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CREDIT OPINION
19 September 2022

Update

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RATINGS

Fluvius System Operator CV

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

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

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Fluvius System Operator CV

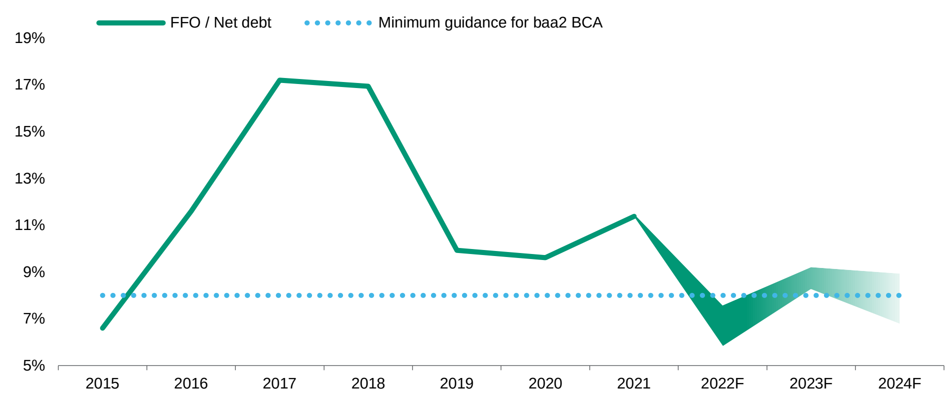
Update to credit analysis

Summary

The robust credit quality of Fluvius System Operator CV (Fluvius, A3 stable) reflects that of the 11 intermunicipal utility companies, which own the company and severally guarantee its liabilities. The regulated electricity and gas distribution network operations of the Distribution System Operators (DSO) 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.

The stable rating outlook reflects our view that mitigating measures were put in place by the company to maintain current credit metrics (Exhibit 1) against the lower allowed income for the 2021-24 regulatory period, including a change in dividend policy from 2022; and the allocation of around €22 million of advances for investment in smart meters for 2022 by the Flemish regulator (VREG), which could increase in 2023.

Exhibit 1
Fluvius' financial metrics likely to remain close to the guidance, with limited space for deviation



Financial metrics for 2015-17 are for the Eandis Economic Group and metrics for 2018-21 are for the Fluvius Economic Group, which combine the financial profiles of the operating company and its DSO owners.
All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (F) or projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Investors Service

In assessing Fluvius' overall credit risk, we also take into account the fact that the Community of Flanders (Aa3 stable) has a strong interest in maintaining a solid financial standing for the DSOs, given their essential role in the Flemish economy.

Credit strengths

» Strong links with the Community of Flanders through the provision of essential energy network services

» Strong underlying business risk profile on the basis of its monopoly network assets

» Transparent and generally supportive regulatory framework, but relatively short track record, with the tariff responsibility transferred from the national to regional regulators in 2014

Credit challenges

» Earnings pressure because of a 150-basis-point (bp) decrease in allowed returns on the historical regulated asset base (RAB), the suppression of remuneration on revaluation surpluses over eight years and additional efficiency requirements

» An increase in capital spending in 2022 and 2023 to make up for the 2021 delay in the installation of digital meters

» Historically high dividend distribution, depending on equity/RAB

Rating outlook

The stable rating outlook reflects our expectation that funds from operations (FFO)/net debt will remain above 8% and net debt/fixed assets less revaluation surpluses will be below 80% over the 2021-24 regulatory period. Nevertheless, Fluvius is likely to remain relatively weakly positioned in its rating category, with a financial profile at the bottom of the range expected for an A3 rating during the current regulatory period.

Factors that could lead to an upgrade

The ratings could be upgraded if the Fluvius Economic Group is able to maintain FFO/net debt in the low teens in percentage terms and net debt/fixed assets less revaluation surpluses is below 70% on a sustained basis.

Factors that could lead to a downgrade

We could downgrade the ratings if the Fluvius Economic Group's metrics appear unlikely to meet the requirements for the current ratings, namely FFO/net debt falls below 8% or net debt/fixed assets less revaluation surpluses is above 80%, as a result of high capital spending or failure to achieve planned cost savings.

The ratings may also come under downward pressure if we assess that there is a lower probability of support from the Community of Flanders or if its rating is downgraded by more than two notches.

