

Investor Presentation

Fluvius System Operator cv

June 2021

fluvius.



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Please read the disclaimer on page 53



Executive Summary



Strategic Importance to the Flemish Region	<ul style="list-style-type: none">• Fluvius covers 100 % of the municipalities of the Flemish Region• Fluvius operates essential utility services for Flemish society: electricity & gas distribution, public lighting, district heating, sewerage, CATV networks
Favourable Regulatory Environment for Energy (Revenue Cap)	<ul style="list-style-type: none">• The energy DSOs have a legally based regional monopoly for electricity & gas distribution• Tariff mechanism with a 4-year regulatory period based on a revenue cap model, including a fair profit margin as remuneration on invested capital
Efficient Operating Scheme	<ul style="list-style-type: none">• Group structure with 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	<ul style="list-style-type: none">• Predictable revenue streams across all activities
Low Risk Profile	<ul style="list-style-type: none">• Low business risk – the DSOs and other intermunicipalities are not involved in competitive activities• Intermunicipalities own 100% of their network infrastructure
Favourable Economic Dynamics	<ul style="list-style-type: none">• The Flemish Community (Fitch: AA negative; Moody's: Aa2 negative) 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, 26 January 2020)• Solid investment grade ratings: A3 (neg) at Moody's – A+ (neg) at Creditreform
CSR Considerations	<ul style="list-style-type: none">• Fluvius on its way to climate neutrality by 2050• Sustainable Development Goals (SDGs) are at the heart of Fluvius's impact-based CSR strategy

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), 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 Infrax CVBA.
- Fluvius System Operator is the operating arm of, and is 100% owned by, 11 intermunicipal companies that are themselves 100% owned by the Flemish municipalities.
- These 11 intermunicipal shareholders of Fluvius have operations in
 - (1) the regulated E &G distribution (10 intermunicipal DSOs) – 84,1% of turnover
 - (2) the regulated sewerage system (4 intermunicipalities) – 6,6% of turnover
 - (3) the contract-based cable TV (CATV) infrastructure business (4 intermunicipalities) – 4,6% of turnover
- Fluvius serves approx. 3,5 million access points for electricity, 2,3 million for gas, 0,6 million for sewerage, 1,1 million for CATV and 1,2 million public lighting points. Its utility services cover all 300 Flemish municipalities. Fluvius is Flanders' largest utility company.
- Fluvius is strategically important to the Flemish Region and the latter's policy aim of realising Europe's climate and energy objectives.

Corporate Profile

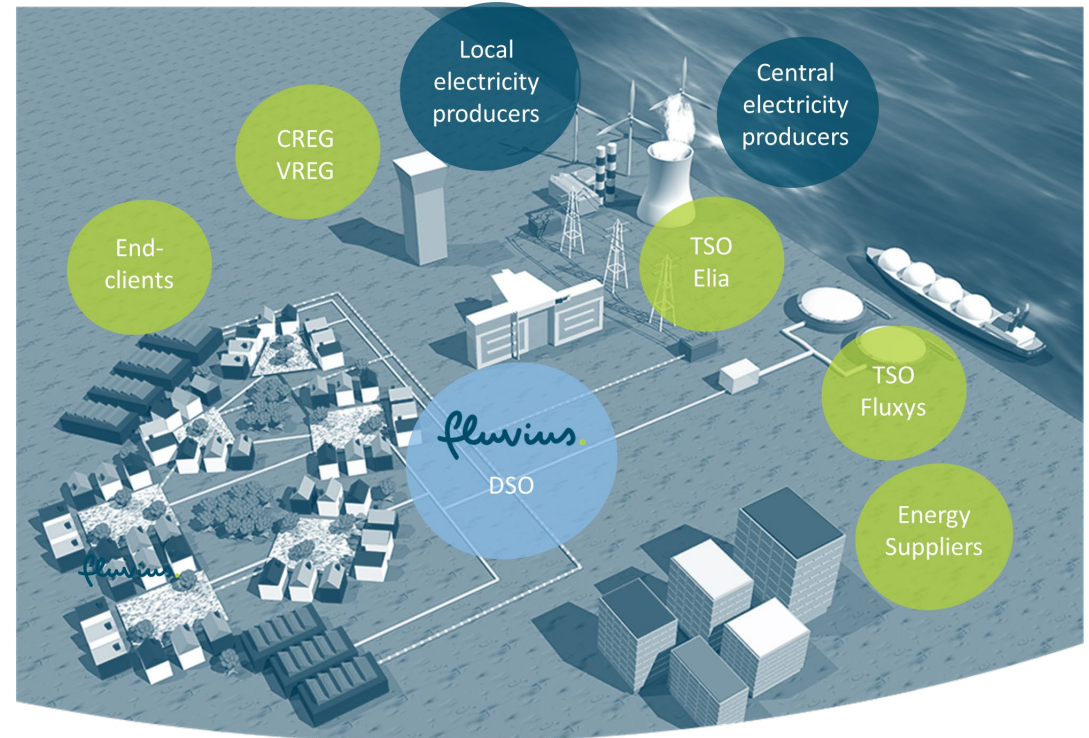
Key figures (31 Dec 2020)

- 7,6 million connections
- 5.491 employees
- 1,2 million public lighting points
- 1,1 million connections CATV
- 635.613 connections sewerage
- 2,3 million connections gas
- 3,5 million connections electricity
- 938,1 million € gross investments in 2020

