

Fluvius System Operator cv

November 2020

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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: Electricity & Gas (E&G) distribution, public lighting, heat, 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 one single 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 at the operating company
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 Community (Moody's: Aa2 stable) is Belgium's (Moody's: Aa3 stable) most populated region (6,6 million inhabitants - Jan 2020). Moody's rates Flanders above the federal state, pinpointing Flanders' long history of budgetary balance, strong liquidity profile and the territory's wealth. (Moody's, 20 July 2020) Solid investment grade ratings: A3 (neg) at Moody's – A+ (neg) at Creditreform
CSR Consideration	 Fluvius on its way to climate neutrality by 2050 Sustainable Development Goals are at the heart of Fluvius' impact-based CSR strategy



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Please read the disclaimer on page 52



1. Corporate Profile



Who is Fluvius?



Fluvius is the overall name for 11 Flemish intermunicipal utility companies and their operating company Fluvius System Operator (FSO)

- Fluvius is Flanders' largest utility company, created on 1 July 2018 through the merger of Eandis System Operator, Infrax and Integan
- Fluvius is the operating arm of, and 100% owned by, 11 intermunicipal utility companies, themselves 100% owned by Flemish municipalities
- These 11 intermunicipal shareholders of Fluvius have operations in
 - 1) the regulated electricity and gas distribution, including public lighting and district heating (10 intermunicipal DSOs all Flemish municipalities), representing 96% of Operating Profit
 - 2) the regulated sewerage system (4 intermunicipalities)
 - 3) the contract-based cable TV (CATV) infrastructure business (4 intermunicipalities)
- 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.



Corporate Profile



Key figures

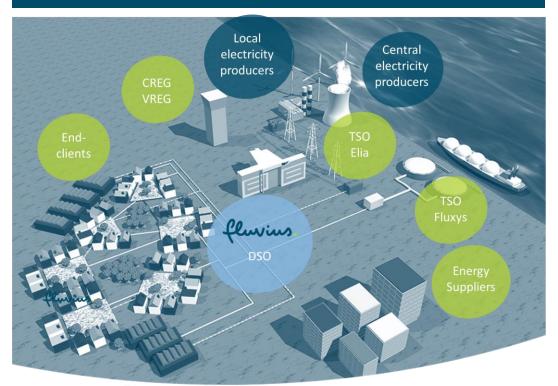
- 7,3 million connections
- 5.419 employees
- 1,2 million public lighting points
- 930.000 connections CATV

- 620.000 connections sewerage
- 2,3 million connections gas
- 3,5 million connections electricity
- 859,4 million € investments in 2019

Operating area



Who's who in the Flemish energy market





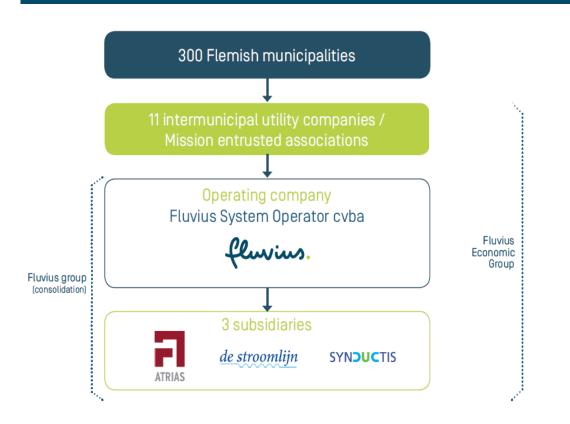
Eandis, Infrax and Integan merged in 2018, the new structure changed its name into Fluvius System Operator



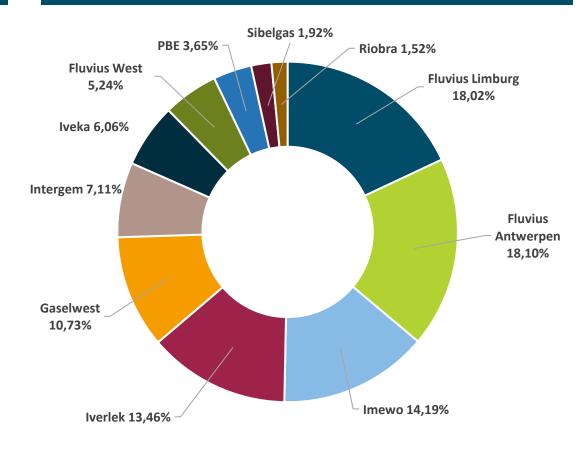
Fluvius's Corporate Structure (1/2)



Group structure



Operator's shareholders (11 intermunicipal companies)





Fluvius's Corporate Structure (2/2)



Rationale behind structure

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

Group's organisation

11 INTERMUNICIPALITIES

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



FLUVIUS SYSTEM OPERATOR

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

Fluvius 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: Ilse VAN BELLE

Regulation & Strategy: Filip VAN ROMPAEY



Frank VANBRABANT, CEO



Corporate Strategy



Our mission

Sustainably connect society through our multi-utility networks.

Our vision

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

Our strategy

We focus on one Fluvius. We create a maximum of synergies across different networks. We ensure future-proof networks. We put the customer and the employee at the center in everything we do.