Key indicators

Exhibit 2

Fluvius System Operator CV

	Dec-18	Dec-19	Dec-20	Dec-21	12-18 month forward view
(FFO + Interest Expense) / Interest Expense	6.8x	4.4x	4.6x	6.0x	4x -6x
Net Debt / Fixed Assets	57.2%	58.5%	61.1%	60.7%	60% - 65%
FFO / Net Debt	16.9%	9.9%	9.6%	11.4%	7% - 9%
RCF / Net Debt	12.8%	5.6%	5.2%	7.5%	3% - 6%

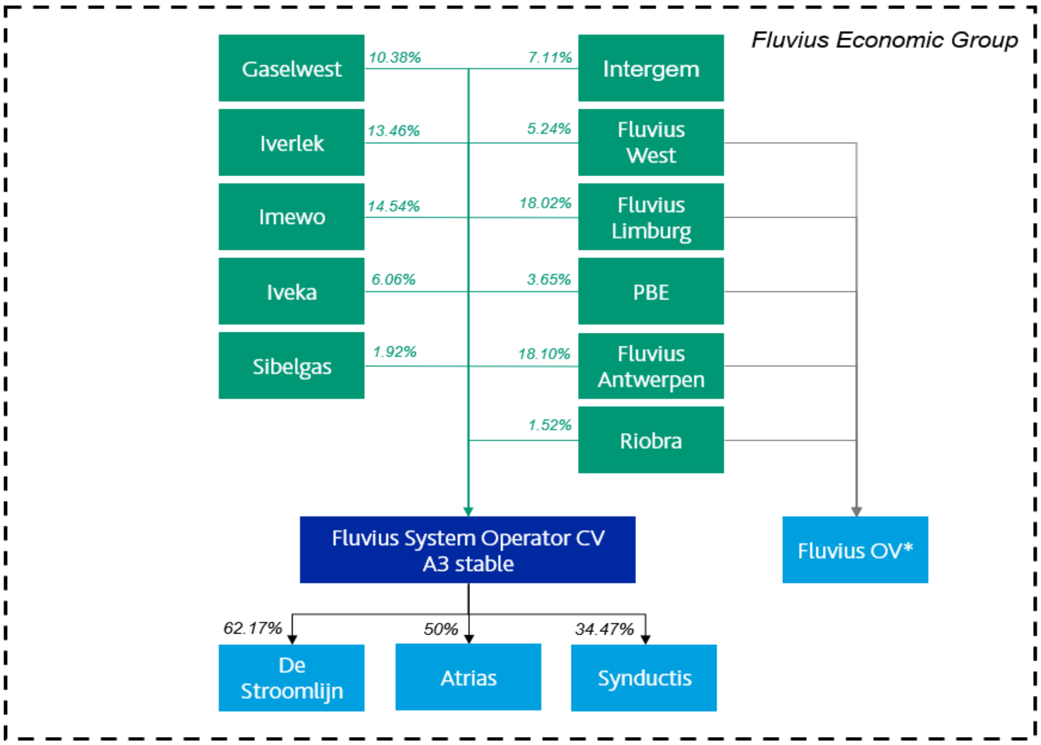
All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) or projections (proj.) are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Investors Service

Profile

Fluvius System Operator CV (Fluvius, formerly Eandis System Operator CVBA) is a Belgian utility established in March 2006, which manages the regulated activities of the operating electricity and gas distribution networks in the Flemish Region in Belgium. Fluvius was formed through the merger of Eandis and Infrax in July 2018 and is 100% owned by the municipalities in the Flemish Region. Fluvius, together with its 11 utility shareholders, form the Fluvius Economic Group, which derived around 92% of its operating profit from the regulated energy distribution activities in 2021, with the remaining 8% derived predominantly from regulated sewage and contract-based cable television network operations. The group also holds small district heating infrastructure in select areas.

Exhibit 3
Simplified organisational structure of the Fluvius Economic Group



* Fluvius OV employs all ex-Infrax statutory employees since 1 April 2019.
Sources: Fluvius and Moody's Investors Service