Operating area



Who's who in the Flemish energy market

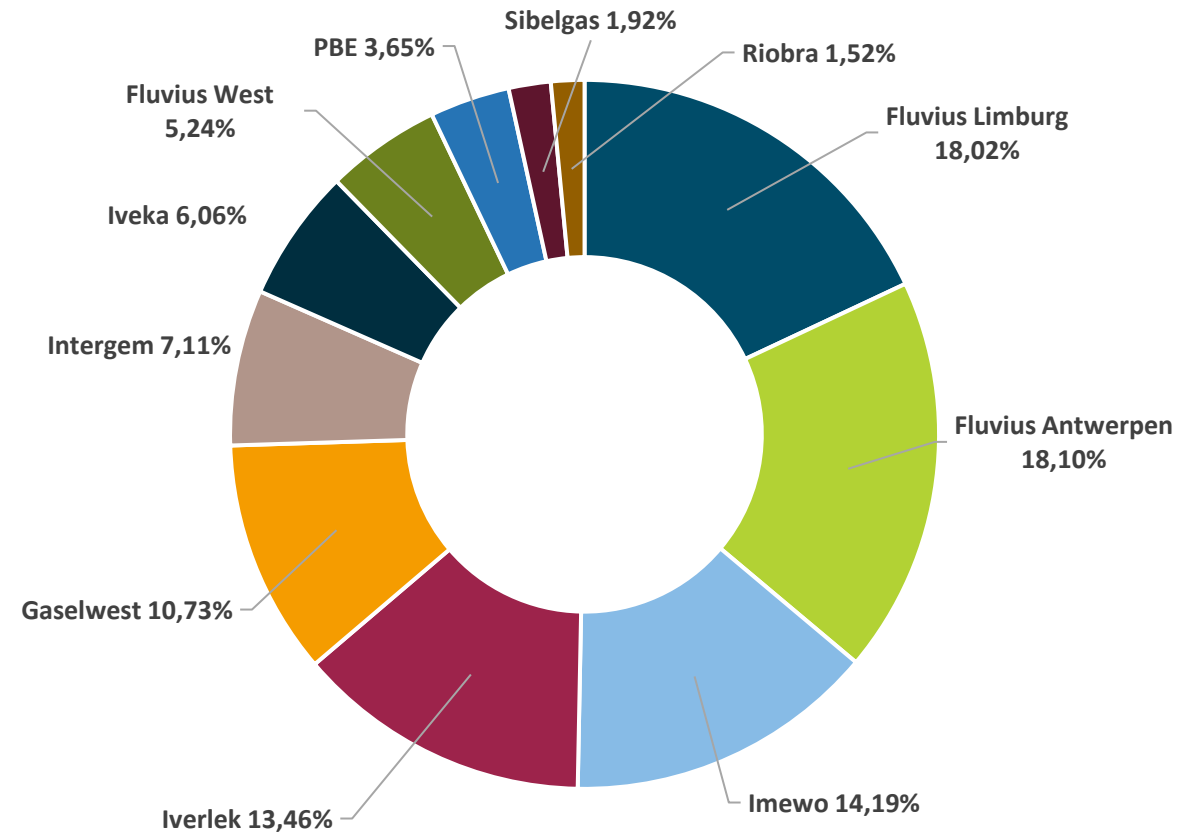


Fluvius's Corporate Structure (1/2)

Group structure



Fluvius's shareholders (11 intermunicipal companies)



Other entities: mainly Fluvius OV, the entity employing statutory staff; also includes Interkabel

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 centre in everything we do.



2. Overview of activities

Electricity & Gas

Characteristics

- electricity & gas distribution grids owned by 10 intermunicipal DSOs – all DSOs are operated by 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 – 86.263 km LV and 46.567 km MV grid – 29,7 TWh transported – EUR 517,4 million invested (2020)
- gas: 2,3 million access points – 47.555 km low-pressure and 10.041 km mid-pressure grid – 61,4 TWh transported – EUR 204,1 million invested (2020)
- public lighting: 1,2 million lighting points
- EUR 10 billion RAB value of networks (end 2020): EUR 6,24 billion (E) and EUR 3,75 billion (G)

Electricity & Gas entities

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

6. 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 2021
- legal basis: Flemish Drinking Water Decree (compliant with EU Water Framework Directive) - regulator: Flemish Environment Agency (VMM)
- fixed assets: EUR 1,3 billion – EUR 81,9 million invested in 2020
- 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

Sewerage entities

1. Fluvius Antwerpen
2. Fluvius Limburg

3. Fluvius West
4. Riobra

Cable Distribution

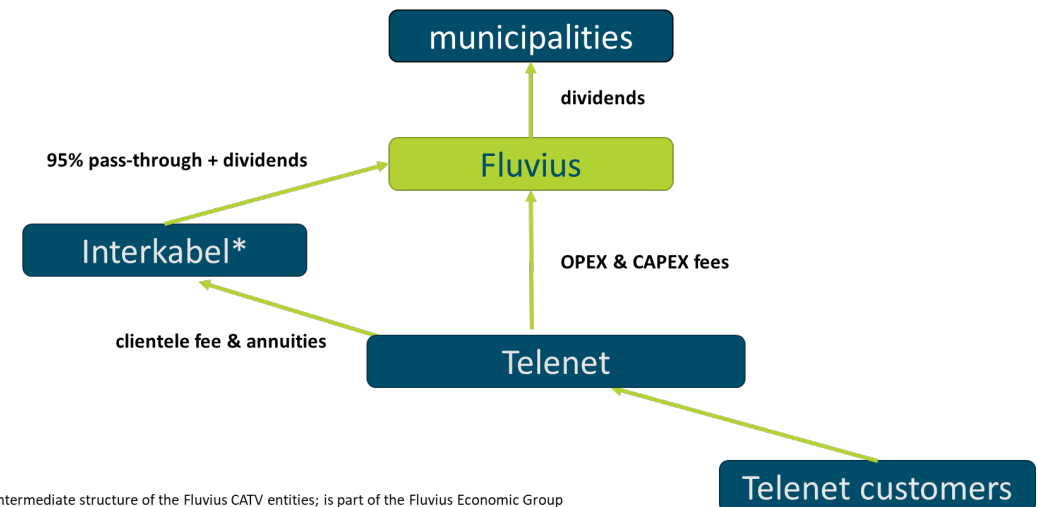
Characteristics

- 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 (2020: EUR 24,9 million) → other operating income
 - **CAPEX fee:** 6,25% ROI, until 2046, registered as financial revenue (2020: EUR 25,5 million) → financial income
 - **clientele fee:** 60% on original investments, fixed indexed amount until 2046, EUR 5,8 million in 2020 → revenue (95%) and dividends received (5%)
 - **annuities:** 40% on original investments, OLO interest, until end of depreciations (i.e. currently until 2023), EUR 1,3 million in 2020 → revenue (95%) and dividends received (5%)
 - clientele fee and annuities paid out to **Interkabel**, but 95% pass-through to Fluvius, together with Interkabel dividends. Interkabel is part of the Fluvius Economic Group, hence all income is included in Fluvius Economic Group

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

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:

- current roll-out scenario: 80% to be installed by 2024, 100% by 2029

Budget (cash out, E&G) 2020-2028:

- EUR 2.379,1 million, of which EUR 2.338,0 million 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)

“Public Lighting 2.0”:

- aims at 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

State of roll-out (31 Dec 2020): 19,3% already LED

Capex budget: EUR 925,5 million (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

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 operates its data network activity fully independently from its regulated energy distribution activities

fluvius.

 telenet

fluvius.