2. Activities



Electricity and Gas

Characteristics

- electricity and gas distribution grids owned by 10 intermunicipal DSOs all DSOs execute their operations through their operating company Fluvius System Operator
- area of operations: entire Flemish region
- 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 EUR 493,3 million invested (2019)
- gas: 2,3 million access points 47.991 km low-pressure grid and 10.100 km mid-pressure grid – 63,8 TWh transported – EUR 183,2 million invested (2019)
- public lighting: 1,2 million lighting points
- RAB E&G networks (2019): EUR 9,9 billion

Electricity and Gas entities

- 1. Fluvius Antwerpen
- 2. Fluvius Limburg
- 3. Fluvius West
- 4. Gaselwest
- 5. Imewo

- 5. Intergem
- 7. Iveka
- 8. Iverlek
- 9. PBE
- 10. Sibelgas

Sewerage

Characteristics

- sewerage networks owned by 4 intermunicipal companies that also execute operational activities on these networks (purification excluded)
- 85 municipalities (= 27% of Flanders) as per 1 Jan 2020
- 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
- tarification 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

Sewerage entities

- .. Fluvius Antwerpen
- 2. Fluvius Limburg

- 3. Fluvius West
- 4. Riobra



Cable Distribution

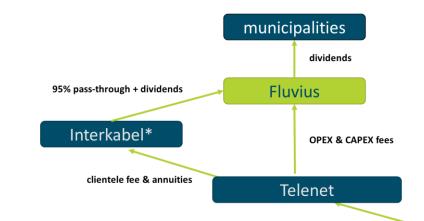
Characteristics

- 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% passthrough to Fluvius, together with Interkabel dividends

CATV entities

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

Financial flows



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

Telenet customers



Digital Metering

Characteristics

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 (2018): 100% by year end 2033 (15y) with priority for specific target groups was replaced by
- accelerated scenario*: 80% to be installed by 2024, 100% by 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

Benefits:

- 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 and allows innovative services
- allows us to take up our role as data manager in the energy transition

Public Lighting

Characteristics

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

Most municipalities have transferred their public lighting infrastructure to their 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



*: decision by Flemish Government, July 2020

Fast data network

Characteristics

Fluvius is in talks with Telenet about setting up a close collaboration for the realisation of an open fast data network available for all families/businesses throughout Flanders, with non-discriminatory conditions allowing free competition between all service companies

- Fluvius's role will be confined to infrastructure manager no involvement in content delivery
- Fluvius carries out its data network activity fully independently from its regulated energy distribution activities

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District heating

Characteristics

Fluvius is already involved in 17 local projects, with a direct focus on the grid (building & maintenance)

Required before active involvement:

- availability of nearby heating source
- technical feasibility
- positive business case



3. Financial Profile



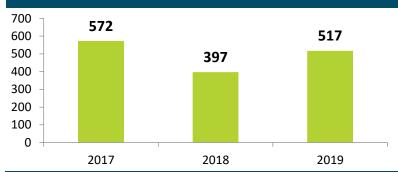
Financial Overview – Annual

Summary Financials FY 2017-2019 (IFRS, actuals)

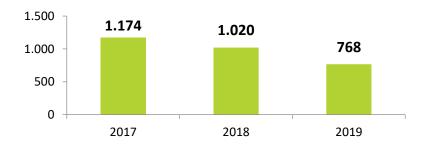
(in mio €)	2017	2018	2019
Statement of Profit/Loss			
revenues	2.652	2.944	2.991
operating revenues	3.019	3.499	3.472
operating expenses	-2.448	-3.102	-2.955
result from operations	572	397	517
net financial income/expenses	-148	-102	-101
profit before tax	423	295	416
profit for the period	236	191	331
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 €) 4.000 3.000 2.652 2.944 2.991 1.000 2017 2018 2019

Results from operations (in mio €)



Net CF from operating activities (in mio €)



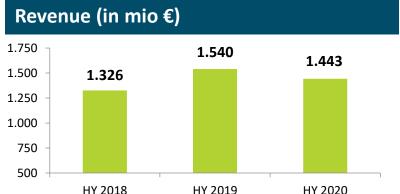


Note: 2017: 12 m Eandis Economic Group; 2018: 6 m Eandis Ec. Group – 6 m Fluvius Economic Group; 2019: 12 m Fluvius Economic Group

Financial Overview – HY1

Summary Financials HY 2018-2020 (IFRS, actuals)

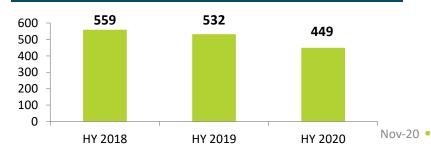
(in mio €)	2018	2019	2020
Statement of Profit/Loss			
revenues	1.326	1.540	1.443
operating revenues	1.501	1.774	1.734
operating expenses	-1.234	-1.542	-1.437
result from operations	267	233	297
net financial income/expenses	-53	-77	-58
profit before tax	214	156	239
profit for the period	141	141	181
other comprehensive income	-15	51	266
total comprehensive income	126	192	448
Statement of Financial Position			
current assets	1.076	1.176	1.069
non-current assets	9.127	13.804	14.660
total assets	10.203	14.979	15.729
total equity (attributable to parent)	3.435	6.093	6.798
non-current liabilities	5.844	7.436	6.920
current liabilities	923	1.450	2.010
total liabilities	6.767	8.887	8.931
total equity & liabilities	10.203	14.979	15.729
Cash Flow Statement			
net CF from operating activities	559	532	449
net CF from investing activities	-259	-207	-459
net CF financing activities	-121	-189	-5
net increase/decrease cash/cash equivalents	179	137	-15
cash + cash equivalents at 30 June	211	158	50