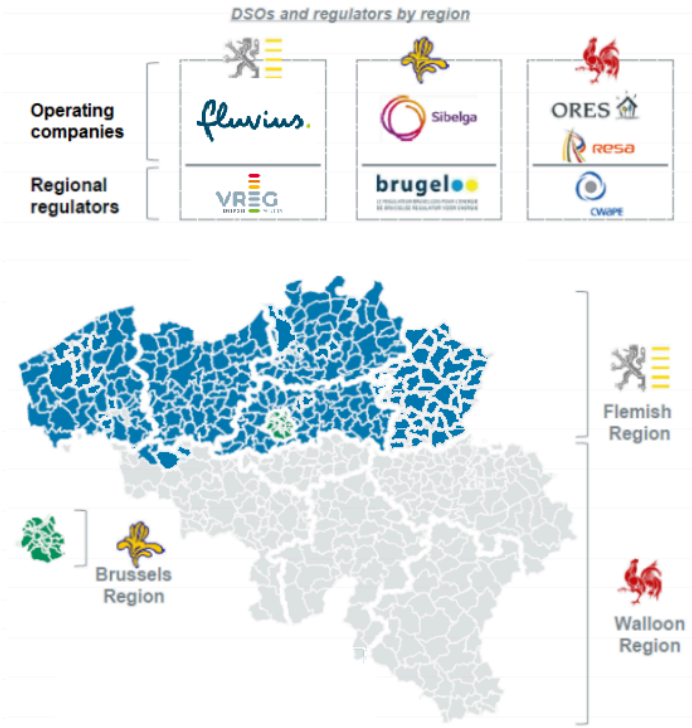
Several mergers among utility shareholders took place in April 2019: IMEA, Iveg and Integan formed Fluvius Antwerpen; Inter-aqua, Inter-energa and Inter-media formed Fluvius Limburg; and PBE and Intergas merged (PBE). Additionally, because of the Flemish Decree on Local Authorities by 1 January 2023, municipalities are obliged to only have a single DSO for electricity and gas. This could lead to minor changes in the ownership structure (Exhibit 3), although it is yet to be finalised (to be decided at the Extraordinary General Assembly, which will be held in December 2022).

Detailed credit considerations

Transparent regulatory framework, but somewhat less predictable and limited track record

The federal state and each of the Belgian regions have established their own regulatory bodies for the electricity and gas market with complementary competencies, with the national regulator Commission for Electricity and Gas Regulation (CREG) principally responsible for tariff setting in respect of the DSOs and the regional regulators for licensing issues. As part of the decentralisation of powers from the federal to the regional governments, on 1 July 2014, the responsibility for setting electricity and gas distribution tariffs passed on from the CREG to the regional regulators, that is, VREG in the Flemish Region (see Exhibit 4).

Exhibit 4
Overview of the Belgian energy distribution market and regulatory responsibilities



Sources: Fluvius and Moody's Investors Service

While the regulatory approach, introduced by VREG in 2015, has a relatively short track record, the tariff-setting principles follow well-established precedents from other European jurisdictions. The final tariff methodology for the third regulatory period, started on 1 January 2021, was published in August 2020. The details of the fourth tariff methodology for the regulatory period starting 2025 is likely to be finalised by summer 2024.

Tariffs are determined through a revenue-cap model (compared with cost-plus arrangements until 2014) and, in setting the revenue allowance, which drives annual tariffs, VREG has three cost categories: non-controllable (or exogenous) costs, which include public service obligations, transmission network fees or recovery of regulatory accounting balances, are passed on directly to consumers; controllable (or endogenous) costs, which include typical revenue-building blocks, such as allowances for operating costs, depreciation of the RAB and a return based on the weighted average cost of capital; and other cost items, including accounting measures.

Further decrease in allowed returns for regulatory period 2021-24 will reduce cash flow

The previous regulatory period spanned over 2017-20 followed by the publication by VREG of the final determination for the regulatory period 2021-24 in August 2020, in which the allowed return was cut by a further 150 bps (following a 120 bps in the previous regulatory period), mostly because of the decrease in the risk-free rate (see Exhibit 5).

Exhibit 5

Weighted average cost of capital (WACC) has been reduced mostly because of the low interest rate environment

	VREG (2015-16)	VREG (2017-20)	VREG (2021-24)
Risk-free rate	3.30%	3.04%	2.11%
Risk premium	1.20%	0.64%	0.58%
Transaction fee	0.15%	0.15%	0.15%
Cost of debt (historical)	4.65%	3.83%	2.84%
Risk-free rate	2.00%	0.80%	0.09%
Risk premium	1.20%	0.61%	0.85%
Transaction fee	0.15%	0.15%	0.15%
Cost of debt (new)	3.35%	1.56%	1.09%
Historical: new debt ratio	60:40	65:35	60:40
Cost of debt (allowed)	**4.13%**	**3.04%**	2.14%
Premium for ECB purchase		0.63%	0.00%
Market risk premium	5.10%	5.01%	4.81%
Asset Beta	0.33	0.38	0.39
Equity Beta	0.73	0.76	0.83
Equity risk premium	3.74%	3.79%	3.99%
Cost of equity (post-tax)	5.74%	5.24%	4.08%
Cost of equity (pre-tax)	8.70%	7.94%	5.44%
Gearing	55.00%	60.00%	60.00%
DSO tax rate until 31 Dec 2014	0.00%		
WACC (nominal, post-tax)	**4.85%**	**3.92%**	2.92%
Tax rate from 1 Jan 2015	33.99%	33.99%	25.00%
WACC (nominal, pre-tax)	**6.18%**	**5.00%**	3.50%

