

- support mechanism for E generation from renewables through certificate system: DSO has to buy Green Power Certificates (GPC) and Combined Heat/Power Certificates (CHPC) at set price, to be sold to the market
- DSO pays out subsidies for energy-saving measures (Rational Use of Energy)
- DSO installs charging infrastructure for electric vehicles

→ **Total cost of PSOs (2018): 1.674 bn EUR (incl. VAT), part of distribution grid fee billed by DSO**

Fluvius System Operator's subsidiary:

De Stroomlijn cvba



- Activity: call centre for distribution network related issues
- Shareholders: Fluvius System Operator (62.17%), multi-service company Farys (32.03%), Synductis (2.90%), De Watergroep (2.90%)
- Board: 8 members (of which 4 for Fluvius, incl. Chairman David Termont)
- Staff: 260 ⁽¹⁾ on 4 sites (Mechelen, Ghent, Ypres and Hasselt)
- Established: 28 December 2006
- Operates at cost price (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Financials 2018 (BE-GAAP)
 - Balance sheet total: EUR 4,630,620
 - Share capital: EUR 257,700
 - Debt: EUR 4,372,920 (of which EUR 4,325,356 < 1 year / no LT debt)
 - Turnover: EUR 14,130,137

(1) As per end 2018

Fluvius System Operator's subsidiary:

Atrias cvba



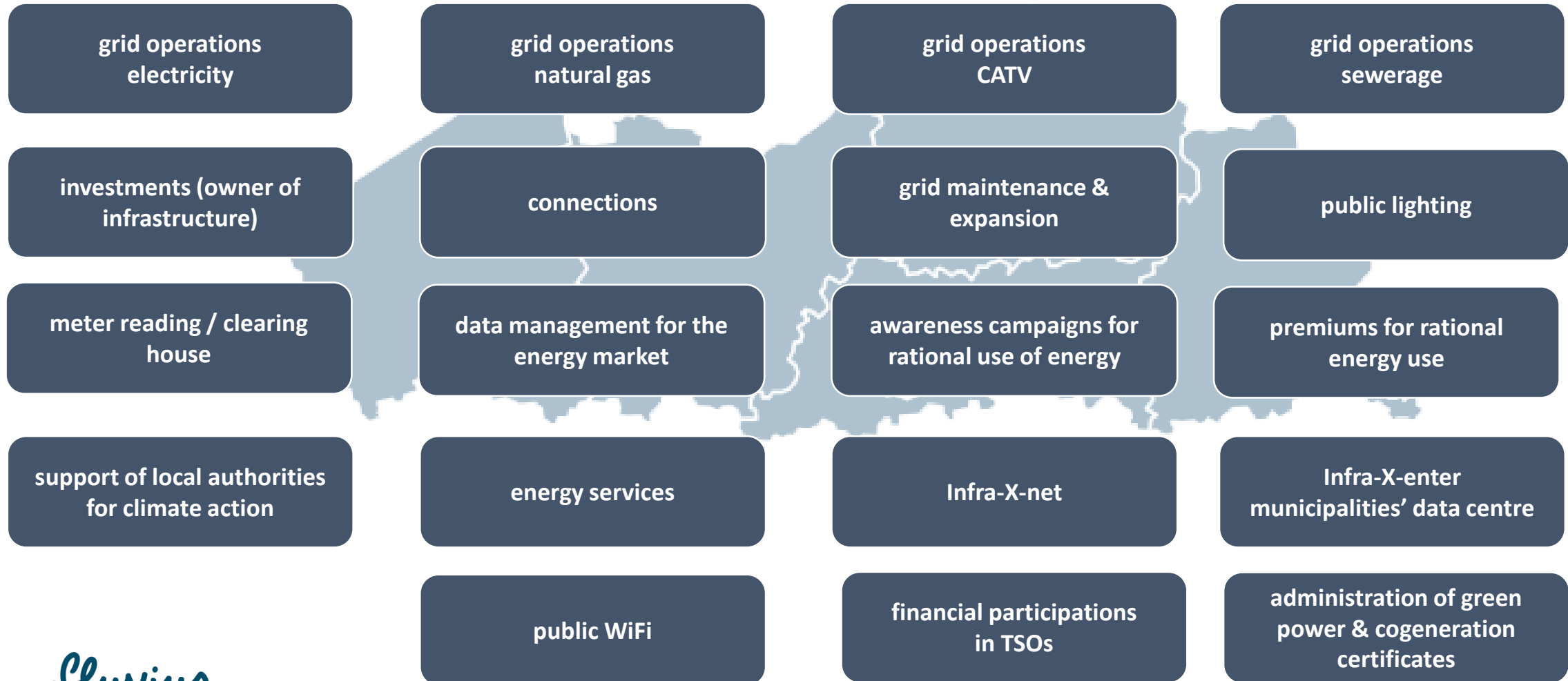
- Shareholders: all Belgian distribution grid operators; Fluvius System Operator owns 50% of share capital
- Board: 12 members (of which 6 for Fluvius, incl. Chairman Frank Vanbrabant)
- Staff: 24 (31 December 2018) – CEO: Frank De Saer
- Established: 9 May 2011
- Operates on a federal scale (the whole of Belgium) to obtain maximum economies of scale
- Atrias has developed MIG-6 (Message Implementation Guide, smart-ready) and is developing a clearing house application
- Works at cost price (no margin/profit) for its shareholders
- Consolidated in Fluvius according to the equity method
- Financials 2018 (BE-GAAP)
 - Balance sheet total: EUR 53,405,085
 - Share capital: EUR 18,600
 - Debt: EUR 53,386,485 (of which EUR 53,348,023 < 1 year / no LT debt)
 - Turnover: EUR 21,062,896