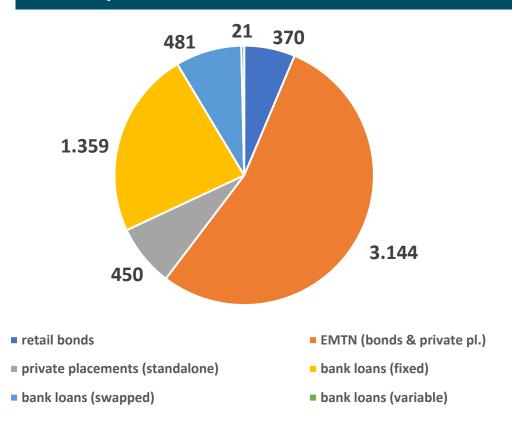


Note: 2018: Economic Group Eandis / 2019-2020: Economic Group Fluvius

Debt Profile (Fluvius Economic Group)

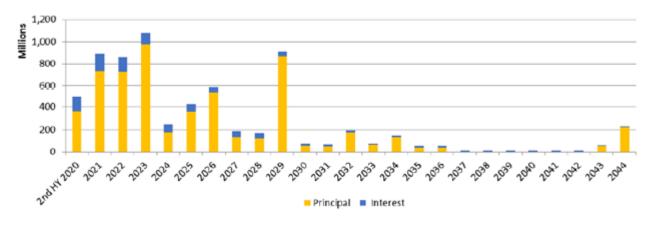


LT debt by instrument: EUR 5.824 million



Maturity profile of outstanding LT Debt (in million EUR)

Maturity profile total outstanding LT financial debt



- average maturity: 7 years 11 months
- average interest rate: 2,98%
- last EMTN issue: 4 Dec 2014, 12 Y maturity (4/12/2026), interest rate
 1,750%
- aggregate amount outstanding of LT debt: EUR 5.824 million



4. Corporate Social Responsibility



Corporate Social Responsibility in Fluvius's DNA

Fluvius has embedded Corporate Social Responsibility (CSR) into its corporate strategy:

- 1. Fluvius clearly focus on the following strategical objectives:
 - To take up a (co)steering role in light of the realization of the climate objectives,
 - To bring about a 'great place to work',
 - To take into account ethical, environmental and social aspects in our decision-making process and,
 - To take care of safety.
- To outline its sustainability commitment, Fluvius has developed a CSR Charter* approved by its Board of Directors.
- 3. The **CSR policy** will set concrete objectives enabling Fluvius to make responsible choices on ethical, environmental and social aspects.
- 4. By developing a policy document **Vision 2050** Fluvius supports the local authorities and the Flemish Climate Strategy.

Fluvius's mission is to sustainably connect society with its multi-utility solutions



Fluvius external reviews on CSR:

'Prime' by ISS ESG (2019)

Silver CSR rating by Ecovadis (2019)

SDG Pioneer by Unitar (2020)

ESG screened by Vigeo Eiris and Sustainalytics



Fluvius CSR Charter committing the whole company



Fluvius CSR Charter commitments

- The Board of Directors, management and all employees commit to striving for a broadly supported CSR and sustainability policy
- 2 Taking into account its company values
- Respecting CSR and sustainability aspects into its activities
- 4 Contributing to the achievement of the SDGs (where relevant)
- 5 Engaging all of its stakeholders to the greatest extent possible
- 6 Communicating on the results transparently



Fluvius opts for a clear, honest and transparent communication to its stakeholders on its CSR and sustainability policies and performance



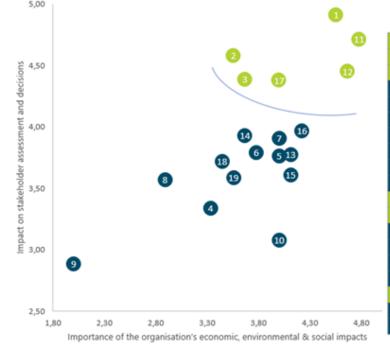
Fluvius CSR policy setting priorities

Fluvius CSR & sustainability policy is based on an extensive **materiality analysis**, after online consultation of stakeholders (o.a. employees, representatives of the Fluvius shareholders, investors, interest groups, suppliers and energy suppliers).

The 19 material topics have also been screened on their **urgency**.

All material topics, but especially the 6 most material ones, identified during this analysis have been linked to the UN Sustainable Development Goals (SDGs).

For the implementation process, Fluvius **CSR Roadmap** indicates the priorities between the relevant SDGs and the detailed targets to be pursued.