The risk-free rate for new debt and equity is calculated as a weighted average of the 10-year German Bund and the 10-year Belgian OLO (25:75 over a one-year period for 2017-20 and for 2021-24); the risk-free rate for historical debt is calculated as a 10-year weighted average from 1 January 2010 to 31 December 2019 (identical 25:75 split between German Bunds and Belgian OLO).
The WACC was updated to 4.9% in 2018 and 2019 and 4.8% in 2020 to reflect the decrease in corporate tax to 29.58% and 25%, respectively.
Sources: VREG and Moody's Investors Service

The general regulatory approach for the 2021-24 regulatory period is largely consistent with the previous approach, although some changes have been introduced. The changes include the following:

» The RAB has been split between historical cost (residual value of historical acquisition cost) RAB and revaluation surpluses, which represented around 20% of the total RAB in 2019. While historically both have been earning the same return (WACC), the revaluation surpluses' returns will decrease from the 3.5% WACC in 2021 to zero after eight years. While the lower WACC on revaluation surpluses only represents a loss of around €45 million in 2021-24 earnings, this change results in a somewhat less predictable regulatory environment.

» Exposure to volume and revenue risk has been reduced through several channels, including the full recovery of differences in permitted income and volumes distributed through regulatory balances; a smoother and faster recovery of regulatory balances arising during the period, leading to lower volatility in revenue; and the introduction of a capacity-based tariff for electricity from 1 January 2023, which will reduce exposure to volumes of electricity distributed to end customers.

- An advance mechanism has been introduced by the regulator in which some projects could receive an allowance in permitted income to maintain financial stability in the context of high investment requirements. The eligible projects, duration and potential interest rate of the advance mechanism are still to be defined.
- A quality incentive (q-factor) was introduced into the revenue formula to reflect asset performance and customer service and ensure that companies do not deliberately postpone investment spending to the detriment of asset and service quality. Each DSO's q-factor will be published by VREG with the 2021 tariff and will be derived from the 2017-19 reported performance. We expect the impact to be marginal on Fluvius because the q-factor is a zero-sum incentive.
- Some special financial incentives could be added to the tariff formula. Those can be positive, negative or symmetric incentives and will be published by the regulator at a later date.
- An x'-factor (frontier shift) of 0.4% to the regulator formula has been introduced for gas distribution, which corresponds to additional annual productivity improvements to be achieved.

The x''-factor introduced in 2019 for expected cost synergies resulting from the merger between Eandis and Infrax will be maintained to reach net cost savings of €150 million by 2024.

The regulatory determination for 2021-24 provides for less volatility in revenue through a simplification of the recovery process of regulatory balances. All new regulatory balances arising in 2021-24 will be recovered or paid back through the tariff over two years: those arising from the re-indexation of the basic part of endogenous costs will be phased 50% in t+1 and 50% in t+2 and all other regulatory balances reported by the DSOs (in t+1) will be recovered 50% in t+2 and 50% in t+3. The regulatory balances remaining as of year-end 2021 consisted of balances accrued during 2016-2020. They will be paid back 50% in 2022 and 50% in 2023.

For 2022, the high interest rates are weakening the endogenous results, because the regulated remuneration set for the 2021-24 regulatory period is insufficient to cover the actual costs. However, overall, the allowed endogenous income will be higher in 2022 especially because of indexation.

Mitigating measures voted in 2021 will limit negative impact on credit metrics

Between May and June 2021, the boards of Fluvius and its shareholder DSOs voted on a set of measures to safeguard the Fluvius Economic Group's financial health in the context of lower allowed returns for the 2021-24 regulatory period. The following are the mitigating measures:

- Advances from VREG will be requested for the accelerated rollout of smart meters for electricity only, following a cost-benefit analysis.
- Investment plans will be reviewed following qualitative and quantitative financial criteria.[1] Additional debt for capital spending will be warranted for profitable projects (including all regulated activities which enter the RAB) and exceptional projects imposed by the legislator (including smart meters).
- Cost savings imposed by the regulator for synergies following the merger between Eandis and Infrax are estimated at €150 million by VREG and are likely to be reached by Fluvius by 2024.
- A new dividend policy is put in place from 2022 to align and maintain equity/RAB at 40% for individual DSOs. For each DSO's regulated electric and gas activities, if equity/RAB is above 40%, the dividend payout can reach up to 120% of regulated earnings, while if equity/RAB is below 40%, the dividend payout is limited to 80%.