District heating

Characteristics

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

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



Fluvius's activities

Data Management

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

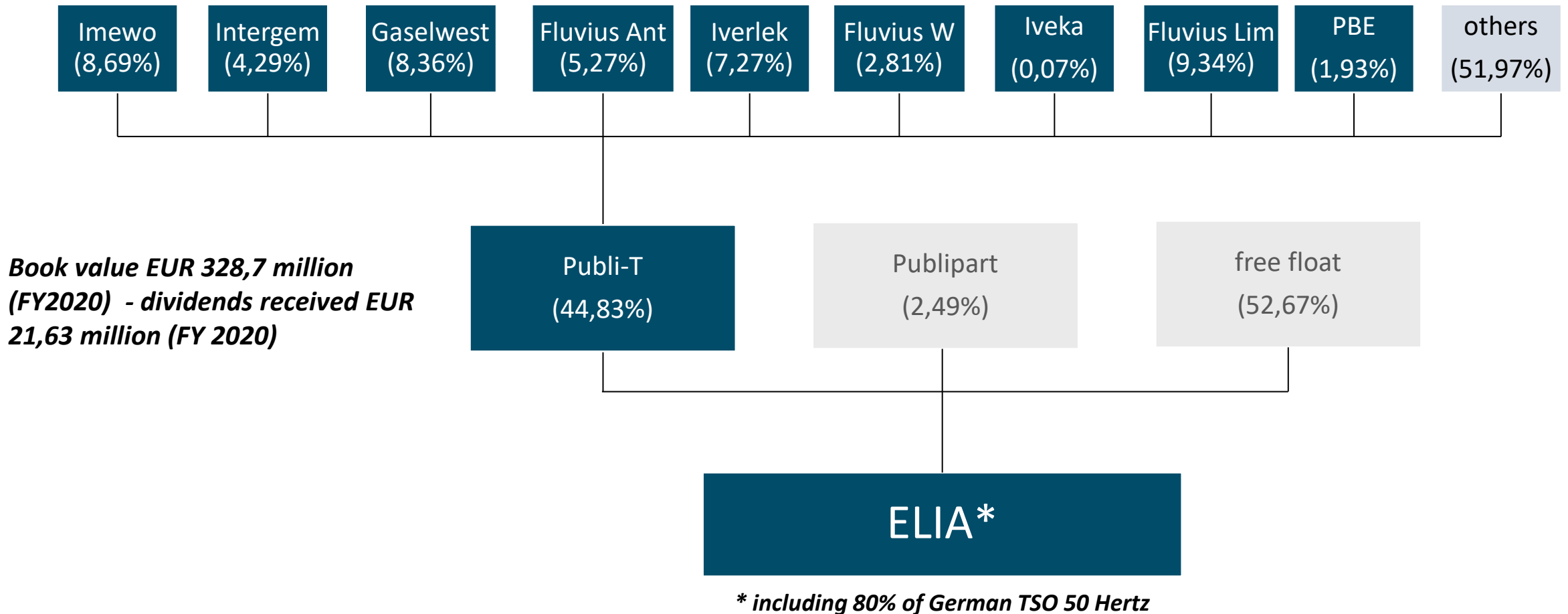
Bound by strict provisions on independent operations and protection of data & privacy (GDPR)

Fluvius's subsidiary Atrias will function as federal data hub for energy sector – Central Market System for Belgium to start in September 2021



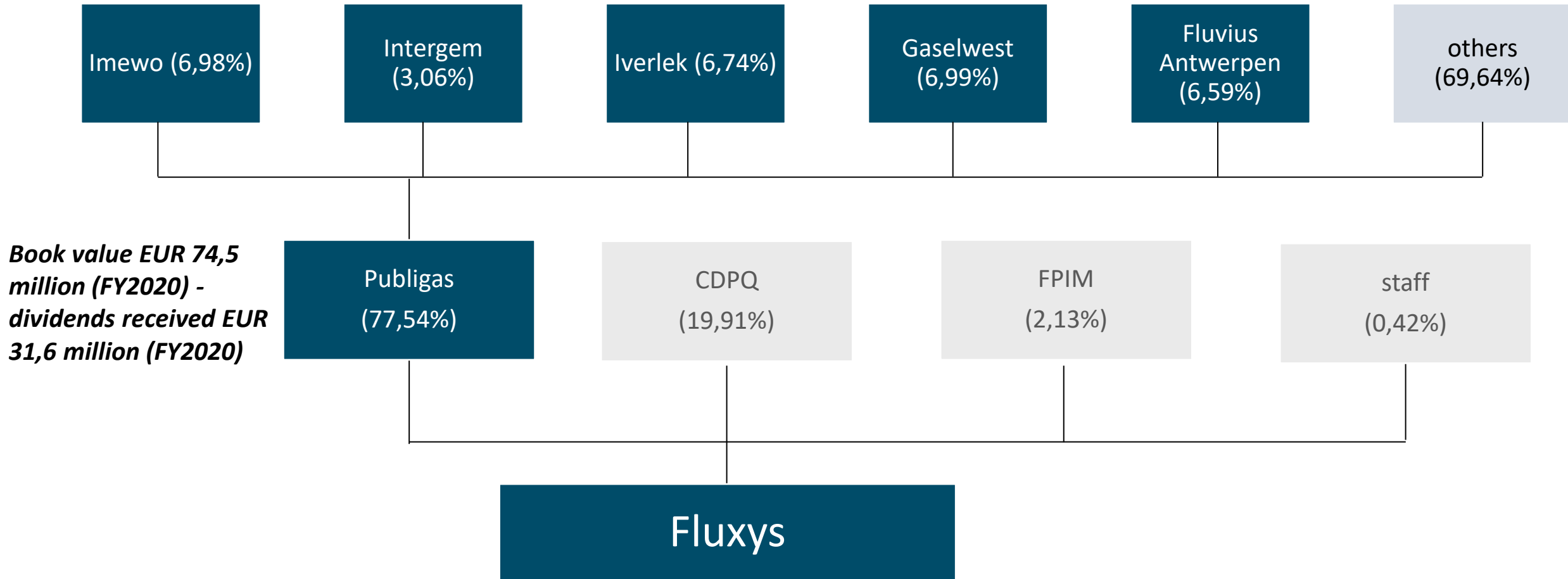
Fluvius's activities: financial participations (1)