	Grid reliability
	Customer satisfaction
	Data privacy
4	Combatting energy poverty
5	Cooperation and partnerships
6	Knowledge sharing
7	Rational use of energy by end consumers
8	CO₂ 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 hindrance policy
17	Employees' safety
18	Employees' wellbeing
19	Training and development





Fluvius will formulate concrete objectives and measurable targets to achieve its CSR policy



VISION 2050 – Fluvius path to climate neutrality by 2050

In its policy document *Vision 2050 – the Flemish energy grids of the future* Fluvius has set :

4 objectives and 12 actions

we help to reduce energy consumption

- we enable large-scale energy savings by digital metering
- 2. we go for the complete and smart switch of public lighting to LED

we maximise the availability of renewable energy

- we help to make the Flemish vehicle fleet greener
- 4. where economically feasible, heating grids get priority
- 5. we give a new, climate-neutral future to the Flemish gas grids
- we retrofit gas grids into hydrogen grids for industrial purposes
- we restructure electricity grids to absorb a maximum of renewable energy

we make the Flemish energy grids future-proof

8. we aim at automisation and a thorough digitalisation

we create new possibilities for our customers

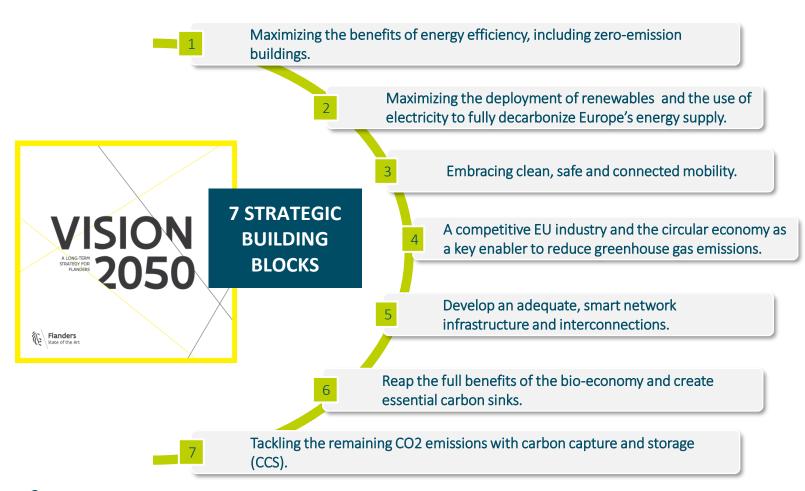
- 9. rational use of energy must be beneficial for the customer
- 10. we inform more and communicate pro-actively about the electricity grid's condition
- 11. we welcome alternative solutions that help to avoid grid investments
- 12. we go towards 'hybrid grids' thus creating new collaborations

Fluvius is the preferred partner of local authorities in their drive towards energy efficiency. The overall aim is to realise the Flemish climate objectives.



VISION 2050 – Supporting the Flemish Climate Strategy

According to Paris Agreements, in 2018 the Flemish government fixed guidelines through the 7 European strategic building blocks to become carbon neutral in 2050.



Fluvius's **environmental policy** will support the Flemish Strategy by aiming at:

- Fully comply with the legislative norms and obligations,
- Implement at maximum circularity and green mobility where feasible and,
- Reduce the carbon footprint of their own activities.

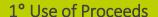
Fluvius Environmental Plan 2021-2025 will make these policy objectives concrete



5. Green Financing



Green Financing Framework



- Fluvius intends to allocate an amount equal to the net proceeds of each issue of a Green Financing Instrument under this Green Financing Framework to a portfolio of new and/or existing Eligible Green Projects (EGP).
- The projects will to either one of the following environmental objectives: <u>climate change mitigation</u>, <u>climate change adaptation</u> and <u>sustainable use and protection of water and marine resources*</u>

2° Process for Project Evaluation & Selection

- Fluvius's ESG policy is prepared, elaborated and coordinated by the Fluvius CSR Board, and validated/approved by the Management Committee and Board of Directors
- The evaluation and selection of projects to be financed by Green Financing Instruments is carried out by a dedicated Green Finance Committee, composed by senior representatives of Fluvius and chaired by the company's CFO.

3° Management of Proceeds

- The process for the management of proceeds is handled by Fluvius's Corporate Finance team, which will monitors and keep track of the amount of net proceeds from GFI instruments and the investments made towards Eligible Green Projects.
- Fluvius intends to allocate the full amount of proceeds within the next 24 months following the issuance of GFI's.
- An amount equal to the net proceeds from the Green Financing Instruments will be deposited in Fluvius's general account.

4° Reporting

- Fluvius will report annually on the allocation and the impact of its net proceeds during the lifetime of outstanding Green Financing Instruments.
- Starting one year after issuance and until the maturity date of the relevant Green Financing Instrument Fluvius will request on an annual basis external assurance on the allocation and impact of the Green Financing Instrument issued under this Green Financing Framework.

5° External Review

- ISS-ESG has delivered an external opinion certifying that the Green Financing Framework of Fluvius is aligned with:
 - the Green Bond Principles (GBP) developed by the International Capital Markets Association (ICMA)
 - the Green Loan Principles (GLP) developed by the Loan Market Association (LMA)
 - the Green Bond Standards as proposed by the European Union



Use of Proceeds (1/2)

Eligible Green Category	Details	Relevant SDGs
	Investments and/or expenditures in projects* that contribute to the reduction of electricity grid losses, and decrease direct emissions from distribution infrastructure, including:	
	 Installation of power control devices allowing higher distribution and balancing efficiency, 	
Energy efficiency	 installation of digital metering, including smart grids and smart meters, 	7 AFFORDABLE AND CLEANERERSY
	• retrofit of electricity networks to reduce energy losses and improve resilience and energy efficiency of the grid, leading to energy savings in the electricity grid of at least 30%	\(\overline(\ov
	Investments and/or expenditures in power grid stabilisation, making best use of excess electricity and ensuring effective utilisation of peak electricity generation	9 ROUSTRY MOUNTLOW AND DETASTRUCTURE
	Installation of LED technology for public lighting	
	Investments and/or expenditures in energy efficiency building projects, leading to energy savings of at least 30% (compared to a baseline before renovations)	
Water infrastructure	Construction or expansion of the sewerage grid to centralized wastewater treatment	6 CLEAN MATTER AND SANITION AND PRODUCTION CONSUMPTION AND PRODUCTION
District heating	Investments and/or expenditures for the construction and operation of pipelines and associated infrastructure for the distribution of heat, supporting a transition to a net-zero emissions economy, including:	7 AFFORDABLE AND DELEMENERBY 9 MOLETRY INFONDITION AND PRASTRUCTURE
	• Design, construction and operations of district heating grids using at least 50% renewable energy, or 50% waste heat, or 75% cogenerated heat, or 50% of a combination of such energy and heat.	