Notwithstanding these mitigating measures, investment levels will remain higher than in previous years because of investments in the energy transition and the company's make up for the delay in investments for smart metering. We expect mitigating measures to be sufficient for the Fluvius Economic Group to maintain credit metrics in line, but close, to its ratio guidance.

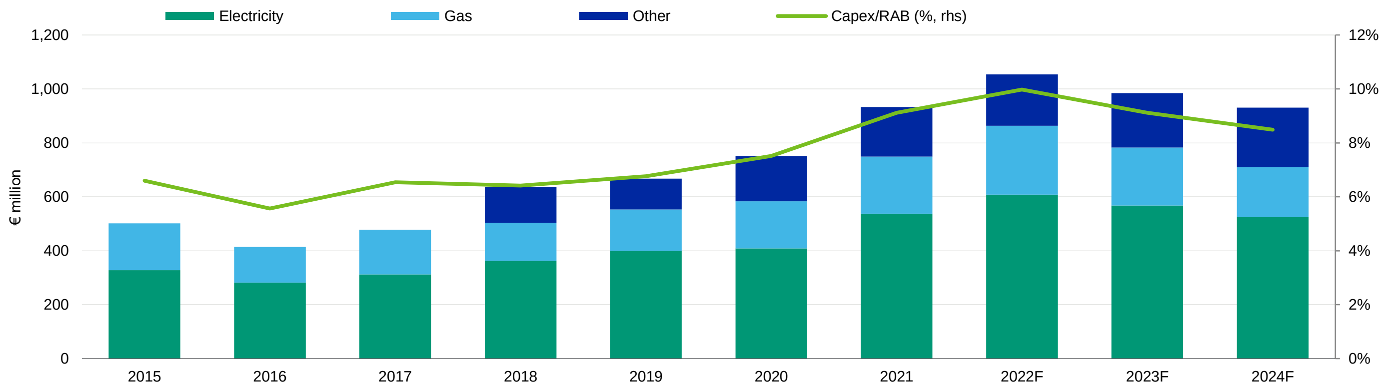
Capital spending and dividend payout will be high but manageable

The company forecasts an increase in its future capital spending of slightly above €1 billion per year. This compares with capital spending of around €785 million in 2020 and around €965 million in 2021. This increase in capital spending is in the context of the region's energy transition, which includes a significant investment in smart meters for a total of €1.6 billion with an investment horizon for the full rollout reduced from 15 years to nine years with an initial target of 80% of meters installed by 2024. The target was revised to 70% in the latest forecasts. Additionally, because of the electrification of personal mobility, up to 35,000 additional charging points are to be installed in the Flemish Region by 2025.

Most of Fluvius' investments will be in its regulated electric and gas distribution network businesses, which will increase the company's RAB (including smart meters). An item to watch is the further development of gas-related expenditure beyond 2025 given the Flemish government's decision to prohibit new gas grids from 2026. The budget for regular gas investment will eventually be reduced by half to €88 million by 2032. The bulk of the existing grids are made of materials like polyethylene (PE) and, therefore, are ready to be used for the transport of hydrogen with only minor investments needed.

Exhibit 6

Fluvius' capital spending will increase to contribute to the energy transition



Data for 2015-17 are for the Eandis Economic Group, and metrics for 2018-21 are for the Fluvius Economic Group, which combine the financial profiles of the operating company and its DSO owners.
Moody's forecasts (f) or projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Sources: Fluvius and Moody's Investors Service

The impact of higher capital spending required by the Fluvius Economic Group on its debt is mitigated by the introduction of an advance mechanism in the 2021-24 regulatory period. Fluvius received around €43 million of advances in 2021 and €22 million of advances are included in the 2022 allowed income. A decision on advances is made by the regulator each October for the subsequent year (e.g. October 2022 for advances in 2023). From 2022, advances will only be requested for electricity because of the more favourable evolution of the allowed income for natural gas.

