

Investor Presentation

Fluvius System Operator cv

May 2020

fluvius.



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Please take note of the disclaimer on page 54



1. Our corporate profile and activities

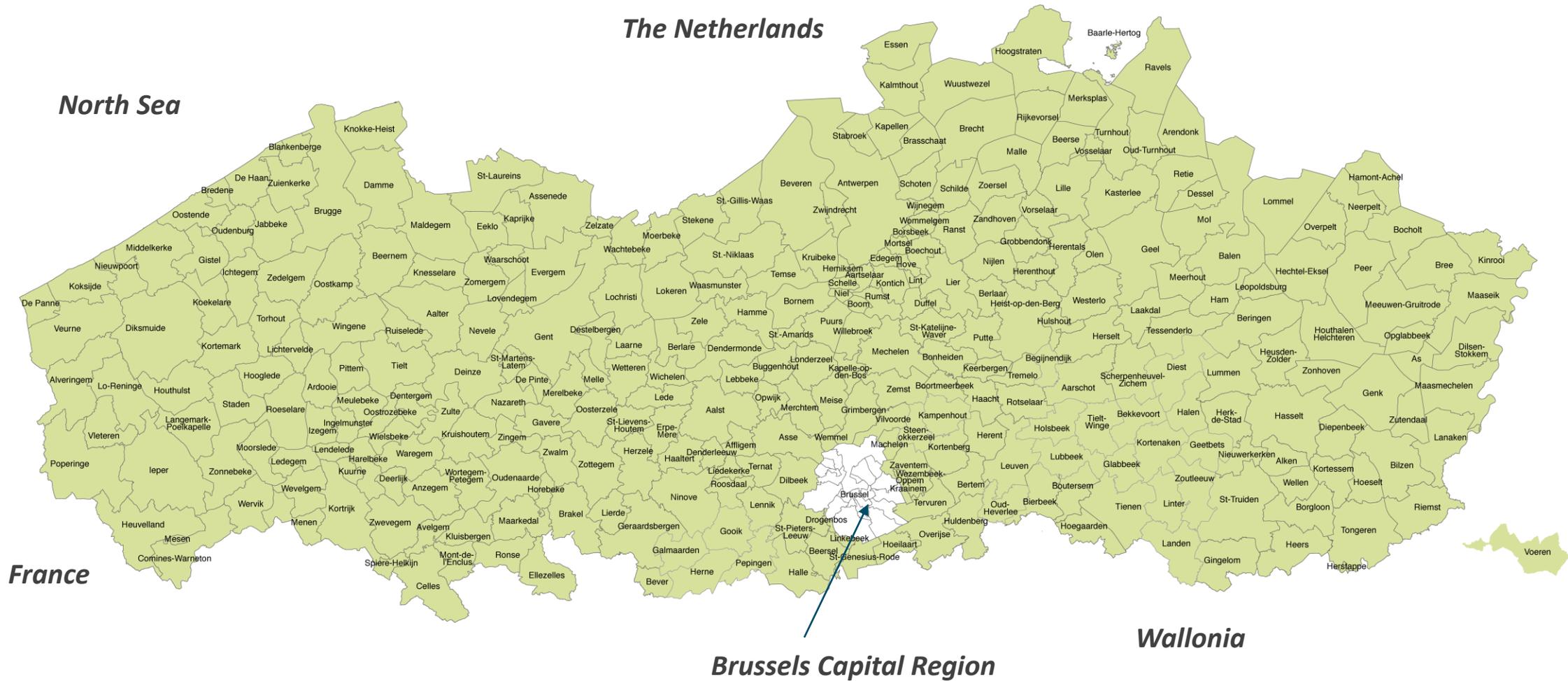
Who is Fluvius?



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 CV was created on 1 July 2018 through the merger by absorption of the former operating companies Eandis System Operator CVBA and Infrac 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 Flemish municipalities.
- Fluvius serves approximately 3,5 million access points for electricity, 2,3 million for gas, 0,6 million for sewerage, 0,9 million for CATV and 1,2 million public lighting points. 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: Aa2 stable*) and its general policy aim of realising Europe's climate and energy objectives.

FLUVIUS operating area = entire Flemish Region



Fluvius in figures (31 December 2019)