Belgian electricity TSO Elia through Publi-T



Fluvius's activities: financial participations (2)

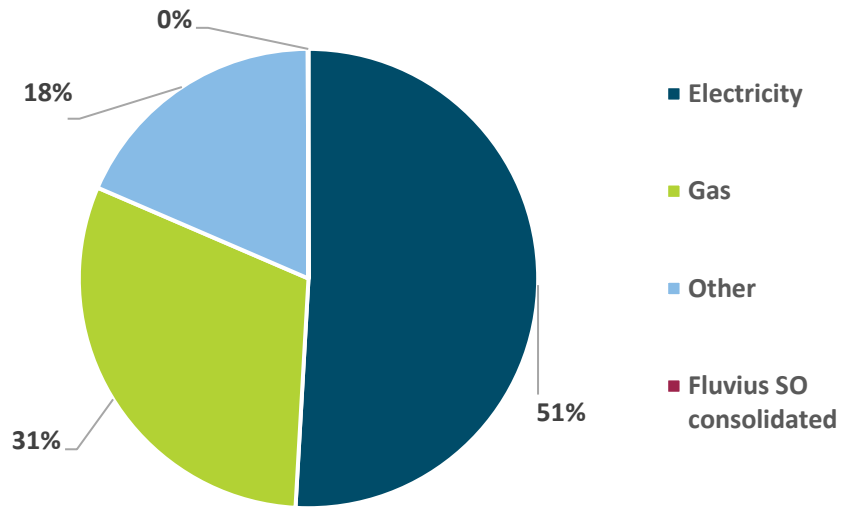
Belgian gas TSO Fluxys through Publigas



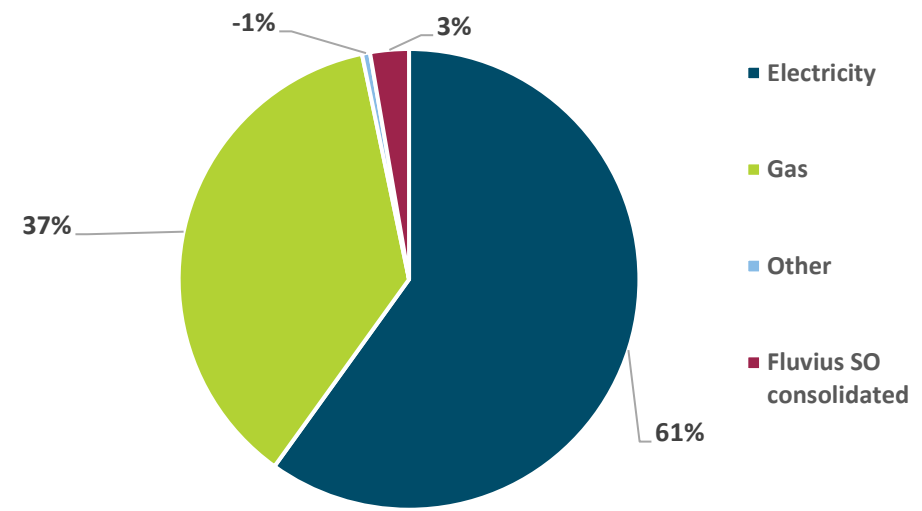
Breakdown of activities



Fixed asset breakdown



Operating profit breakdown



Comments

- Belgian GAAP figures – FY2020
- other activities include sewerage, cable distribution, public lighting, fast data management,...
- Fluvius SO Consolidated integrates operating activities of Fluvius SO and its subsidiaries

3. Recent events

2021 Highlights



14 January: Constitutional Court partly annuls Flemish Decree on digital metering – Fluvius reschedules its roll-out programme to maintain the 80% roll-out by end 2024 target

8 April: EMTN private placement: EUR 100 million, 12 y, 0,81%

22 April: 2 tranches of EIB loan drawn: EUR 200 million, 7 y, 0,137%

27 April: Antwerp Correctional Court acquits 2 Fluvius managers, but finds Fluvius guilty - with suspended sentence - for the gas explosion of 3 Sep 2019 in Wilrijk (Antwerp) – Fluvius has appealed this conviction

30 April: >750.000 digital meters installed

4. Corporate Social Responsibility & Sustainability

Corporate Social Responsibility in Fluvius's DNA

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

1. Fluvius clearly focuses on the following **strategical objectives**:
 - to take up a (co)steering role to realize the energy transition and climate objectives in Flanders,
 - to be a 'great place to work',
 - to take into account ethical, environmental and social aspects in our decision-making,
 - to take care of safety.
2. To outline its CSR and sustainability commitments, Fluvius's Board of Directors has approved the **CSR Charter** (see next slide).
3. The company's **CSR policy** will set concrete objectives enabling Fluvius to make responsible choices on ethical, environmental and social aspects.
4. Fluvius's policy document '**Vision 2050**' outlines the company's role in supporting local authorities and the Flemish climate strategy towards climate neutrality by 2050.

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



Fluvius external reviews on CSR :
SDG Pioneer by Unitar (2020) / Great Place To Work (2020) / 'Prime' by ISS ESG (2019) / Bronze CSR rating by Ecovadis (2021) / ESG screened by Vigeo Eiris and Sustainalytics

Fluvius CSR Charter commits the entire company



Fluvius CSR Charter commitments

- 1 The Board of Directors, management and all employees commit to striving for a broadly supported CSR & sustainability policy
- 2 Taking into account its company values
- 3 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 transparently on the results



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 and urgency analysis**, after online consultation of stakeholders (o.a. employees, shareholders' representatives, investors, interest groups, supply chain partners and energy suppliers).