* Selected projects may include planned projects, projects in execution or completed projects for which financing was used not earlier than 36 months prior to the issuance of the

relevant Green Financing Instrument. Moreover, all Eligible Green Projects are located in the Flemish Region.

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Use of Proceeds (2/2)

Eligible Green Category	Details	Relevant SDGs
Clean transport	Installation of EV charging infrastructure and electric grid infrastructure that support sustainable mobility and the use of zero-emission vehicles Electrification of the Fluvius fleet, including the purchase of electric or other vehicles with a maximum emission intensity of 50 gram ${\rm CO_2e/km}$	11 SUSTAINABLE CITIES AND COMMUNITIES
Renewable energy	Investments and/or expenditures in projects that increase the share of low carbon electricity generation below the threshold of 100 gCO2e/kWh, or that support the integration of renewable energy into the power grid, including: Direct connection, or expansion of existing direct connection of renewable energy production units (including solar, wind or low carbon electricity generation units below the threshold of 100 gCO2e/kWh) to the distribution grid Construction, installation, operation and/or maintenance of distribution infrastructure, including: • transformers • medium-voltage and low-voltage distribution systems Development of energy communities Equipment to increase the controllability and observability of the electricity system and enable the development and integration of renewable energy sources, such as: • sensors (including meteorological sensors for forecasting renewable energy production), • control tools (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed)	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, ANDVATION AND INTERSTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES



Allocation & Impact Reporting



Allocation Reporting

Fluvius's report will discuss the allocation of its net proceeds during the lifetime of outstanding Green Financing Instruments. The allocation report will present details on:

- The year of investment.
- The aggregate amounts of investments and expenses allocated to Eligible Green Projects, along with examples and description of emblematic Eligible Green Projects.
- The balance of unallocated proceeds (if any) invested in cash, the cash pooling system within the Fluvius Economic Group and/or cash equivalents.
- The proportion of new financing and refinancing.

Impact Reporting

The actual metrics reported on will depend upon the nature of the relevant projects, e.g.:

Fluvius projects	Examples of metrics
Energy efficiency	 energy saved (kWh) digital meters installed (number of) public lighting points switched to led (number of) GHG emissions avoided (tCO₂e)
Water infrastructure	 sewerage grid constructed (km) new connections to sewerage grid (number of) volume of wastewater collected (m³)
District heating	 grid length (km) supply of heat generated (GJ) GHG emissions avoided (tCO₂e)
Clean transport	 EV charging points installed (number of) e-vehicles purchased for Fluvius's fleet (number of) e-vehicles purchased for municipal fleets (number of) CO₂ emissions avoided (tonnes)
Renewable energy	 renewable generation projects connected to the distribution grid (number of projects) renewable generation capacity connected to the distribution grid (MW)



Eligible Project Portfolio



- 1. <u>roll-out of digital meter electricity</u>:
 - enables decentralised electricity production, grid monitoring and switch from fossil to renewable energy
 - allows end consumer to monitor/adapt consumption pattern and enhances energy-efficiency of household appliances
 - maximum recycling of waste streams
 - \rightarrow SDG 7, 9 and 13
- 2. switch to LED technology in public lighting of the municipalities
 - 1,2 million lighting points involved
 - enhances energy-efficiency (up to 45% more efficient)
 - creates more flexibility in grid management (dimming, on/off switching, follow-me technology, ...)
 - \rightarrow SDG 7, 9 and 13
- 3. <u>sewerage grids</u>
 - both expansion and renewal projects
 - contributes to 2027 European objectives on clean surface water
 - increases sewerage grid connection rates
 - \rightarrow SDG 6
- 4. <u>facilitation of renewable electricity generation</u>
 - adaptation of distribution grid to cope with additional renewable generation capacity to be connected (cabins, switch and transformer stations, MV/LV grids, teletransmission, metering infrastructure, ...)
 - \rightarrow SDG 7 and 9



6. Key Investment Highlights



Our strengths – key investment highlights



- largest Flemish multi-utility with > 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 and predictable cash flows due to tariff regulation or long-term contractual agreements
- Excellent CSR credentials and focus
- 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.