**7,3 million
connections**

**5.419
employees**

**859,4 million € investments
in 2019**



**1,2 million
public lighting points**

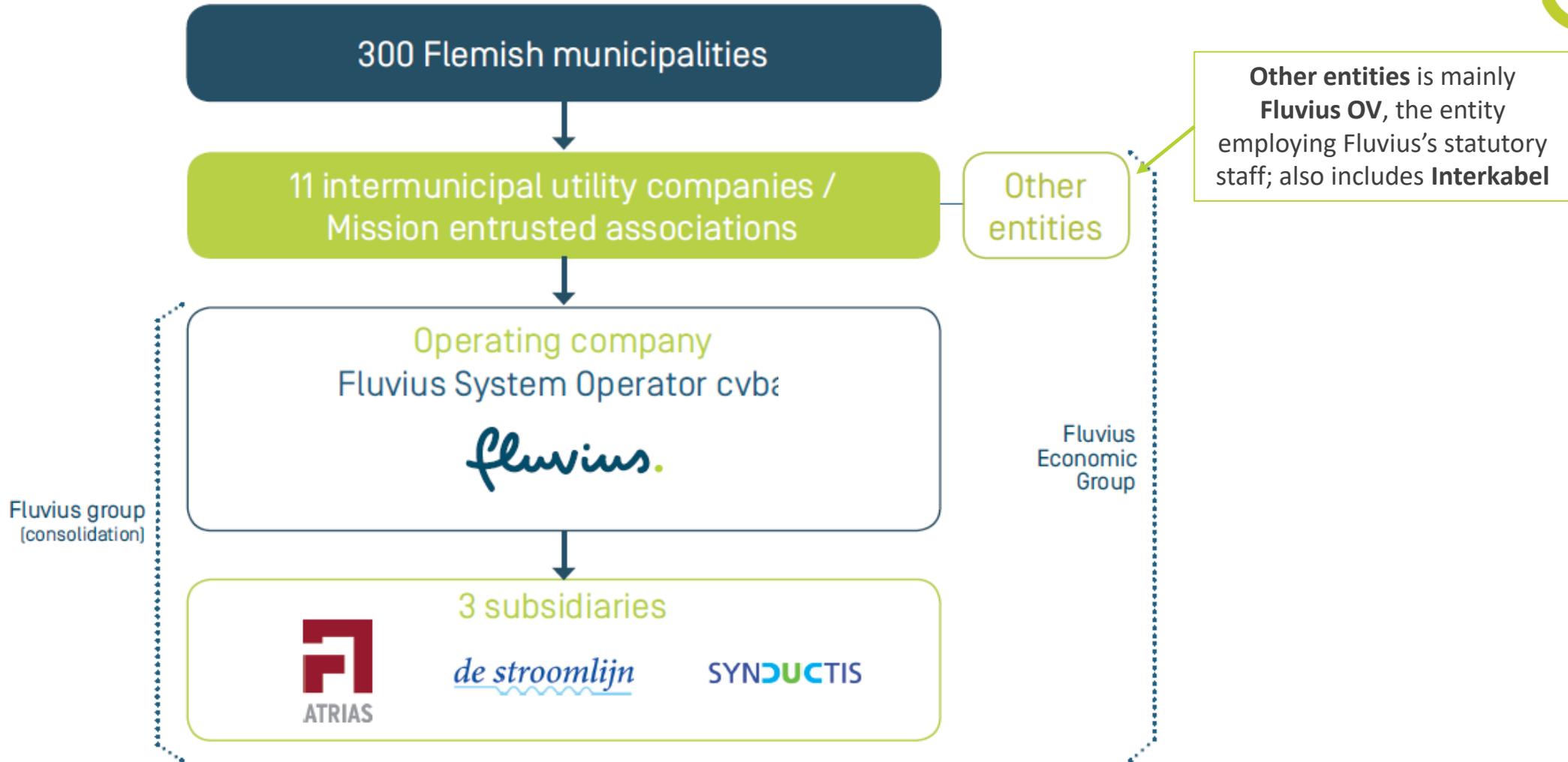
**3,5 million
connections electricity**

**2,3 million
connections gas**

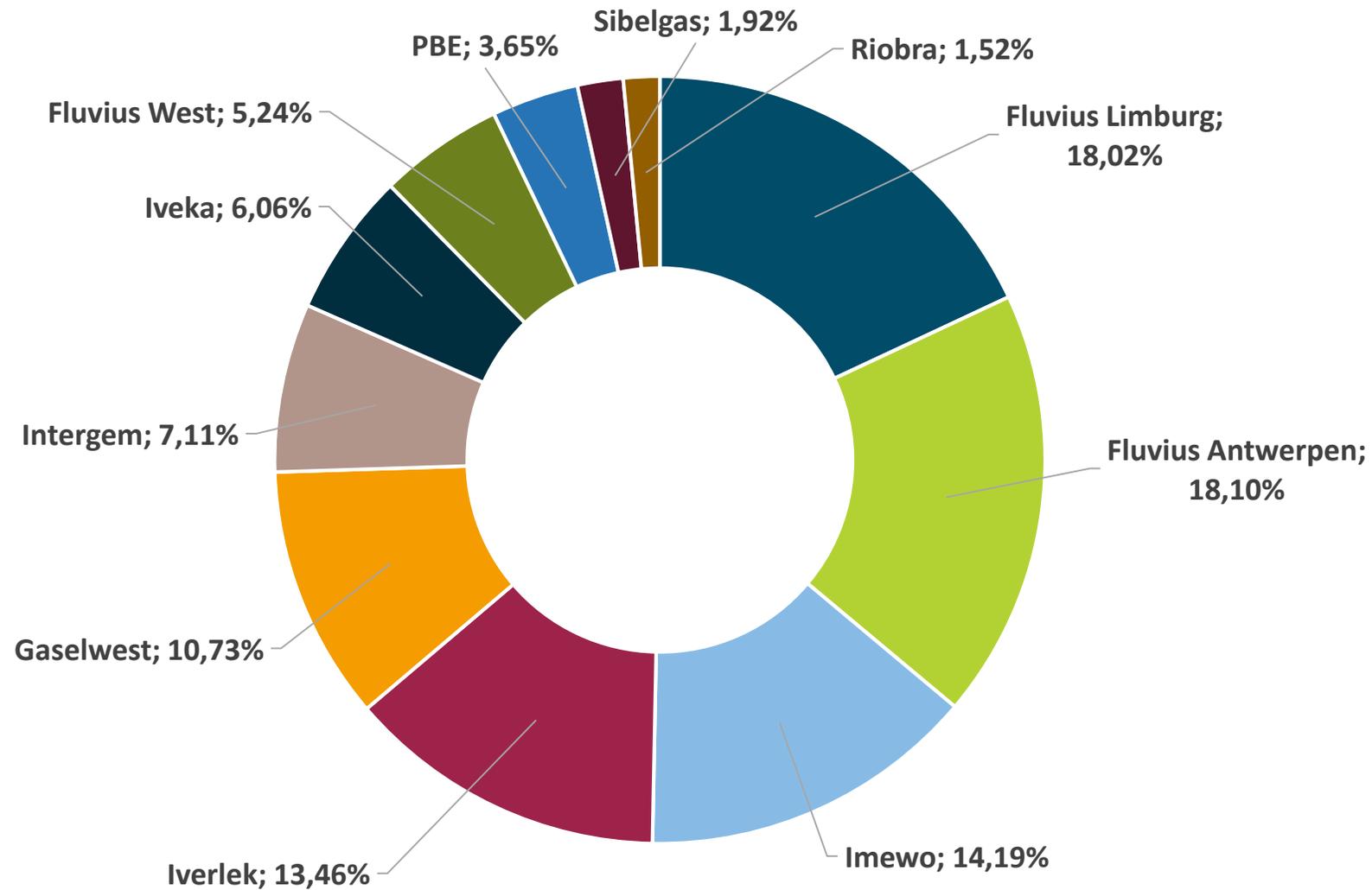
**620.000
connections sewerage**

**930.000
connections CATV**

Fluvius Economic Group's Corporate Structure



Fluvius System Operator's shareholders (1 January 2020)



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



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

Corporate Social Responsibility & Sustainability

Strategic focus on CSR & sustainability with the overall aim to realize the Flemish climate objectives: *Fluvius is the preferred partner of local authorities in their drive towards energy efficiency*

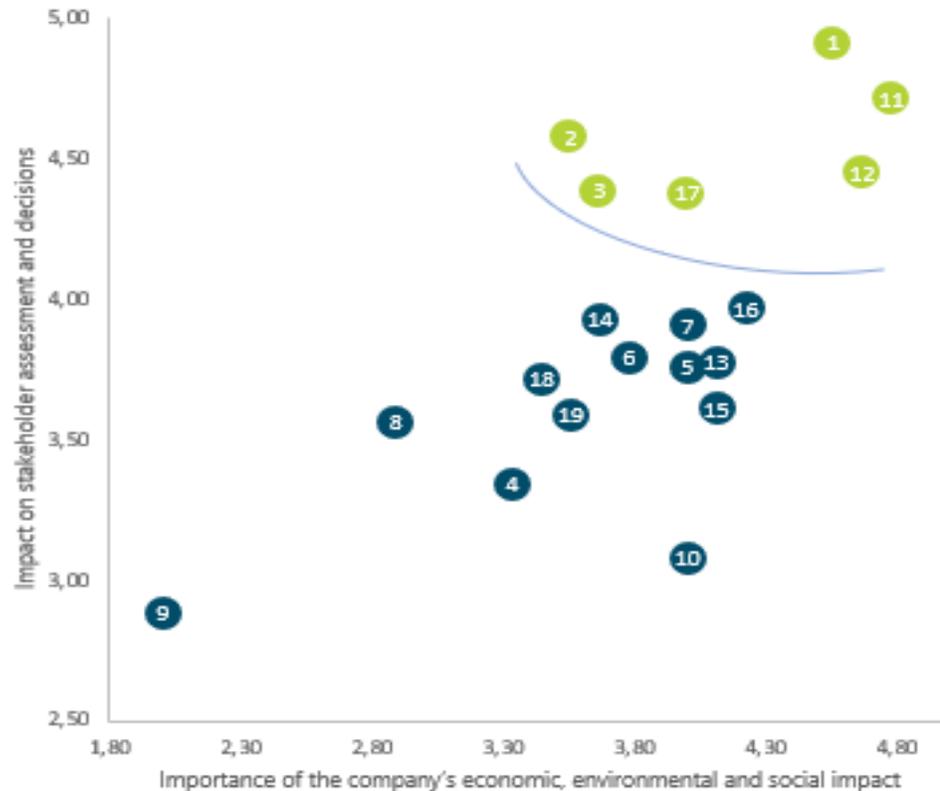
- objective: 20% reduction of our own CO₂ emissions by 2020 (compared to 2008)
- sustainable mobility: 'electric first' principle; >250 electric, CNG or hybrid vehicles in our service fleet
- public lighting: all public lighting in Flanders to be switched to LED technology by 2030, with >45% energy efficiency gains
- LT Environmental Plan 2015-2019: extended into 2020; implementation through annual Action Plans is on track