All 19 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, the Fluvius **CSR Roadmap** indicates the priorities between relevant SDGs and detailed targets to be pursued.

For 2021-2024, we focus on (a) enhancing sustainability in our supply chain and (b) reducing our own carbon footprint.

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	DECENT WORK AND ECONOMIC GROWTH
12	Socially acceptable tariffs	7	AFFORDABLE AND CLEAN ENERGY
17	Employees' safety	8	DECENT WORK AND ECONOMIC GROWTH



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

1. 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

3. 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
6. we retrofit gas grids into hydrogen grids for industrial purposes
7. 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

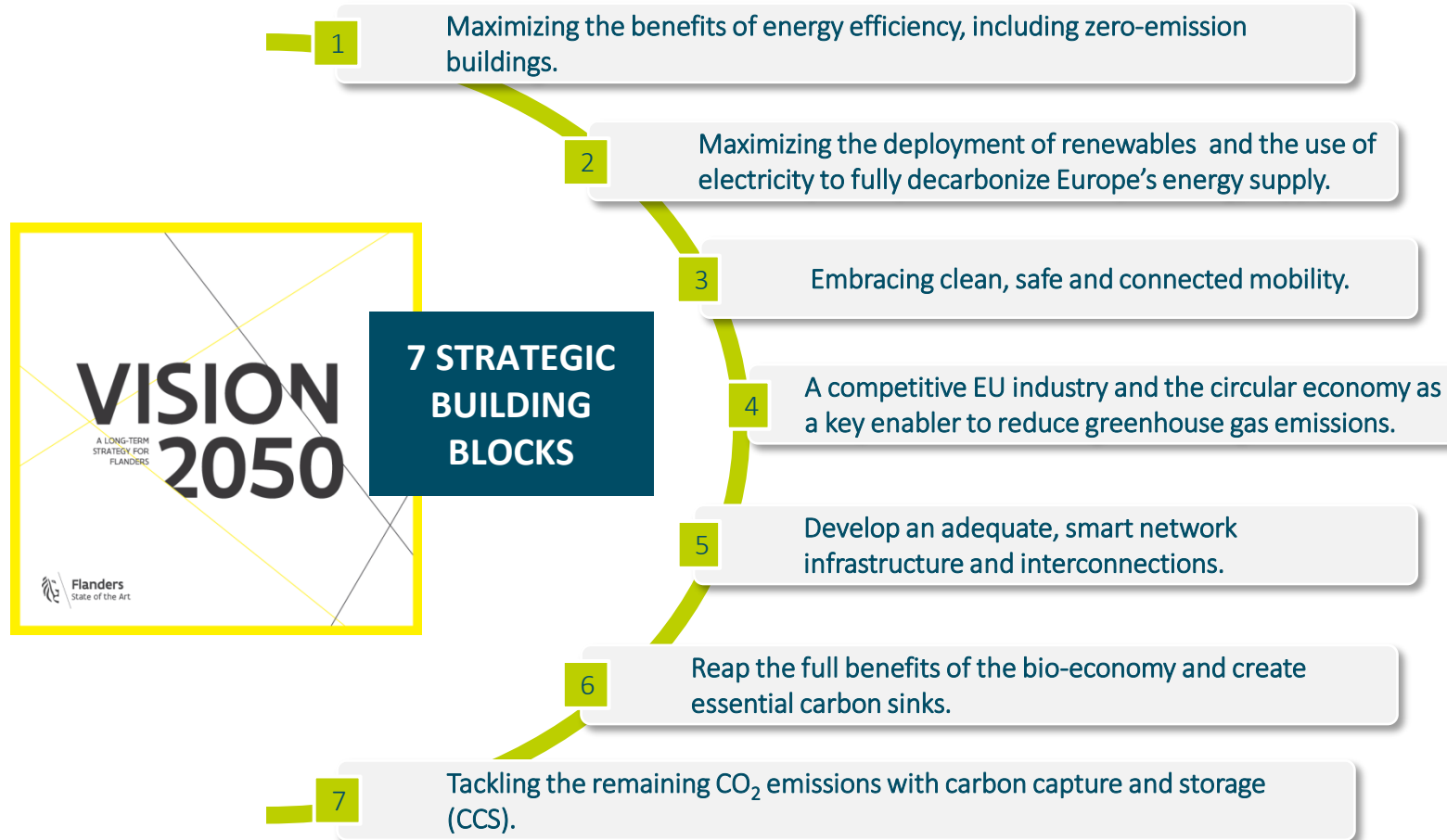
we create new possibilities for our customers

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



Fluvius's **environmental policy** supports the Flemish strategy by aiming at:

- full compliance with all legislative norms and obligations,
- implementation of maximum circularity and green mobility where feasible and,
- reduction of carbon footprint of our own activities.

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

5. Financial Profile

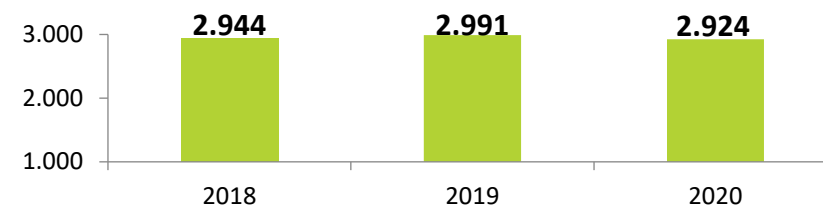
Financial Overview

Summary Financials FY 2018-2020 (IFRS, actuals)

