

Investor Presentation

Fluvius System Operator cv

May 2023

fluvius.



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Please read the disclaimer on page 59



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, sewerage, cable networks, district heating and the associated data management
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 a single operating company (Fluvius System Operator) for 11 utilities allows for efficient operations and benefits of scale• Pooling of staff and all operational, financial and management activities at the operating company
Solid 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">• Flanders (<i>Fitch: AA negative; Moody's: Aa3 stable</i>) is Belgium's (<i>Moody's: Aa3 stable</i>) most populated region (6,7 million inhabitants - Jan 2022). Moody's rating of Flanders is based on a strong and protective institutional framework, unquestioned market access and strong debt affordability, strong governance and management, incl. the ability to implement savings (16 Dec 2022)• Fluvius has solid investment grade ratings: A3 (stable) at Moody's – A (stable) at Creditreform
CSR & ESG policy	<ul style="list-style-type: none">• Fluvius is a key partner for the Flemish Energy & Climate Plan, to be implemented through its 2023-2032 Energy Transition for Flanders capex plan• Fluvius itself has developed its Vision 2050 pathway to Flemish climate neutrality• 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. Fluvius is Flanders' largest utility company.
- These 11 intermunicipal shareholders of Fluvius have operations in
 - (1) the regulated electricity and gas distribution (10 intermunicipal DSOs) – 94,8% of FY 2022 turnover
 - (2) the regulated sewerage system (4 intermunicipalities)
 - (3) the contract-based cable network business (4 intermunicipalities)
- Fluvius serves approx. 3,8 million access points for electricity, 2,5 million for gas, 0,7 million for sewerage, 1,2 million for cable networks and 1,2 million public lighting points. Its utility services cover all 300 Flemish municipalities. Fluvius is strategically important to the Flemish Region and the latter's policy aim of realising Europe's climate and energy objectives.



A short introductory film (01:52) via <https://vimeo.com/755433190>

Corporate Profile

Key figures (31 Dec 2022)

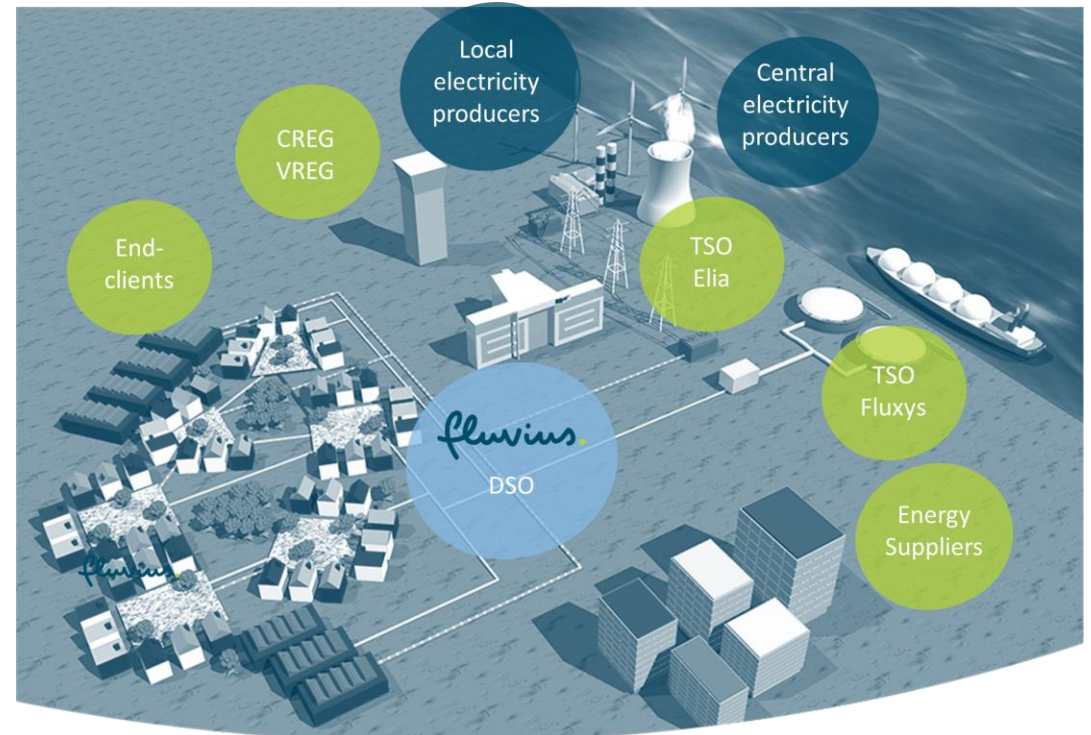
- 8,1 million connections of which
 - 3,8 million for electricity
 - 2,5 million for gas
 - 1,2 million for CATV
 - 0,7 million for sewerage
- 1,2 million public lighting points
- 5.437 employees*
- EUR 1,2 billion gross investments in 2022