- solar panels on 11 Fluvius sites generated 940.148 kWh in 2019 (+10,6% y-o-y)
- all policy decisions are explicitly screened on environmental, social, ethical and financial impacts
- CSR policies enshrined in a CSR Charter (<https://over.fluvius.be/sites/fluvius/files/2019-12/9010106-mvo-charter-2019-en.pdf>), a Corporate Governance Charter and an Ethical Charter
- signatory to the EDSO Sustainable Grid Charter (Nov 2019)
- integral risk management and risk-based internal auditing

rated 'Prime' by ISS ESG (2017) / silver CSR rating by Ecovadis (2019) / ESG screened by Vigeo Eiris and Sustainalytics

CSR & Sustainability: materiality



- | | |
|----|---------------------------------------------|
| 1 | Grid reliability |
| 2 | Customer satisfaction |
| 3 | Data privacy |
| 4 | Combating energy poverty |
| 5 | Cooperation and partnerships |
| 6 | Knowledge sharing |
| 7 | Rational use of energy by end consumers |
| 8 | CO ₂ footprint own activities |
| 9 | Local biodiversity |
| 10 | Circular waste management |
| 11 | Safety of end consumers and local residents |
| 12 | Socially acceptable tariffs |
| 13 | Integral (waste)water management |
| 14 | Corporate governance |
| 15 | Sustainable procurement |
| 16 | Active less annoyance policy |
| 17 | Employees' safety |
| 18 | Employees' wellbeing |
| 19 | Training and development |

1	Grid reliability	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
2	Customer satisfaction	8 DECENT WORK AND ECONOMIC GROWTH
3	Data privacy	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
11	Safety of end consumers and local residents	11 SUSTAINABLE CITIES AND COMMUNITIES
12	Socially acceptable tariffs	7 AFFORDABLE AND CLEAN ENERGY
17	Employees' safety	8 DECENT WORK AND ECONOMIC GROWTH

Our CSR & sustainability policy is based on a **materiality analysis**, after an online consultation of stakeholders. See **materiality matrix** above (items in green are the most material). The 19 material topics have also been screened on their **urgency**. Finally, the 19 relevant topics have been 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

2019 Highlights (1)

- **7 February:** public 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 entirely 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 through tariff adaptation



2019 Highlights (2)



- **11 May:** LT structural collaboration with De Voedselbanken (Food Banks) signed
- **14 June:** Publi-T participates in Elia capital increase for 165 mEUR
- **1 July:** kick-off of digital meter roll-out in Flanders (see slide 27)
- **25 July:** Moody's affirms A3 rating, changes outlook from positive to stable
- **26 July:** Creditreform affirms A+ rating with stable outlook
- **8 October:** VREG establishes 2020 allowed income E & G: -7% for E and -3% for G
- **16 December:** VREG approves 2020 grid fee: -8% for E / -3% for G
- **20 December:** Fluvius CSR Charter published

2020 Highlights



- **1 January:** Infrac West changes name into Fluvius West
- **1 January:** Pittem (West-Flanders) joins Fluvius West for sewerage
- **29 January:** Fluvius's shareholders participate in Publi-T capital increase for EUR 79,3 million
- **31 March:** a total of 263.509 digital meters installed
- **corona virus crisis:**
 - ✓ Fluvius guarantees continuity of service while protecting safety of employees and general public
 - ✓ 1st phase of lockdown: only urgent and essential interventions carried out with all non-urgent interventions postponed
 - ✓ 2nd phase of lockdown: gradual uptake of activities with stringent safety measures in place
 - ✓ 11 May: all technical activities resumed
 - ✓ decrease in electricity consumption by industrial consumers and - to a lesser degree – by residential consumers

Ongoing:

- *joint trial project Fluvius/De Watergroep with the installation of 20.000 digital water meters (2020-2022)*
- *independent study on possible reorganisation of the Flemish water sector (report expected spring 2020)*

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 – 86.507 km LV grid and 47.161 km MV grid – 30,9 TWh transported
- gas: 2,3 million access points – 47.991 km low-pressure grid and 10.100 km mid-pressure grid – 63,8 TWh transported
- public lighting: 1,2 million lighting points
- RAB E&G networks (2019): EUR 9,9 billion

The DSOs for E/G are:

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

Fluvius's activities

E&G Distribution - Regulated Tarification 2017-2020



- 16 December 2019: VREG approved and published the 2020 DSO tariffs, based on the 2017-2020 tariff methodology
- basic tarification principles for tariff period 2017-2020:
 - **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 5,49%, based on CAPM with
 - risk-free rate = 1,43%
 - market risk premium at 5,01% (E & G) and equity β at 0,81
 - cost of debt at 3,04%
- RAB-based WACC at 4,02% (post-tax); WACC at 4,75% (pre-tax)
- VREG allows for the recovery of regulatory assets/liabilities 2010-2014 over a 5-year period (2016-2020)
- 4-year tarification periods

Fluvius's activities

Sewerage

- sewerage networks owned by 4 intermunicipal companies that also execute operational activities on these networks (purification excluded)
- 85 municipalities (= 27% of Flanders); 1 Jan 2020: municipality of Pittem (West-Flanders) joined Fluvius West for sewerage
- legal basis: Flemish Drinking Water Decree (compliant with EU Water Framework Directive) - regulator: Flemish Environment Agency (VMM)
- fixed assets: EUR 1,1 billion – EUR 76 million invested in 2019
- tariffication aspects:
 - remuneration imposed by law; pass-through via invoice of water companies to end consumers; maximum tariff set
 - drinking water tariff (*'integral water bill'*) consists of (1) water volume 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 wastewater contribution to the sewerage intermunicipalities
- VMM and municipalities pay investment grants (75% of total expansion investments) to the sewerage intermunicipalities
- all profits are reinvested – no dividend pay-outs

The sewerage entities are:

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

Fluvius's activities

Cable Distribution

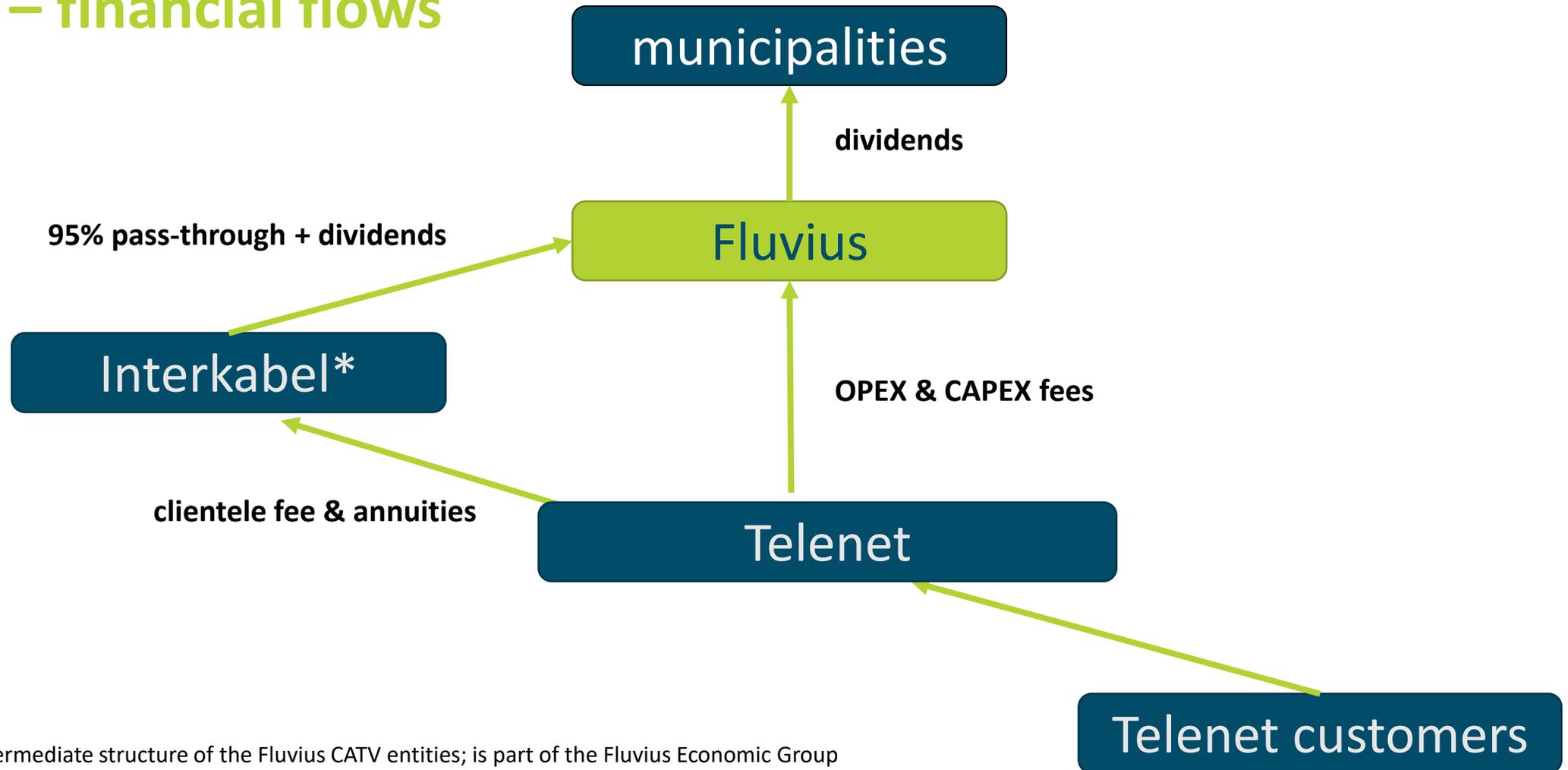
- cable network infrastructure owned by 4 intermunicipalities, covering 103 municipalities
- regulators: BIPT and VRM
- commercial operations on the networks run by telecom operator Telenet, based on 2 LT-contracts (1996 lease contract and 2008 commercial contract) – no commercial risks at Fluvius entities
- financial aspects: Fluvius receives from Telenet
 - **OPEX fee** : fixed remuneration that follows Telenet's operational costs, until 2046, registered as turnover (2019: EUR 27,0 million) → other operating income
 - **CAPEX fee** : 6,25% ROI, until 2046, registered as financial revenue (2019: EUR 22,5 million) → financial income
 - **clientele fee**: 60% on original investments, fixed indexed amount until 2046, EUR 5,8 million in 2019 → revenue (95%) and dividends received (5%)
 - **annuities**: 40% on original investments, OLO interest, until end of depreciations (ie currently until 2023), EUR 2,1 million in 2019 → 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. Fluvius West
4. PBE

Fluvius's activities

CATV – financial flows



*Interkabel: intermediate structure of the Fluvius CATV entities; is part of the Fluvius Economic Group

Fluvius's activities

Digital Metering Roll-out

Objective: provide all Flemish end consumers with digital metering for E & G; only digital meters installed since 1 July 2019 (total of 4,2 million meters E and 3,2 million meters G)

Timeline:

- initial scenario: 100% by year end 2033 (15y) with priority for specific target groups
- (probable) accelerated scenario*: 80% to be installed by 2024, 100% by mid-2029

Budget (cash out, E+G) 2020-2028: 2.379,1 million EUR, of which 2.338,0 million EUR capex – included in regulatory grid tariffs

Advantages:

- enables remote meter reading/controlling, consumption monitoring by end consumer and grid operator (smart grid)
- average energy savings of 2,6% for E and 1,0% for G; contributes to combat against energy fraud



*: still to be decided by Flemish authorities





Fluvius's activities

Public lighting

Partly regulated activity (e.g. investments in new grids), partly public service obligation (e.g. standard maintenance) and partly non-regulated (e.g. new poles and fixtures)

New set-up ("Public Lighting 2.0")

Objective: switch of entire municipal public lighting (1,2 million lighting points) to LED by 2030 – in line with decision by Flemish Government