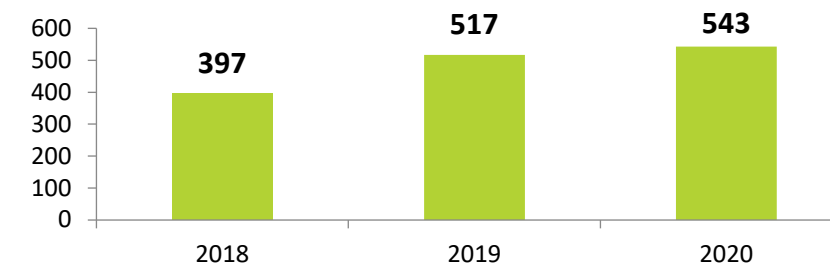
(in mio €)	2018	2019	2020
Statement of Profit/Loss			
revenues	2.944	2.991	2.924
operating revenues	3.499	3.472	3.487
operating expenses	-3.102	-2.955	-2.945
result from operations	397	517	543
net financial income/expenses	-102	-101	-69
profit before tax	295	416	473
profit for the period	191	331	363
other comprehensive income	75	296	290
total comprehensive income	266	626	652
Statement of Financial Position			
current assets	971	965	927
non-current assets	13.373	14.191	14.899
total assets	14.345	15.155	15.826
total equity (attributable to parent)	5.911	6.408	6.757
non-current liabilities	7.190	6.949	6.933
current liabilities	1.236	1.799	2.136
total liabilities	8.426	8.748	9.069
total equity & liabilities	14.345	15.155	15.826
Cash Flow Statement			
net CF from operating activities	1.020	768	816
net CF from investing activities	-529	-572	-847
net CF used in/from financing activities	-501	-153	-2
net increase/decrease of cash/cash equivalents	-10	43	-33
cash + cash equivalents at 31 Dec	22	65	31

Note: 2018: 6 m Eandis Ec. Group + 6 m Fluvius Ec. Group; 2019/2020: 12 m Fluvius Economic Group

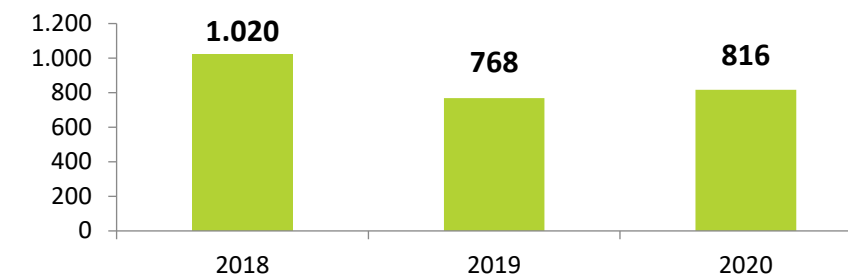
Revenue (in mio €)



Results from operations (in mio €)



Net CF from operating activities (in mio €)



Liquidity Facilities

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 Dec 2020): 547,6 million EUR (=59%)

under A: 47,6 million EUR

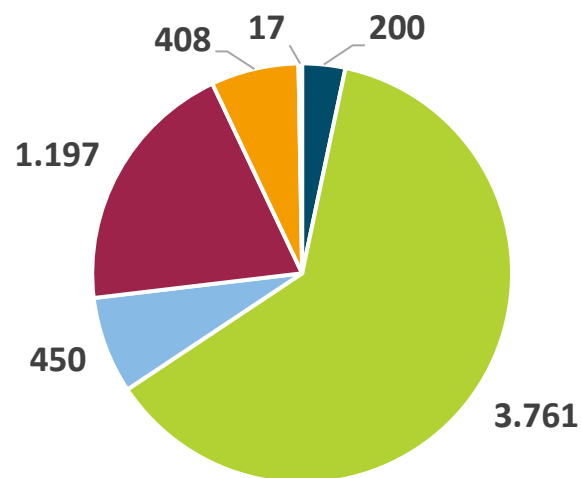
under B: 0 million EUR

under C: 500 million EUR

Debt Profile (Fluvius Economic Group, 31 Dec 2020)

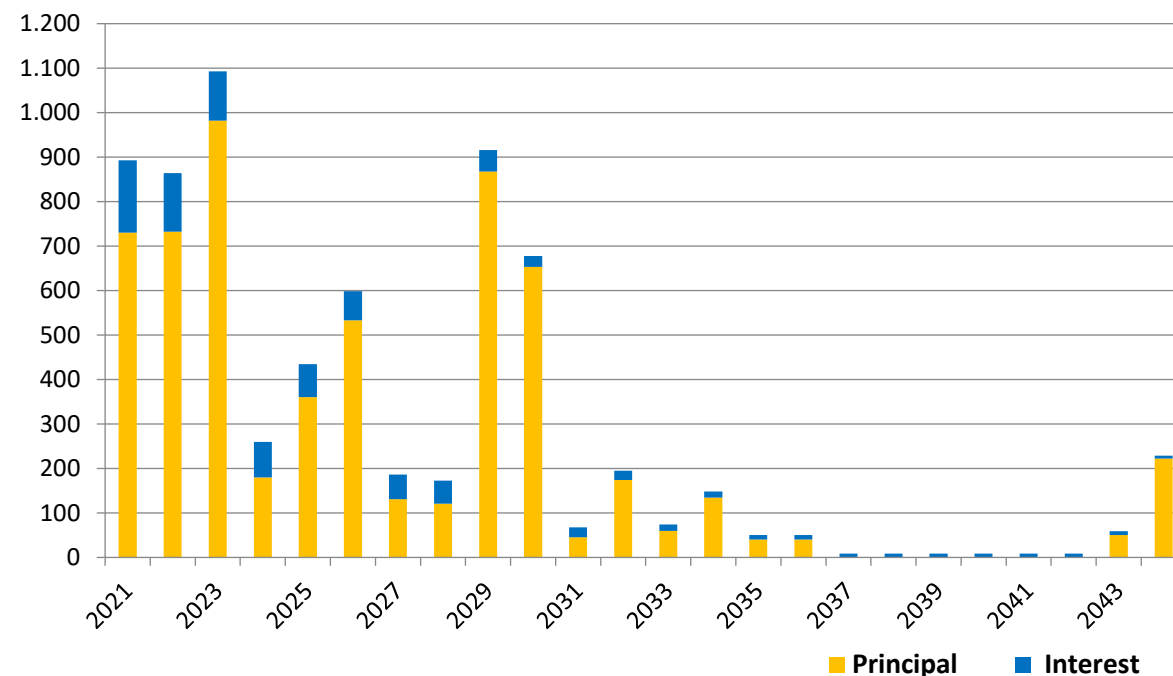


LT debt by instrument: 6.033 million EUR



- retail
- EMTN
- standalone
- bank (fixed rate)
- bank (swapped to fixed)
- bank (variable rate)