Indicative Terms – Fluvius Green Bond

Issuer	Fluvius System Operator CV "Fluvius"
Januar Dating	A3 (negative) Moody's
Issuer Rating	A+ (negative) Creditreform Rating
Programme Rating	A3 Moody's (neg)
Guarantors	Guaranteed on a several but not joint basis by Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas
Issue Type	Senior unsecured notes
Documentation	EUR 5,000,000,000 Guaranteed EMTN programme dated 17 November 2020
Currency	EUR
Size	Benchmark size
Use of proceeds	To finance or refinance eligible green projects as defined in the Green Financing Framework
Second party opinion	ISS ESG
Governing Law	Belgian Law
Listing Venue	Euronext Brussels (regulated market)
Green Structuring Advisors	Belfius, BNP Paribas Fortis
Joint Bookrunners	Belfius, BNP Paribas Fortis



Contact Fluvius











FLUVIUS System Operator cv

Brusselsesteenweg 199, B-9090 Melle

Your contact: Investor Relations (Koen Schelkens)

Mail: investors@fluvius.be

Tel: +32/9/263 45 04 http://www.fluvius.be



7. Annexes

- Merger Information
- Regulatory framework
- Tarification
- Fluvius's subsidiaries
- Participations
- Financials
- Credit ratings
- Abbreviations & disclaimer



Fluvius System Operator: merger of Eandis, Infrax and Integan

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)





Regulatory Framework E&G - Purpose and Organisation



Organise the energy market in order

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

fluvius.

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 ≤ 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'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

CPI = consumer price index

• x = efficiency factor

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

E&G Distribution - Regulated Tarification 2021-2024

- 13 August 2020: VREG published the 2021-2024 DSO tariff methodology E&G
- basic tarification principles for tariff period 2021-2024:
 - Exogenous costs: budget-based annual allowed income with 'regulatory balances' budget/reality to be compensated for in subsequent tariff periods
 - **Endogenous costs** (depreciations, opex, invested capital remuneration): incentive regulation on revenues ('revenue cap' or 'allowed income'), based on historic sector trend:
 - $AI_n = AI_{n-1} * [1 + CPI x x' x'' + q]$ in which
 - AI = allowed income CPI = consumer price index
 - x = annual efficiency factor q = quality factor (not yet implemented)
 - x' = Fluvius merger efficiency factor (2021: 73 million EUR for E; 36 million EUR for G)
 - x" = frontier shift factor (only for gas)
 - includes a RAB x WACC-based margin for shareholders with gearing [= debt/(debt+equity)] set at 60%
 - cost of equity: pre-tax at 5,44% / post-tax at 4,08%, based on CAPM with
 - risk-free rate = 0,09%
 - market risk premium at 4,81% (E & G) and equity β at 0,83
 - cost of debt at 2,14%
 - → RAB-based WACC at 3,50% (pre-tax)
 - Revaluation surpluses in RAB: remuneration to be fully phased out over 8-year period (2021-2028)
 - Regulatory balances for a.o. (1) exogenous costs, (2) distributed volumes, (3) inflation, (4) corporate taxes, (5) tariff changes within the year



Fluvius System Operator's subsidiary

De Stroomlijn cv

de stroomlijn



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

EUR 4.419.949 (of which EUR 4.417.149 ST debt / no LT debt) 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

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

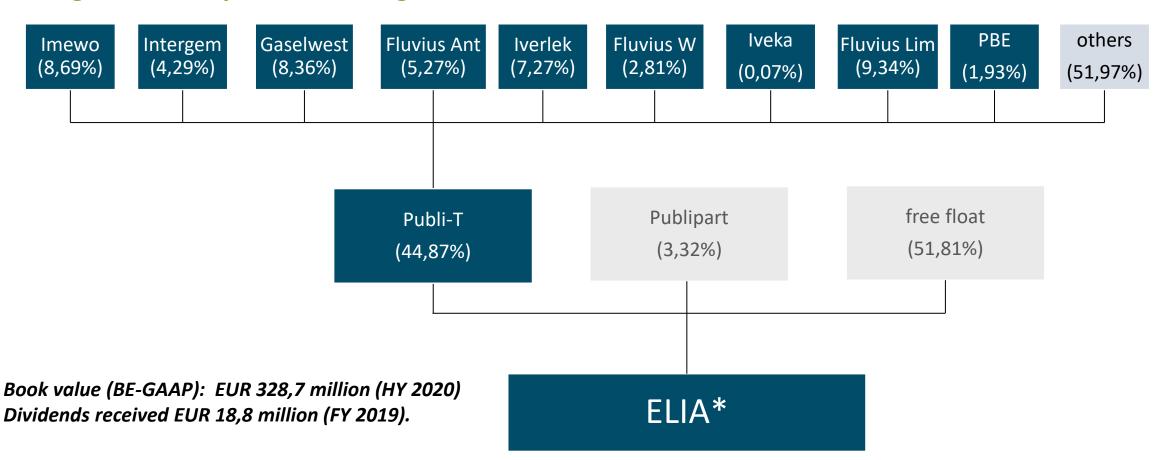
Debt: EUR 1.724.648 (only ST debt / no LT debt)

• Turnover: EUR 1.679.716 [° IWVB is in liquidation]



Fluvius's activities: financial participations (1)