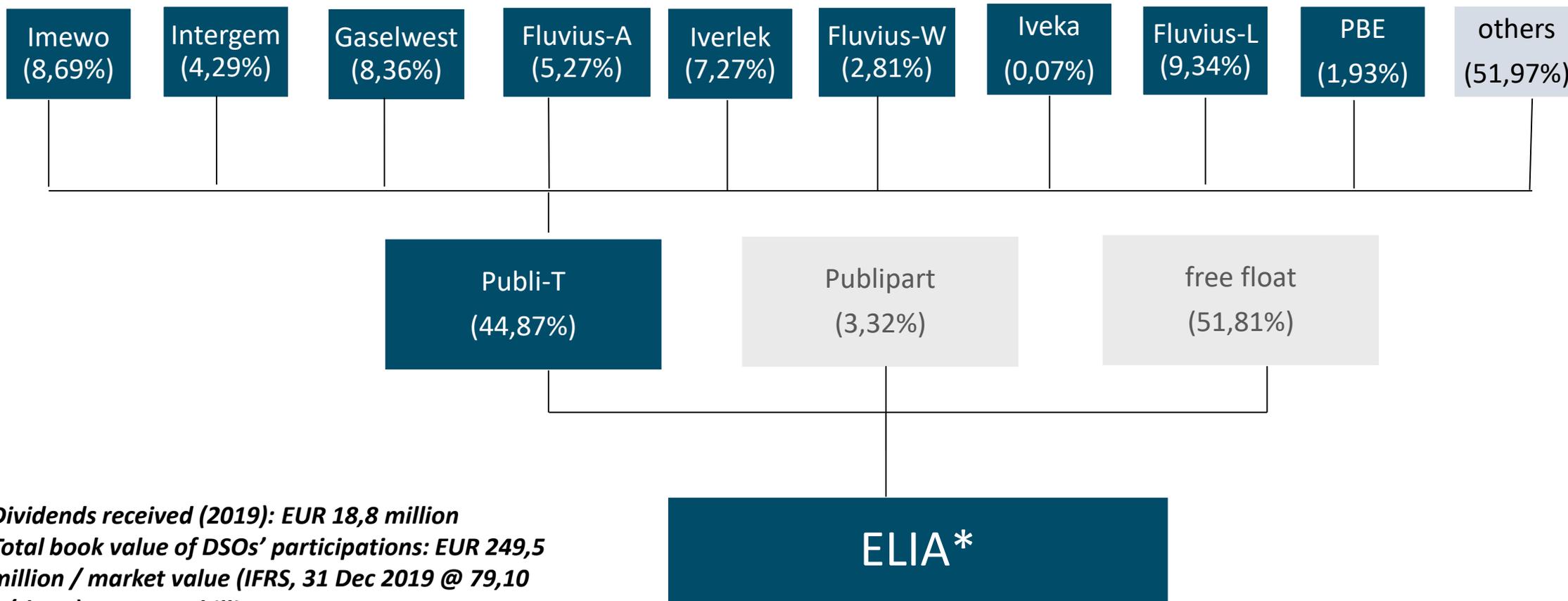
Municipalities can transfer their public lighting infrastructure to the DSO; relevant costs processed through electricity dividend

Capex budget: 925,5 million EUR (2020-2030)

- increased energy efficiency (up to 45% energy efficiency gains)
- allows for more versatility: dimming, active on/off switching, ..
- also used for monument lighting

Fluvius's activities: financial participations

Belgian Electricity TSO Elia through Publi-T

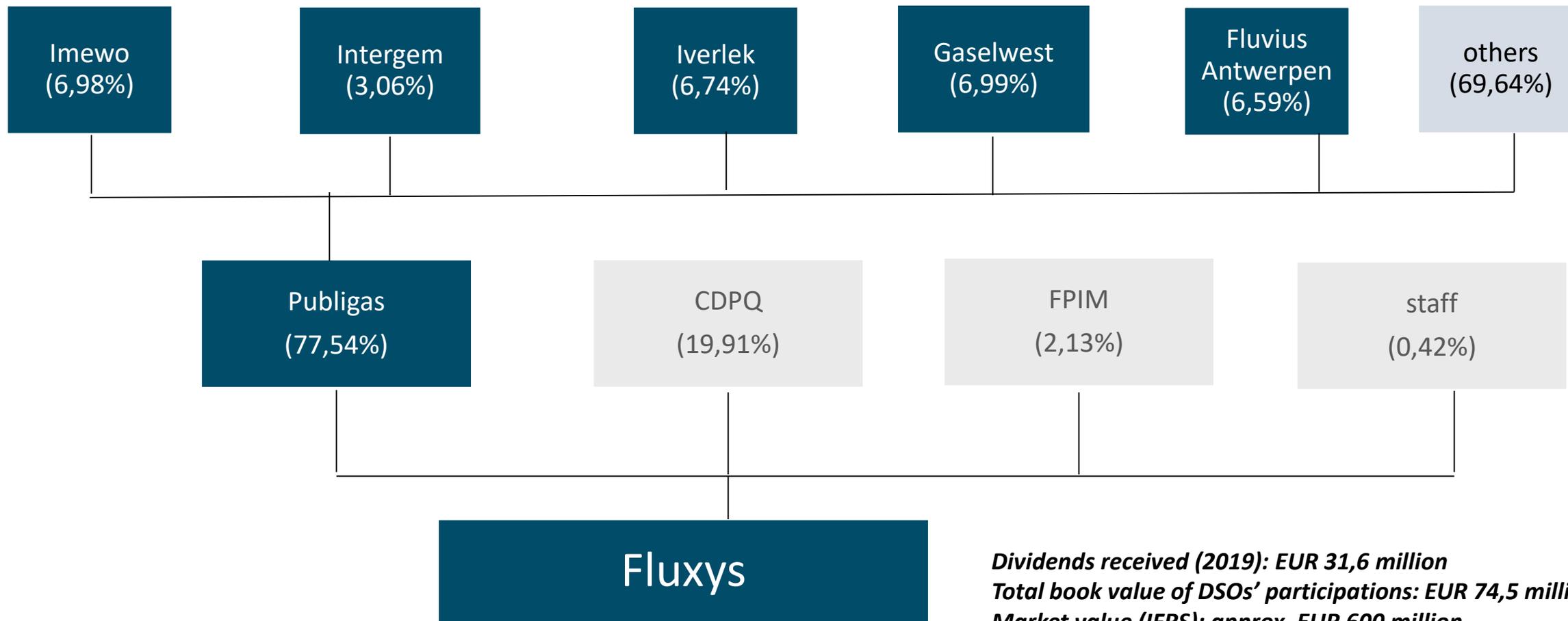


Dividends received (2019): EUR 18,8 million
Total book value of DSOs' participations: EUR 249,5 million / market value (IFRS, 31 Dec 2019 @ 79,10 €/share): EUR 1,15 billion

*** 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 has initiated 5 pilot projects with Points-of-Presence – total budget of EUR 30 million – required target of 7,00% return on investment



4. Our financial profile

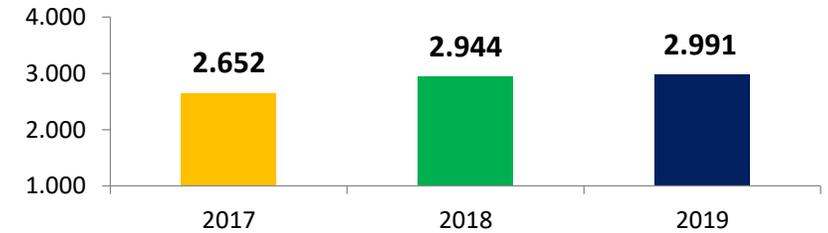
Financial Overview

Summary Financials FY 2017-2019 (IFRS, actuals), Economic Group

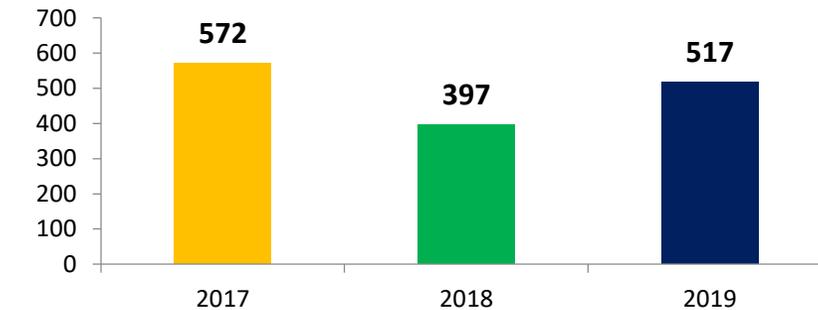
Note: 2017: 12 m Eandis Economic Group;
2018: 6 m Eandis Ec. Group – 6 m Fluvius Economic Group
2019: 12 m Fluvius Economic Group