Maturity profile of outstanding LT debt (in million EUR)



- average maturity: 6 years 5 months
- average interest rate: 2,67%
- last EMTN transaction: issued 2 Dec 2020, 10 y maturity (2 Dec 2030), 0,25% coupon rate, green bond
- total EMTN programme: EUR 5 billion EUR

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
 - x = annual efficiency factor
 - x' = Fluvius merger efficiency factor (2021: 73 million EUR for E; 36 million EUR for G)
 - x'' = frontier shift factor (*only for gas*)
 - 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: 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

Moody's Corporate Rating of Fluvius

A3 (negative)

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 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

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



CREDIT OPINION

24 September 2020

Update

Rate this Research

RATINGS

Fluvius System Operator CV

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

Fluvius System Operator CV

Update following outlook change to negative

Summary

The robust credit quality of [Fluvius System Operator CV](#) (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)**

Creditreform's Corporate Rating of Fluvius

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 E&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

*from: Creditreform Rating Report
(27 October 2020)*

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 Infrac 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

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6. Green financing

FLUVIUS Green Financing Framework

1° Use of Proceeds

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

2° Process for Project Evaluation & Selection

- Fluvius's ESG policy is prepared, elaborated and coordinated by the Fluvius CSR Board, and validated/approved by its 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 monitors and keeps track of the amount of net proceeds from GFI instruments and the investments made in Eligible Green Projects.
- Fluvius tends 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 to report annually on the allocation and 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 delivered an external opinion (Nov 2020) certifying that the Fluvius Green Financing Framework 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

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* 3 of the EU Taxonomy's Environmental Objectives

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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	<ul style="list-style-type: none"> • energy saved (kWh) • digital meters installed (number of) • public lighting points switched to led (number of) • GHG emissions avoided (tCO₂e)
Water infrastructure	<ul style="list-style-type: none"> • sewerage grid constructed (km) • new connections to sewerage grid (number of) • volume of wastewater collected (m³)
District heating	<ul style="list-style-type: none"> • grid length (km) • supply of heat generated (GJ) • GHG emissions avoided (tCO₂e)
Clean transport	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • renewable generation projects connected to the distribution grid (number of projects) • renewable generation capacity connected to the distribution grid (MW)

Eligible Project Portfolio for 2020-2030 Green Bond



1. roll-out of digital meter electricity

- enables decentralised electricity production, grid monitoring and switch from fossil to renewable energy
- allows end consumer to monitor/adapt consumption and enhances energy-efficiency of household appliances
- maximum recycling of waste streams

→ SDG 7 & 9

2. switch to LED technology in all municipal public lighting

- 1,2 million lighting points involved
- enhances energy-efficiency (up to 45% efficiency gains)
- creates more flexibility in grid management (dimming, on/off switching, follow-me technology, ...)

→ SDG 7 & 9

3. sewerage grids

- both expansion and renewal projects
- contributes to 2027 European objectives on clean surface water
- increases sewerage grid connection rates

→ SDG 6

4. facilitation of renewable electricity generation

- 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, ...)

→ SDG 6, 9 & 11

7. Key takeaways for investors

Our strengths – key considerations for investors

- largest Flemish multi-utility with over 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 regulated tariffs or long-term contractual agreements
- highly experienced management and staff
- strategic focus on operational excellence, synergies and sustainability

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



Contact Fluvius



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8. Annexes

- Creation of Fluvius
- Regulatory framework
- Tarification
- Financials
- Fluvius's subsidiaries
- Intermunicipalities & DSOs
- Abbreviations & disclaimer

Fluvius System Operator: creation through merger operation

Rationale for the merger of Eandis, Infrax and Integan:

- 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 Flemish multi-utility operating company

Important dates:

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

Legal aspects of the merger:

- merger by absorption, followed by change of name into Fluvius System Operator
- shareholders: existing shareholders of Eandis, Infrax and Integan became shareholders of Fluvius System Operator in a 'share-based only' transaction - no other direct impact on DSOs
- bondholders: ex-Eandis bonds remain guaranteed by ex-Eandis DSO guarantors, ex-Infrax bonds remain guaranteed by ex-Infrax DSO guarantors. Bonds issued by Fluvius System Operator are being guaranteed by all Fluvius shareholders.



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 in generation
- Provide for neutral, technically integrated and cost-efficient networks for E&G transmission and distribution
- Benchmark cost of energy
- Reduce costs
- Permanently monitor the market and, if needed, adjust regulations to improve its organisation
- Have a well-functioning retail market

Take action with a view to the climate objectives

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

Areas of Competence

For the Belgian energy market, 1 federal (CREG) and 3 regional regulators (Flanders: **VREG**) have been set up

CREG's areas of competence:

- Electricity generation (except renewables and CHP systems)
- Electricity transmission on grids >70 kV
- Gas storage and transport
- Transmission tariffs

The 3 regional regulators' areas of competence:

- Local distribution of electricity (voltage ≤ 70 kV)
- Local distribution of natural gas
- Electricity generation from renewables and CHP
- Rational use of energy (RUE)
- (Social) public service obligations
- Organisation of supply market and supply licenses
- Distribution tariffs

Regulatory Framework E&G

DSOs implement the Flemish government's public service & social welfare policies.