The Fluvius Economic Group has been paying large dividends to its shareholders in recent years with €285 million in 2021 and €311 million in 2020, with a dividend payout in excess of 80% of net income for the last four years. The previous dividend policy of holding dividend at least flat in euro terms at the 2018 level (€267 million) was originally planned to last until 2024. However, the new dividend policy is part of the mitigating measures and will be applied from 2022, leading to a lower dividend payout than under the previous policy.

On 19 July 2022, Fluvius announced that they entered into a binding agreement with Telenet for setting up a new company focused on fibre connections. Fluvius will hold a 33.2% share in the new company, which is equivalent to the value of its contributed assets (mainly hybrid fibre-coaxial). Capital spending is likely to be paid by internally generated cash flow of the newly created joint venture, and no capital contributions from Fluvius are required. We expect a minor decline in revenue because the annuity fees for the contributed assets are no longer paid to Fluvius. However, this risk is partly offset by an annual €20 million payment.

ESG considerations

Fluvius System Operator CV's ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 7
ESG Credit Impact Score

CIS-3
Moderately Negative

NEGATIVE IMPACT POSITIVE IMPACT

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

Fluvius SO's ESG Credit Impact Score is moderately negative (**CIS-3**) indicating that its ESG attributes have a limited impact on the current rating, with greater potential for future negative impact over time. Fluvius's **CIS-3** reflects moderately negative exposure to environmental and social risk and neutral-to-low governance risk. The effect of these considerations on the rating is mitigated by a supportive regulatory framework.

Exhibit 8
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-3	G-2
Moderately Negative	Moderately Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental

Fluvius SO's environmental risk is moderately negative (**E-3** issuer profile score) as the Fluvius Economic Group's electric and gas network assets have a moderately negative exposure to physical climate risk and a moderately negative exposure to carbon transition risk given the longer term uncertainties over gas usage. The Fluvius Economic Group generates more than 92% of its operating profit from its regulated electric and gas distribution network activities with a substantial, although decreasing, share from gas (around 37% of its regulated asset base in 2021). This is balanced by neutral to low risk exposure from water management, waste and pollution of air and soil, and natural capital.

Social

We assess Fluvius SO' exposure to social risk as moderately negative (**S-3** issuer profile score) reflecting its exposure to the risk that public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention, similar to other regulated electric and gas network operators. Fluvius SO also has moderately negative exposure to public safety risks as a gas leak or explosion, although unlikely, could have significant negative impact on the company's reputation and financial situation. These risks are balanced by neutral to low risks to health and safety, human capital, and customer relationships.

Governance

We assess Fluvius's exposure to governance risk as low (**G-2** issuer profile score), reflecting the Fluvius Economic Group's recent decision to put in place mitigating measures to the decrease in regulatory allowed returns which include a review of the dividend payout. Fluvius SO is owned by 11 inter-municipal utility companies which in turn are owned by the 300 Flemish municipalities forming the Flemish Region. As Fluvius SO is ultimately owned by the Flemish municipalities and because Fluvius SO's board members are appointed by its shareholders, we assess the independence of Fluvius SO' board as weak. However, this is balanced by other aspects of governance strength that are derived in part by ultimate government ownership, compliance and reporting, and management credibility and track record.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Government support considerations

The DSOs, which comprise the Fluvius Economic Group and act as guarantors of Fluvius' debt, are owned by the municipalities in the Flemish Region. Consequently, Fluvius and the Fluvius Economic Group fall within the scope of our Government-Related Issuers Methodology, published in February 2020.