(in mio €)	2017	2018	2019
Statement of Profit/Loss			
revenues	2.652	2.944	2.991
operating revenues	3.019	3.499	3.472
operating expenses	-2.448	-3.102	-2.955
result from operations	572	397	517
net financial income/expenses	-148	-102	-101
profit before tax	423	295	416
profit for the period	236	191	331
other comprehensive income	141	75	296
total comprehensive income	377	266	626
Statement of Financial Position			
current assets	1.013	971	965
non-current assets	7.925	13.373	14.191
total assets	8.938	14.345	15.155
total equity (attributable to parent)	2.255	5.911	6.408
non-current liabilities	5.830	7.190	6.949
current liabilities	853	1.236	1.799
total liabilities	6.683	8.426	8.748
total equity & liabilities	8.938	14.345	15.155
Cash Flow Statement			
net CF from operating activities	1.174	1.020	768
net CF from investing activities	-393	-529	-572
net CF used in/from financing activities	-752	-501	-153
net increase/decrease of cash/cash equivalents	29	-10	43
cash + cash equivalents at 31 Dec	31	22	65

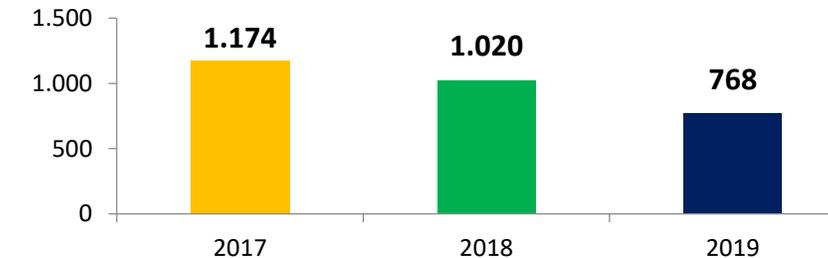
Revenue (in mio €)



Result from Operations (in mio €)



Net CF from Operating Activities (in mio €)



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)

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](#) (Fluvius, 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 Flemish Region – regional relevance strengthened 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 Infracx 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 31 December 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

Amounts drawn (31 December 2019): **464,5 million EUR**

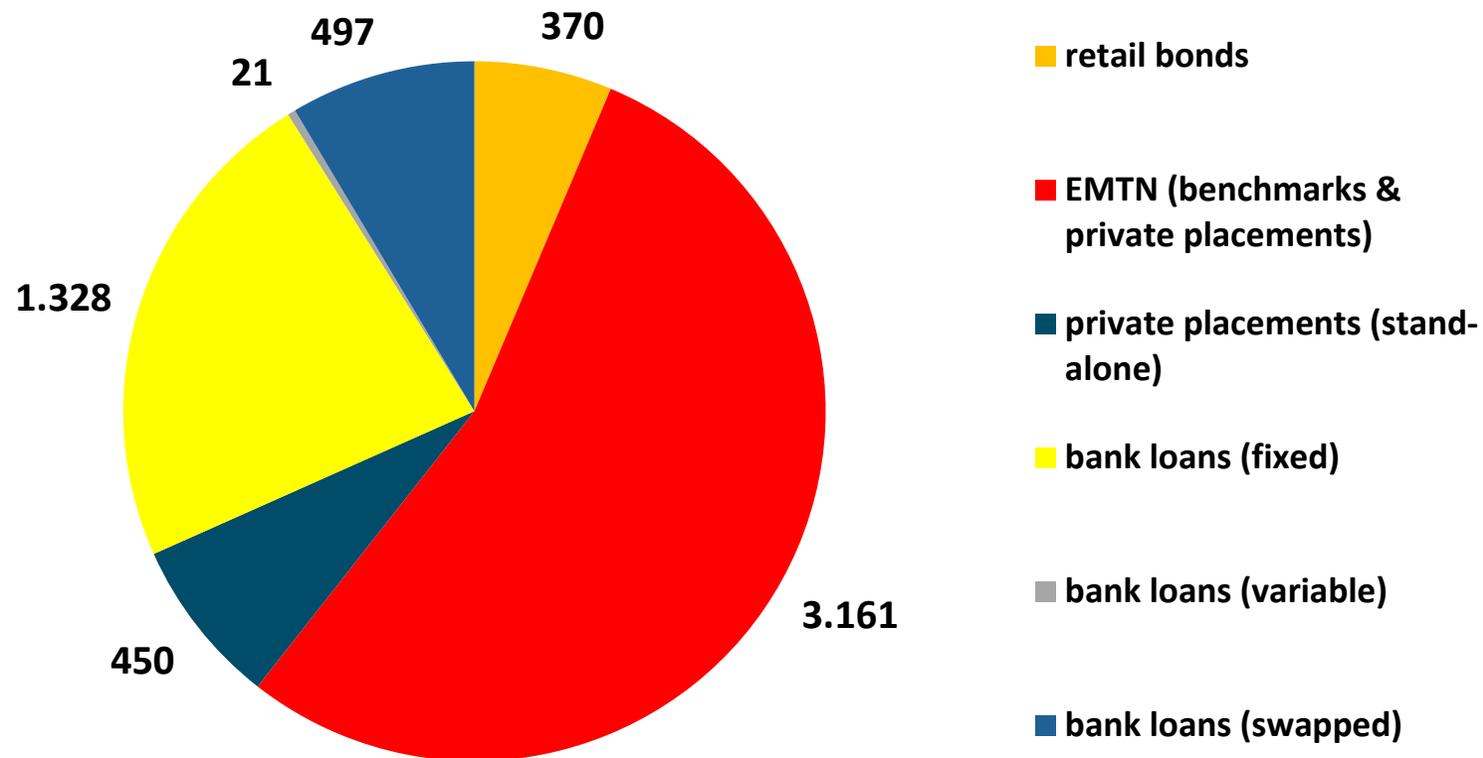
under A: 53 million EUR

under B: 0 million EUR

under C: 411,5 million EUR

Debt Profile (Fluvius Economic Group)