Public Service Obligations (PSO)

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

1. Technical	<ul style="list-style-type: none">• DSO is required to connect each end user to the E&G distribution grids at a maximum cost of EUR 250
2. Social	<ul style="list-style-type: none">• DSO is the social supplier for customers dropped by commercial suppliers• cut-offs from grid only allowed under strict conditions = protection of socially vulnerable customers• DSO is supplier-of-last-resort when commercial supplier fails
3. Environmental	<ul style="list-style-type: none">• support mechanism for E generation from renewables through certificate system: DSO is obliged 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

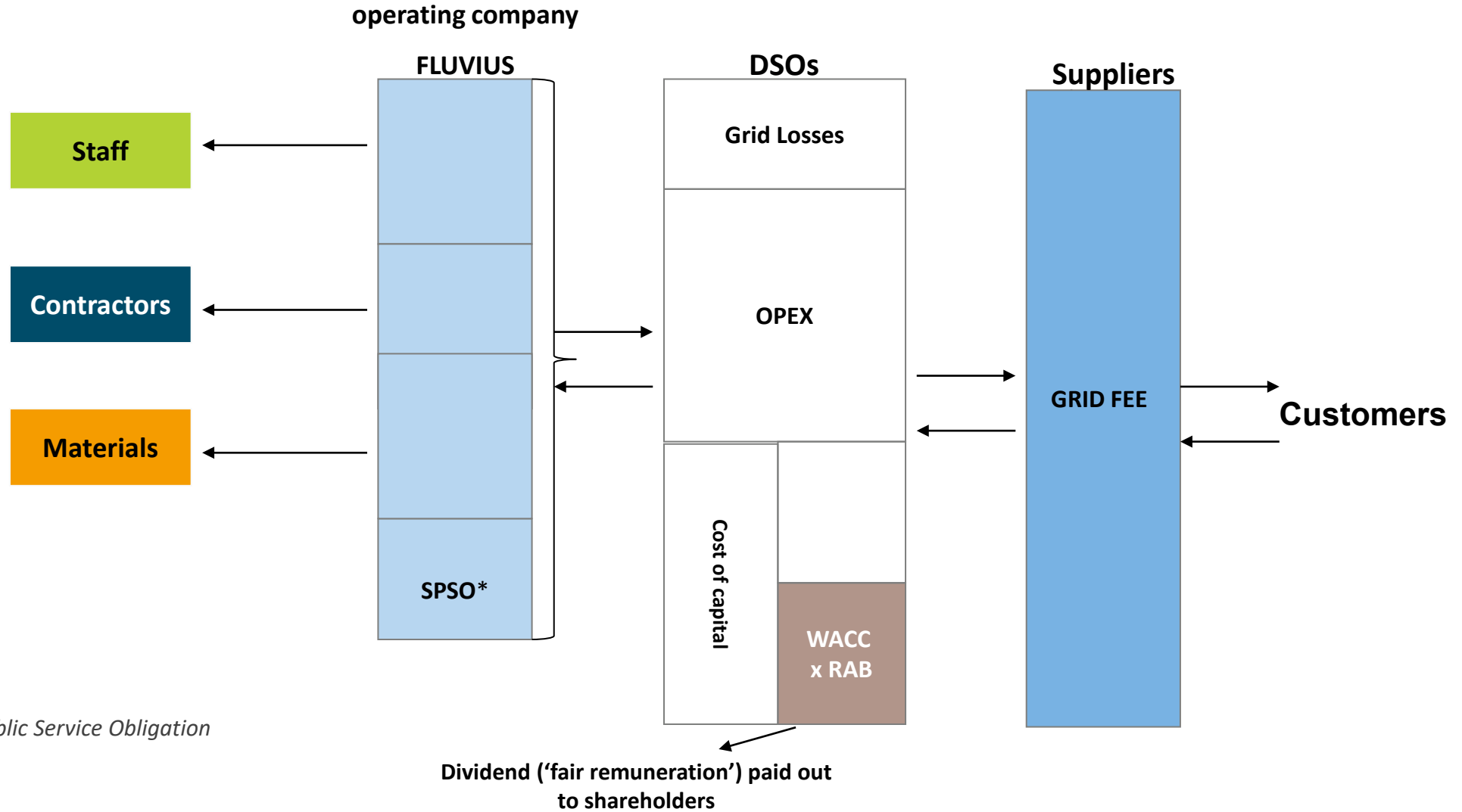
Regulated Tarification E&G Distribution 2021-2024



Basic tariffication 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: EUR 73 million for E; EUR 36 million 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

Cash Cycle E&G distribution



* SPSO = Social Public Service Obligation

Financial Overview

Outstanding bonds at Fluvius (as per 30 April 2021)

[in order of maturity date]

Type (E=Eandis / I=Infrac / F=Fluvius)	Amount (m€)	Issue Date	Maturity date	Maturity	Coupon	
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 benchmark GREEN	F	600	25/11/2020	2/12/2030	10	0,250%
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%
EMTN Private Placement	F	100	30/03/2021	8/04/2033	12	0,810%
Private Placement	E	95	27/10/2014	27/10/2034	20	2,600%
Private Placement	E	23	5/03/2014	5/03/2036	22	3,550%
Namensschuldverschreibung	E	50	24/06/2013	24/06/2043	30	3,500%
Private Placement	E	52	5/03/2014	5/03/2044	30	3,550%
Private Placement	E	170	27/10/2014	27/10/2044	30	3,000%

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: 352 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 2020 (BE-GAAP)
 - Balance sheet total: EUR 3.305.140
 - Contribution: EUR 265.400 (formerly share capital)
 - Debt: EUR 3.039.740, all of it ST debt
 - Turnover: EUR 18.734.009

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 2020) – 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 central market system
- Works at cost price (no margin/profit) for its shareholders
- Consolidated in Fluvius according to the equity method
- Financials 2020 (BE-GAAP)
 - Balance sheet total: EUR 83.352.548
 - Contribution: EUR 18.600 (formerly share capital)
 - Debt: EUR 83.333.948 (of which EUR 69.357.840 LT debt and EUR 13.960.869 ST debt)
 - Turnover: EUR 35.643.768

Fluvius System Operator's subsidiary:



Synductis cv

- Date of establishment: 21 December 2012
- Shareholders: Fluvius System Operator (34,47%), De Watergroep, Farys, IWVA, Proximus, Pidpa and Aquafin – collaboration agreements with public transport company De Lijn 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 2020 (BE-GAAP)
 - Balance sheet total: EUR 1.431.849
 - Contribution: EUR 21.700 (formerly share capital)
 - Debt: EUR 1.984.116 (only ST debt / no LT debt)
 - Turnover: EUR 1.907.712

Intermunicipalities and DSOs



Intermunicipalities - Overview

- Belgian local municipalities are in charge of several public services (waste management, water management, environment, energy distribution, ...)
- The municipalities may organise these tasks in 2 ways
 - either through a “municipal company” in which each municipality organises the service with its own staff and financial resources
 - or 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
- Flemish intermunicipalities are governed by the Flemish Decree on Local Authorities (22 Dec 2017)
- 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

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