Belgian electricity TSO Elia through Publi-T

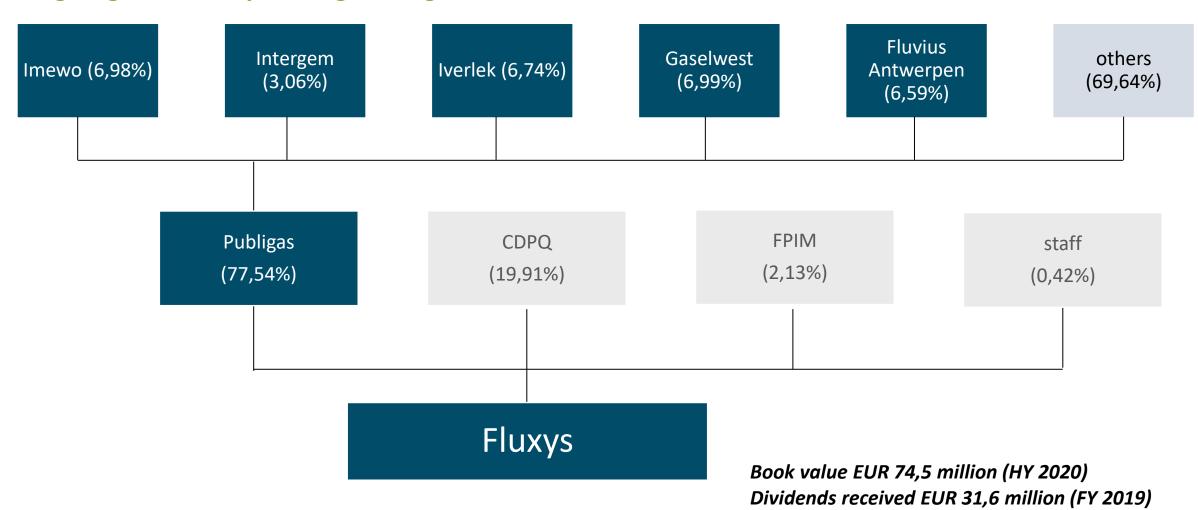


* including 80% of German TSO 50 Hertz



Fluvius's activities: financial participations (2)

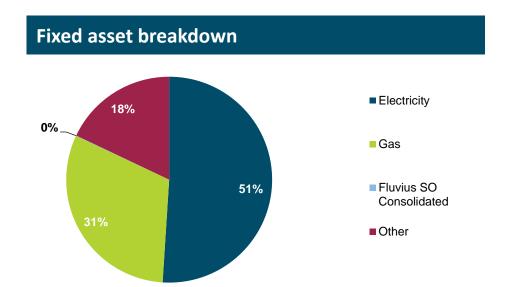
Belgian gas TSO Fluxys through Publigas

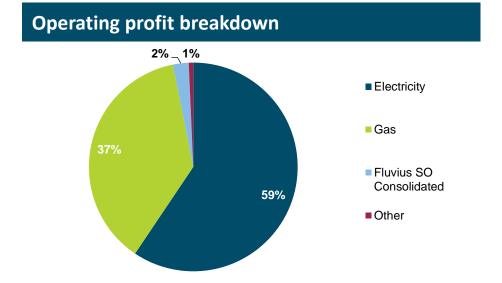




Breakdown of activities







Comments

- Belgian GAAP figures 2020 H1
- Other activities include sewerage, cable distribution, public lighting, data management,...
- Fluvius SO Consolidated integrates operating activities of Fluvius SO and its subsidiaries



Liquidity Facilities

Cash facility / Straight Loan

TOTAL: 225 m€ (2 banks)

B Revolving Credit

TOTAL: 200 m€ (1 bank)

С

Commercial Paper Programme ("Thesauriebewijzen")

TOTAL: 500 m€ (4 banks)

A and B are committed facilities; C is a non-committed programme

Amount drawn (30 June 2020): EUR 567,97 million





Financial Overview

Outstanding bonds at Fluvius (as per 30 June 2020)

[in order of maturity date]

Туре	E = Eandis I = Infrax IG = Intergem	Amount (m€)	Issue Date	Maturity Date	Maturity	Fixed Coupon
Retail	Е	170 m€	30/12/2010	30/12/2020	10	4.250%
EMTN benchmark	E	500 m€	08/11/2011	08/11/2021	10	4.500%
EMTN benchmark	E	500 m€	30/11/2012	30/11/2022	10	2.750%
MTN	IG	10 m€	27/03/2015	27/03/2023	8	1.050%
EMTN benchmark	E	500 m€	09/10/2013	09/10/2023	10	2.875%
EMTN sub-benchmark	I	250 m€	30/10/2013	30/10/2023	10	3.750%
Retail	Е	200 m€	23/06/2017	23/06/2025	8	2.000%
EMTN sub-benchmark	E	400 m€	04/12/2014	04/12/2026	12	1.750%
Schuldschein	E	50 m€	21/09/2012	21/09/2027	15	3.500%
EMTN Private Placement	Е	54.5 m€	28/03/2013	28/03/2028	15	3.500%
EMTN benchmark	E	550 m€	07/05/2014	07/05/2029	15	2.875%
EMTN sub-benchmark	I	250 m€	29/10/2014	29/10/2029	15	2.625%
EMTN Private Placement	Е	135.5 m€	10/07/2012	10/07/2032	20	3.950%
EMTN Private Placement	E	20,5 m€	28/03/2013	28/03/2033	20	3.750%
Private Placement	E	95 m€	27/10/2014	27/10/2034	20	2.600%
Private Placement	Е	23 m€	05/03/2014	05/03/2036	22	3.550%
Namensschuldverschreibung	E	50 m€	24/06/2013	24/06/2043	30	3.500%
Private Placement	E	52 m€	05/03/2014	05/03/2044	30	3.550%
Private Placement	E	170 m€	27/10/2014	27/10/2044	30	3.000%





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Moody's Corporate Ratingof Fluvius

Credit Strengths:

A3 (negative)

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

Credit Challenges:

- decrease in allowed returns on historical RAB, suppression of remuneration on revaluation surpluses over 8 years and additional efficiency requirements will pressure earnings from 2021
- adverse allocation of regulatory balances led to lower tariffs and earnings 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



CREDIT OPINION

24 September 2020

Update



PATINGS

Fluvius System Operator CV

omicile	Belgium
ong Term Rating	A3
уре	LT Issuer Rating - Dom Curr
Outlook	Negative

Fluvius System Operator CV

Update following outlook change to negative

Summary

The robust credit quality of <u>Fluvius System Operator CV</u> (Fluvius, A3 negative) 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 generally 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 stable to negative, reflecting our expectation that, absent mitigating measures, the cash-flow based metrics for the Fluvius Economic Group may not meet the guidance for the current rating over the next regulatory period starting

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)
- 25 Jul 2019 10 Sep 2020: A3 (stable)
- since 10 Sep 2020: A3 (negative)

from: Moody's Credit Opinion (24 September 2020)

Creditreform's Corporate Rating of Fluvius

from: Creditreform Rating Report

(27 October 2020)

A+ (negative)

Credit positives:

- government-related company, 100% public shareholders
- strategic importance for Flemish Region as largest Flemish multi-utility
- solid financial position and good access to capital markets
- partially robust business model and short-term agile measures during COVID-19 crisis

Credit Negatives:

- expected decline in revenues and cash-flows following implementation of VREG tariff methodology 2021-2024 F&G
- high net total debt / EBITDA
- possible deterioration of credit risk position following further indebtedness linked to necessary investments and debt refinancing
- relatively high pay-out ratio



Rating history:

18 Jan 2017 - 27 Oct 2020: A+ stable

as from 27 Oct 2020: A+ negative

Creditreform Corporate Issuer / Issue Rating Fluvius System Operator CV

Creditreform ⊆ Rating

27 October 2020 - Neuss, Germany

Rating Action / Update:

Creditreform Rating has set the solicited corporate issuer rating of Fluvius System Operator CV to A+ / negative

Creditreform Rating (CRA) has affirmed the solicited corporate issuer rating of Fluvius System Operator CV, as well as the solicited corporate issue rating of the long-term local currency senior unsecured issues at A+ and has revised its outlook from "stable" to "negative". We also refer to the previous year's report dating from 26 July 2019, which contains further essential information regarding Fluvius System Operator CV.

Fluvius System Operator CV (hereinafter also 'the Company' or 'FSO') is the multi-utility network operator in Flanders, Belgium. The Company was founded on 1 July 2018 through the merger of the former operating companies Eandis System Operator CVBA and Infrax CVBA, and is responsible for the distribution of electricity, gas, sewerage, cable distribution and heat. FSO, its consolidated subsidiaries, and the Mission Entrusted Associations (MEA's) together form the Economic Group Fluvius (EGF - the Group). As of 31 December 2019 the Group manages 231,000 kilometers of utility networks and 7.5 million connections and operates in all 300 cities and municipalities in the Flemish Region (Belgium).

As our rating object Fluvius System Operator CV operates on a cost-price basis on behalf of the MEA's, which are the network owners, and given the fact that they provide guarantees for debt obligations of FSO, we have considered the Group as a whole in order to assess the creditworthiness of FSO.

Analysts

Natallia Rertholr Lead Analyst

N.Berthold@creditreform-rating.de

Rudger van Mook Co-Analyst R.vanMook@creditreform-rating.de

Neuss, Germany

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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 (distribution etbeheerder, DNB)
- **EBITDA** = Earnings Before Interest, Taxes, Depreciation and Amortization
- **GPC** = Green Power Certificate (GSC, groenestroomcertificaat)
- PSO = public service obligation (openbaredienstverplichting)
- RAB = Regulated Asset Base (= economic value of network for transmission & distribution of electricity and gas)
- RUE = Rational Use of Energy (Rationeel Energiegebruik)
- TSO = Transmission System Operator (transmissiebeheerder, TNB)
- **VMM** = Vlaamse Milieumaatschappij (= Flemish Environmental Agency)
- VREG = Vlaamse Regulator van de Elektriciteits- en Gasmarkt (= Flemish regional energy regulator)
- **VRM** = Vlaamse Regulator voor de Media (= Flemish media regulator)
- WACC = Weighted Average Cost of Capital (gewogen gemiddelde kapitaalkost)



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The term 'Fluvius' refers either to Fluvius System Operator cv or to the consolidated group (i.e. Fluvius System Operator cv + its consolidated subsidiaries). The term 'Fluvius Economic Group' refers to Fluvius (consolidated group) + 11 intermunicipal companies* that are its sole shareholders, and some other related entities. The Fluvius Economic Group is not a legal entity, but for international accounting and consolidation purposes the Fluvius Economic Group can be considered as if it were a single entity.

Forward-looking statements in this presentation do not guarantee future performance. Actual results may differ materially from such forward-looking statements as a result of a number of uncertainties or risks, many of which are out of control of Fluvius System Operator cv, its subsidiaries and shareholders. Forward-looking statements speak only as at the date of this document. The information contained in this presentation is subject to amendment, revision and updating. It is in no way an investment advice or a recommendation to subscribe to or purchase any securities. This document does not constitute a Prospectus or Offering Memorandum.

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Due to rounding, numbers presented in this presentation may not add up precisely to the totals provided and percentages may not exactly reflect the absolute figures.

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



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