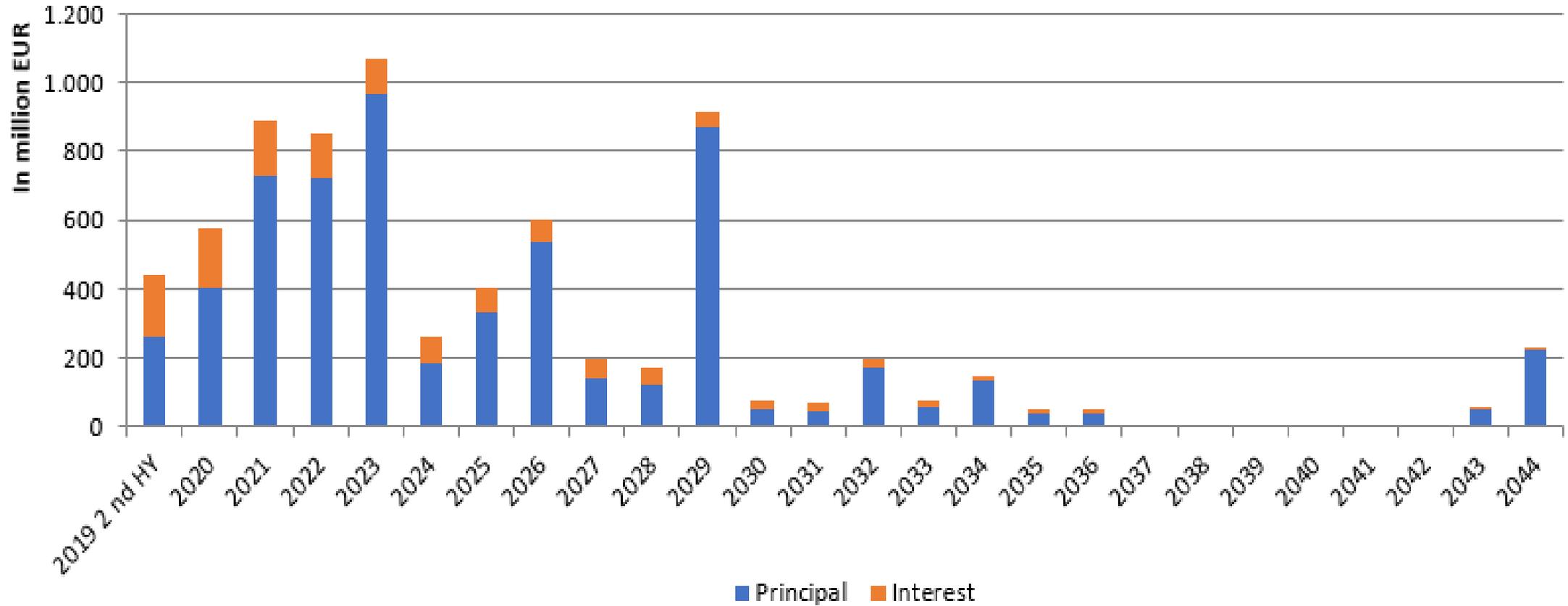
LT Debt Profile by Instrument (5.827 mEUR outstanding as per 31 December 2019)



average maturity: 7 years 11 months
average interest rate: 2,98%

Financial Overview

Maturity Profile of Outstanding LT Debt (as per 31 December 2019)



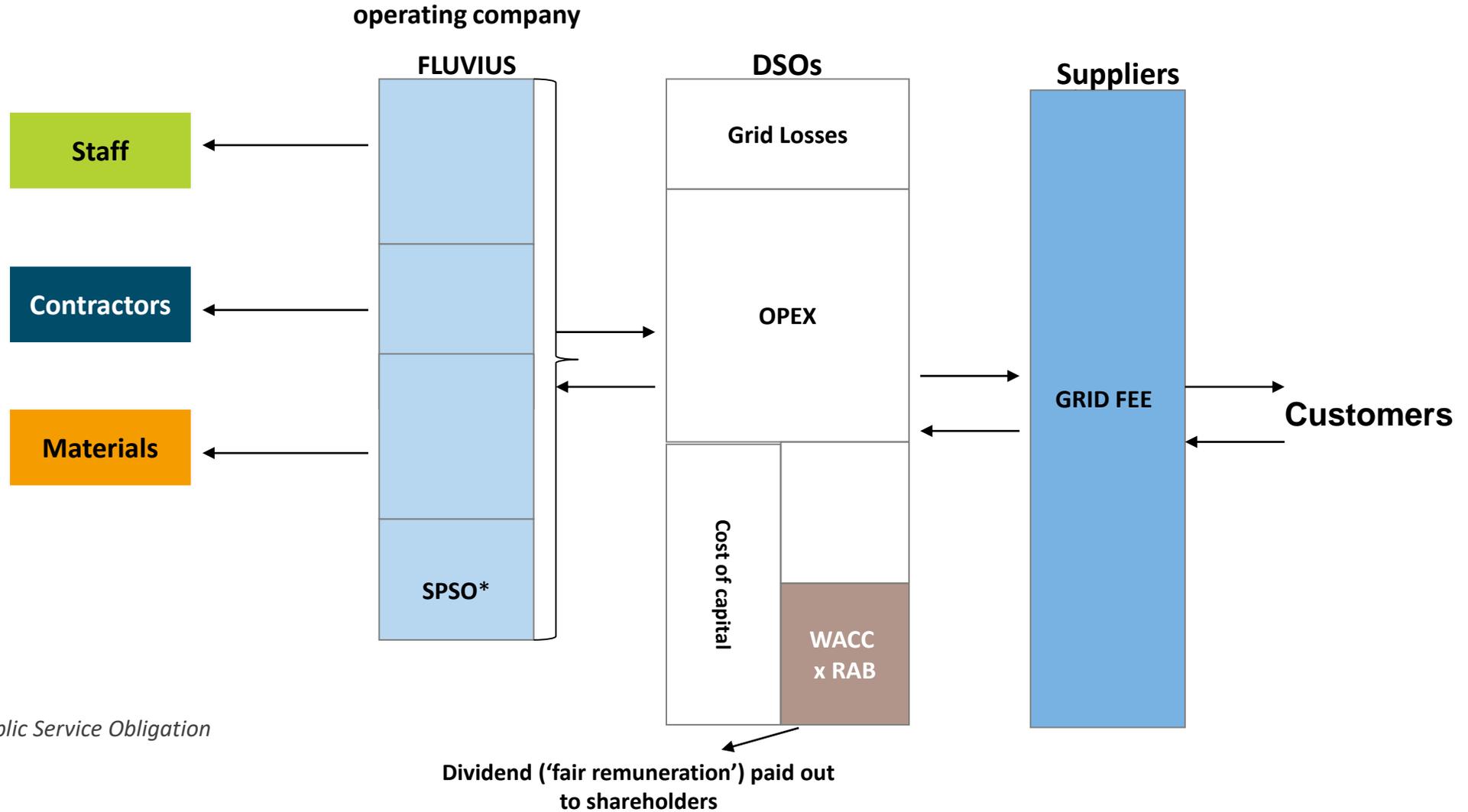
Financial Overview

Outstanding bonds at Fluvius (as per 31 December 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%
Namenschuldverschreibung	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

- Fluvius covers 100 % of the municipalities of the Flemish region
- Fluvius operates essential utility services for Flemish society: E & G distribution, public lighting, sewerage, CATV networks

Favourable Regulatory Environment for Energy (Revenue Cap)