Fluvius System Operator's subsidiary: Synductis cvba



- Date of establishment: 21 December 2012
- Shareholders: Fluvius System Operator (33.28%), Aquafin, De Watergroep, Farys, IWVA, IWVB, Proximus and Pidpa – open for other utilities to join
- Board: 5 members (of which 2 for Fluvius)
- Staff: none, all operations run by staff delegated by shareholders
- Synductis detects synergies between utilities carrying out infrastructure works in the public domain (energy, water, telecom, sewerage a.o.), thus reducing hindrance for the general public and realising cost efficiencies for the utilities
- Works at cost price (no margin/profit) for its shareholders
- Consolidated according to the equity method
- Financials 2018 (BE-GAAP)
 - Balance sheet total: EUR 1,125,327
 - Share capital: EUR 19,500
 - Debt: EUR 1,105,827 (only debt < 1 year / no LT debt)
 - Turnover: EUR 1,348,430

All core and related activities



Abbreviations



- **BIPT** = Belgisch Instituut voor Postdiensten en Telecommunicatie (= Belgian telecom regulator)
- **CATV** = Cable Television
- **CHP** = Combined Heat & Power (WKK, warmtekrachtkoppeling)
- **CHPC** = Combined Heat & Power Certificate (warmtekrachtcertificaat)
- **CREG** = Commissie voor de Regulering van de Elektriciteit en het Gas (= Belgian federal energy regulator)
- **DSO** = Distribution System Operator (distributienetbeheerder, DNB)
- **EBITDA** = Earnings Before Interest, Taxes, Depreciation and Amortization
- **GPC** = Green Power Certificate (GSC, groenestroomcertificaat)
- **RAB** = Regulated Asset Base (= economic value of network for transmission & distribution of electricity and gas)
- **RUE** = Rational Use of Energy (Rationeel Energiegebruik)
- **RUW** = Rational Use of Water (Rationeel Watergebruik)
- **TSO** = Transmission System Operator (transmissiebeheerder, TNB)
- **VMM** = Vlaamse Milieumaatschappij (= Flemish Environmental Agency)
- **VREG** = Vlaamse Regulator van de Elektriciteits- en Gasmarkt (= Flemish regional energy regulator)
- **WACC** = Weighted Average Cost of Capital (gewogen gemiddelde kapitaalkost)

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