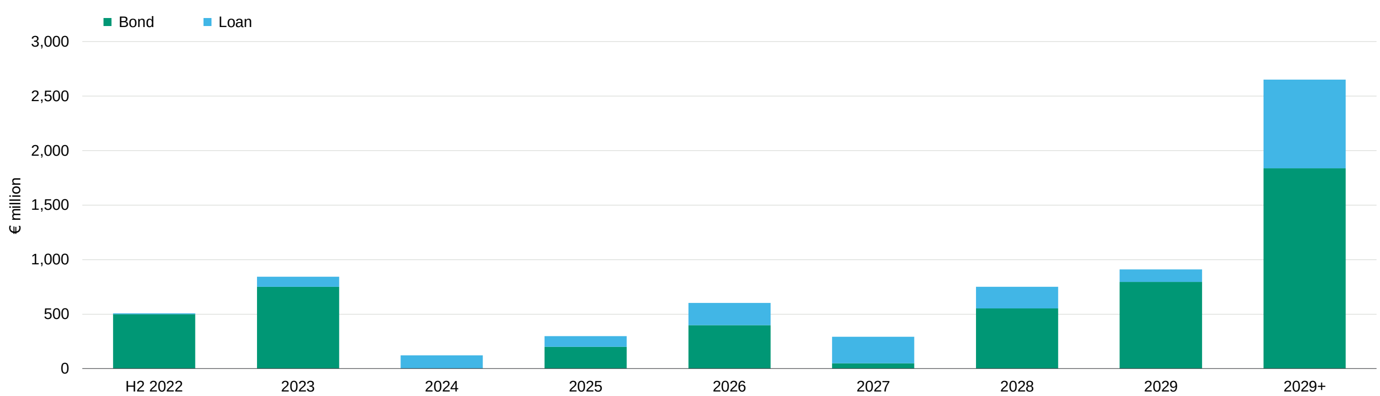
The final A3 rating incorporates two notches of uplift from the Fluvius Economic Group's standalone credit quality, expressed as a Baseline Credit Assessment of baa2, taking into account the credit quality of the Community of Flanders; our assessment that there is a strong probability of the community providing support to the DSOs, its shareholding municipalities or both if either were in financial distress; and a high level of default dependence (that is, the degree of exposure to common drivers of credit quality) because of the entirely domestic operations of the Fluvius Economic Group and its close association with its owners and the region.

The Community of Flanders is ultimately responsible for the organisation of the electricity and gas market and for the distribution of energy within the Flemish Region, which is considered a public service; and would be indirectly affected by any difficulties (including financial problems) experienced by the entities entrusted with this task. Consequently, the Community of Flanders is deemed to be the supporting entity for the purposes of the Government-Related Issuers Methodology.

Liquidity analysis

Following the strong cash flow generation in recent years on the back of regulatory receivable recoveries, Fluvius' liquidity has improved. However, the decrease in allowed revenue, increased reliance on short-term debt, increase in capital spending and a high dividend payout will require continuous access to capital markets.

Exhibit 9
Debt maturity profile for the Fluvius Economic Group
As of 30 June 2022



Sources: Fluvius and Moody's Investors Service

Aside from ongoing cash flow generated from the utilities' monopoly network activities, the economic group's primary sources of committed liquidity are committed revolving credit facilities in an aggregate amount of €425 million and a commercial paper programme with a total volume of €500 million, of which €425 million are drawn as of 30 June 2022. The committed credit facilities are unused (both as of 30 June 2022). With regard to investment in digital metering or energy transition, there are additional European Investment Bank (AAA stable) facilities available.

Methodology and scorecard

Fluvius is rated in accordance with the rating methodologies for Regulated Electric and Gas Networks, published in April 2022 and Government-Related Issuers Methodology, published in February 2020.

Exhibit 10

Rating factors

Fluvius System Operator CV

Regulated Electric and Gas Networks Industry[1][2]	Current FY 12/31/2021		Moody's 12-18 Month Forward View As of September 2022 [3]	
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)	**Measure**	**Score**	**Measure**	**Score**
a) Stability and Predictability of Regulatory Regime	A	A	A	A
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Ability and Timeliness)	A	A	A	A
d) Revenue Risk	Aa	Aa	Aa	Aa
Factor 2 : Scale and Complexity of Capital Program (10%)				
a) Scale and Complexity of Capital Program	A	A	A	A
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) FFO Interest Coverage (3 Year Avg)	5.0x	A	4x - 6x	A
b) Net Debt / Fixed Assets (3 Year Avg)	60.1%	Baa	60% - 65%	Baa
c) FFO / Net Debt (3 Year Avg)	10.3%	Ba	7% - 9%	Ba
d) RCF / Net Debt (3 Year Avg)	6.1%	Ba	3% - 6%	Ba
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa1
Government-Related Issuer:		**Factor**		
a) Baseline Credit Assessment		baa2		
b) Government Local Currency Rating		Aa3 Stable		
c) Default Dependence		High		
d) Support		Strong		
e) Actual Rating Assigned		A3		

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 31/12/2021.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate any significant acquisitions or divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 11

Category	Moody's Rating
FLUVIUS SYSTEM OPERATOR CV	
Outlook	Stable
Bkd Issuer Rating -Dom Curr	A3
Bkd Senior Unsecured -Dom Curr	A3