- 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

- 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

- Predictable revenue streams across all activities

Low Risk Profile

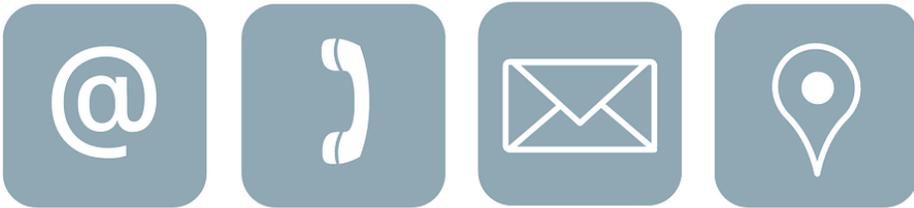
- Low business risk – the DSOs and other intermunicipalities are not involved in competitive activities
- Intermunicipalities own 100% of their network infrastructure

Favourable Economic Dynamics

The Flemish Region (Aa2 stable) is Belgium's (Aa3 stable) most populated region (6.55 million on 1 Jan 2018). Moody's: "Accounting for just under 60% of total GDP, Flanders is Belgium's economic engine. Its economy[has] a high degree of openness (providing 79.9% of total Belgian exports in 2018, an innovative industrial structure, a strong entrepreneurial culture and sophisticated infrastructure."

Moody's identified as Flanders' credit strengths: (1) strong track record of budgetary discipline & continued commitment to fiscal consolidation (2) modest debt burden & ample access to liquidity (3) strong & diversified economic base. Credit challenges: (1) debt increasing, albeit from a low base (2) large infrastructure project poses implementation risks. (Moody's Credit Opinion 27 Sep 2019)

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6. Annexes

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

Fluvius System Operator: 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 financial accounts:

- 2018: IFRS: HY1 = Eandis only / HY2 Fluvius (= Infrax + Eandis) – BE-GAAP: full year Fluvius
- FY 2019 = Fluvius (both in IFRS and BE-GAAP)



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

→ the total PSO cost is part of the distribution grid fee billed by the DSOs

Fluvius System Operator's subsidiary: De Stroomlijn cv



- 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: 9 members (of which 4 for Fluvius, incl. Chairman David Termont)
- Staff: 326 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 2019 (BE-GAAP)
 - Balance sheet total: EUR 4.685.349
 - Share capital: EUR 265.400
 - Debt: EUR 4.419.949 (of which EUR 4.417.149 ST debt / no LT debt)
 - Turnover: EUR 17.044.851

Fluvius System Operator's subsidiary: Atrias cv



- 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 2019) – 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 2019 (BE-GAAP)
 - Balance sheet total: EUR 68.192.911
 - Share capital: EUR 18.600
 - Debt: EUR 68.174.311 (of which EUR 54.800.000 LT debt and EUR 13.374.311 ST debt)
 - Turnover: EUR 27.017.581

Fluvius System Operator's subsidiary: Synductis cv

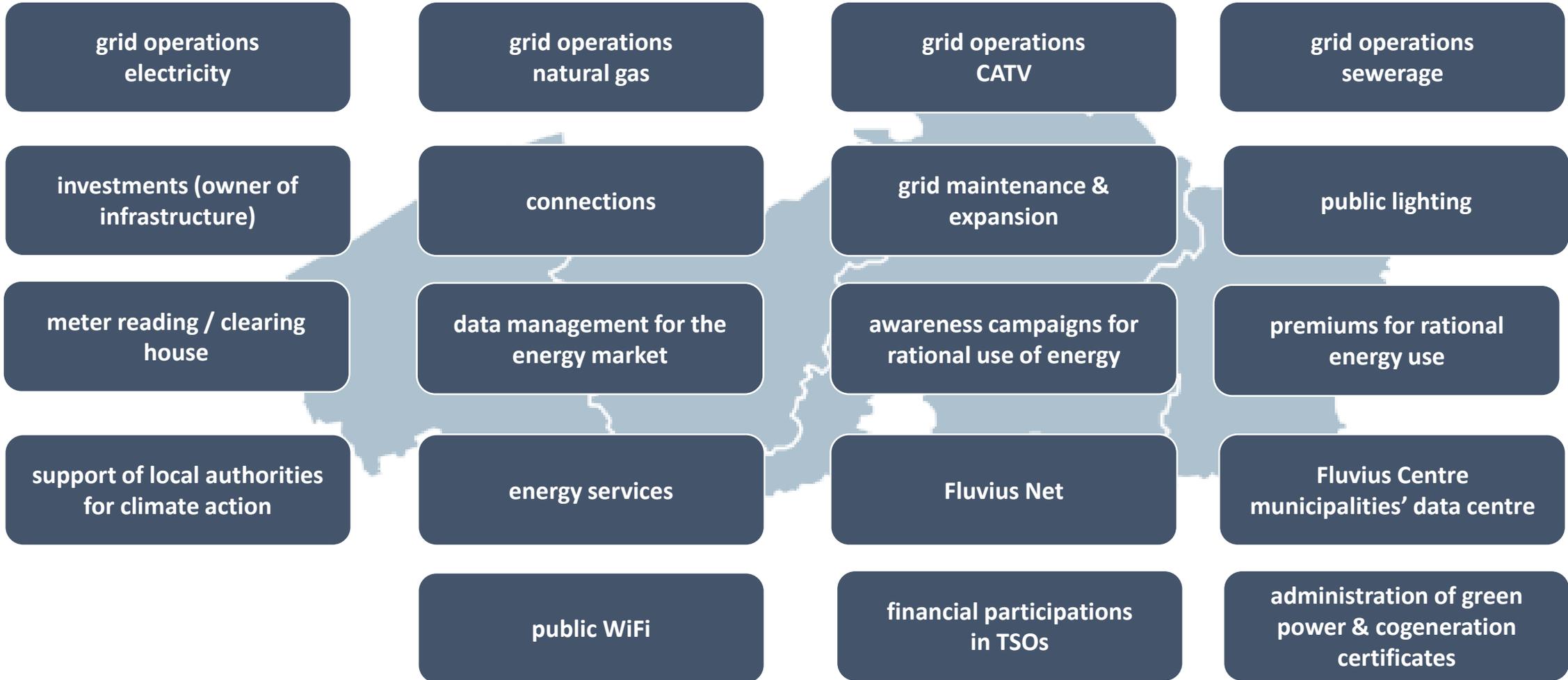
SYNDUCTIS



- Date of establishment: 21 December 2012
- Shareholders: Fluvius System Operator (40,75%), De Watergroep, Farys, IWVA, IWVB°, Proximus and Pidpa – collaboration agreements with Aquafin and Flemish Agency for Roads & Traffic - open for other utilities to join
- Board: 6 members (of which 2 for Fluvius) – chairman: Christoph Peeters (on behalf of 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 2019 (BE-GAAP)
 - Balance sheet total: EUR 1.744.148
 - Share capital: EUR 19.500
 - Debt: EUR 1.724.648 (only ST debt / no LT debt)
 - Turnover: EUR 1.679.716

[° IWVB is in liquidation]

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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* being: Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra, Sibelgas