Source: Moody's Investors Service

Appendix

Exhibit 12

Peer comparison

Numbers presented for the Fluvius Economic Group

	Fluvius Economic Group A3 Stable			Terega SA Baa2 Stable			2i Rete Gas S.p.A. Baa2 Negative			RESA S.A. A2 Stable		
(in EUR million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-18	FYE Dec-19	FYE Dec-20
Revenue	2,991	2,924	3,038	500	460	488	714	702	722	289	288	295
EBITDA	1,020	1,091	1,201	319	279	273	518	503	527	137	130	121
Total Assets	15,060	15,712	16,579	1,970	2,423	1,959	4,535	4,468	4,993	1,486	1,559	1,606
Total Debt	6,765	7,181	7,415	1,472	1,925	1,425	3,046	2,853	3,297	575	573	576
Net Debt	6,700	7,149	7,326	1,446	1,442	1,412	2,693	2,666	2,854	552	541	545
(FFO + Interest Expense) / Interest Expense	4.4x	4.6x	6.0x	5.8x	5.4x	6.5x	6.4x	7.7x	8.0x	14.2x	14.1x	14.4x
Net Debt / Fixed Assets	58.5%	61.1%	60.7%	81.9%	81.5%	79.2%	83.1%	79.8%	73.1%	41.5%	39.9%	39.8%
FFO / Net Debt	9.9%	9.6%	11.4%	14.8%	14.0%	14.9%	12.6%	14.1%	14.3%	19.4%	18.7%	18.5%
RCF / Net Debt	5.6%	5.2%	7.5%	10.0%	10.0%	10.9%	9.2%	12.2%	9.9%	13.8%	15.2%	15.0%
Net Debt / EBITDA	6.6x	6.6x	6.1x	4.5x	5.2x	5.2x	5.2x	5.3x	5.4x	4.0x	4.2x	4.5x

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end.
Source: Moody's Financial Metrics™

Exhibit 13

Debt adjustment breakdown

Numbers presented for the Fluvius Economic Group

(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported Total Debt	6,124	6,337	6,633	7,238
Pensions	265	428	547	177
Leases	55	0	0	0
Non-Standard Adjustments	0	0	0	0
Moody's Adjusted Total Debt	6,444	6,765	7,181	7,415
Cash & Cash Equivalents	(22)	(65)	(31)	(89)
Moody's Adjusted Net Debt	6,423	6,700	7,149	7,326

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end.
Source: Moody's Financial Metrics™

Exhibit 14

Select Moody's-adjusted historical financials

Numbers presented for the Fluvius Economic Group

(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21
INCOME STATEMENT				
Revenue	2,944	2,991	2,924	3,038
EBITDA	1,435	1,020	1,091	1,201
EBIT	1,077	602	647	738
Interest Expense	186	194	188	168
BALANCE SHEET				
Total Debt	6,444	6,765	7,181	7,415
Cash & Cash Equivalents	22	65	31	89
Net Debt	6,423	6,700	7,149	7,326
Net Property Plant and Equipment	11,237	11,453	11,707	12,074
Total Assets	14,328	15,060	15,712	16,579
Total Liabilities	8,468	8,720	9,041	9,422
CASH FLOW				
Funds from Operations (FFO)	1,088	665	686	834
Cash Flow From Operations (CFO)	1,054	741	761	570
Dividends	267	289	311	285
Retained Cash Flow (RCF)	821	376	375	549
Capital Expenditures	(522)	(625)	(730)	(869)
Free Cash Flow (FCF)	265	(173)	(280)	(585)
FFO / Net Debt	16.9%	9.9%	9.6%	11.4%
RCF / Net Debt	12.8%	5.6%	5.2%	7.5%
FCF / Net Debt	4.1%	-2.6%	-3.9%	-8.0%
PROFITABILITY				
EBIT margin %	36.6%	20.1%	22.1%	24.3%
EBITDA margin %	48.7%	34.1%	37.3%	39.5%
INTEREST COVERAGE				
(FFO + Interest Expense) / Interest Expense	6.8x	4.4x	4.6x	6.0x
LEVERAGE				
Debt / EBITDA	4.5x	6.6x	6.6x	6.2x
Net Debt / EBITDA	4.5x	6.6x	6.6x	6.1x
Net Debt / Fixed Assets	57.2%	58.5%	61.1%	60.7%

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end.

Source: Moody's Financial Metrics™

Endnotes

1 Fluvius' investment plan for 2023-32 was revealed in June 2022 and has to be evaluated in a public stakeholder consultation. VREG will formally approve the 10-year investment plan for electricity and gas in autumn 2022.

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