* Fluvius System Operator + Fluvius OV

Operating area



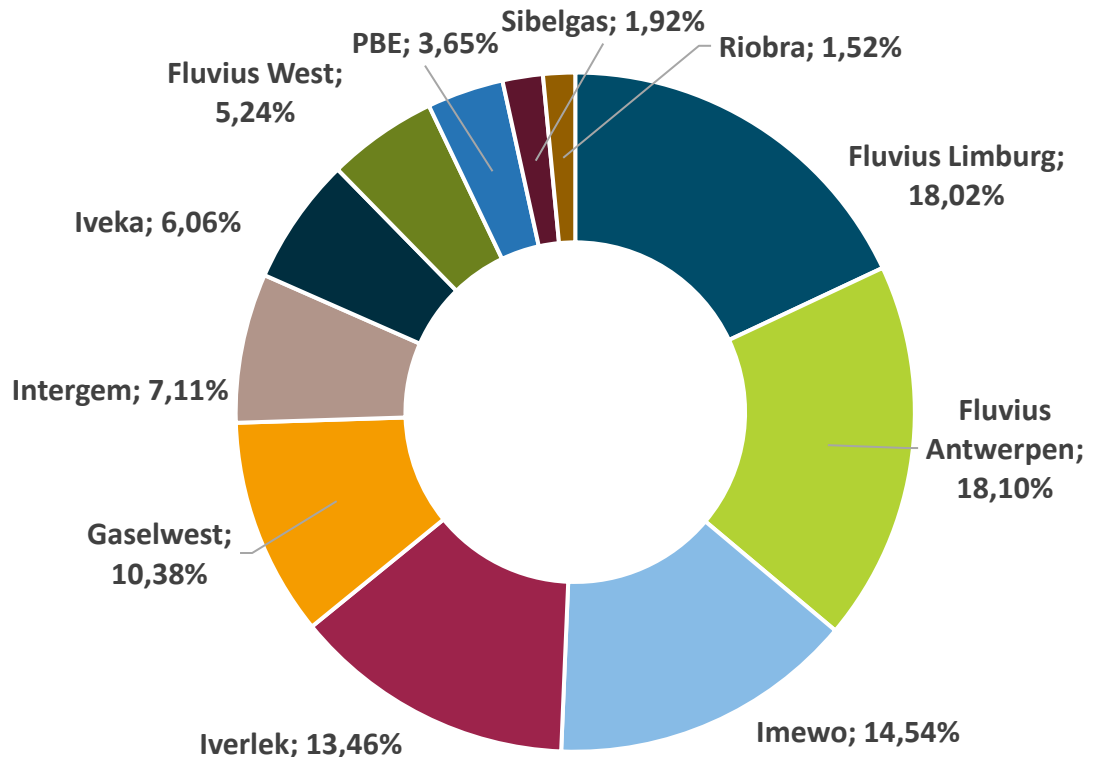
Who's who in the Flemish energy market



Fluvius's Corporate Structure (1/2)



Fluvius System Operator's shareholders: 11 intermunicipalities



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
Network Mgt. & Supply Chain:	Raf BELLERS
Customer Services:	Tom CEUPPENS
Data Management:	Guy COSYNS
Network Operations:	Wim DEN ROOVER
Energy & Climate	
Transition:	Jean Pierre HOLLEVOET
Finance & ICT:	David TERMONT (CFO)
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 of them with Fluvius System Operator as their operating company
- area of operations: entire Flemish Region
- tariffs and shareholder margin set by regulator VREG in regulated tariff methodology
- electricity: 3,8 million access points – 88.129 km LV, 47.146 km MV grid – 30,6 TWh transported – EUR 738,1 million invested (2022)
- gas: 2,5 million access points – 47.842 km low-pressure, 10.070 km mid-pressure grid – 55,9 TWh transported – EUR 242,9 million gross investments (2022)
- EUR 10,63 billion RAB value of networks (end 2022): EUR 6,83 billion (E) and EUR 3,80 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 covering 86 municipalities (= 29% of Flemish municipalities) as per 31 Dec 2022
- legal basis: Flemish Drinking Water Decree (compliant with EU Water Framework Directive) - regulator: Flemish Environment Agency (VMM)
- fixed assets: EUR 1,3 billion – EUR 113,5 million gross investments (2022)
- tarification:
 - 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).
 - 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 operators
 - all profits are reinvested – no dividend pay-outs

Sewerage entities

1. Fluvius Antwerpen
2. Fluvius Limburg

3. Fluvius West
4. Riobra

Cable Networks (CATV)

Characteristics

- cable networks owned by 4 intermunicipalities for 103 municipalities
- regulators: BIPT and VRM
- commercial operations run by telecom operator Telenet, based on 2 LT-contracts (1996 lease contract - 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 (2022: EUR 27,3 million) → other operating income
 - **CAPEX fee:** 6,25% ROI, until 2046, registered as financial revenue (2022: EUR 22,2 million) → financial income
 - **client fee:** 60% on investments, fixed indexed amount until 2046, EUR 5,8 million in 2022 → revenue (95%) and dividends received (5%)
 - **annuity fee:** 40% on original investments, OLO interest, until end of depreciations (currently until 2023), EUR 0,5 million in 2022 → revenue (95%) and dividends received (5%)
 - client fee and annuity fee 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

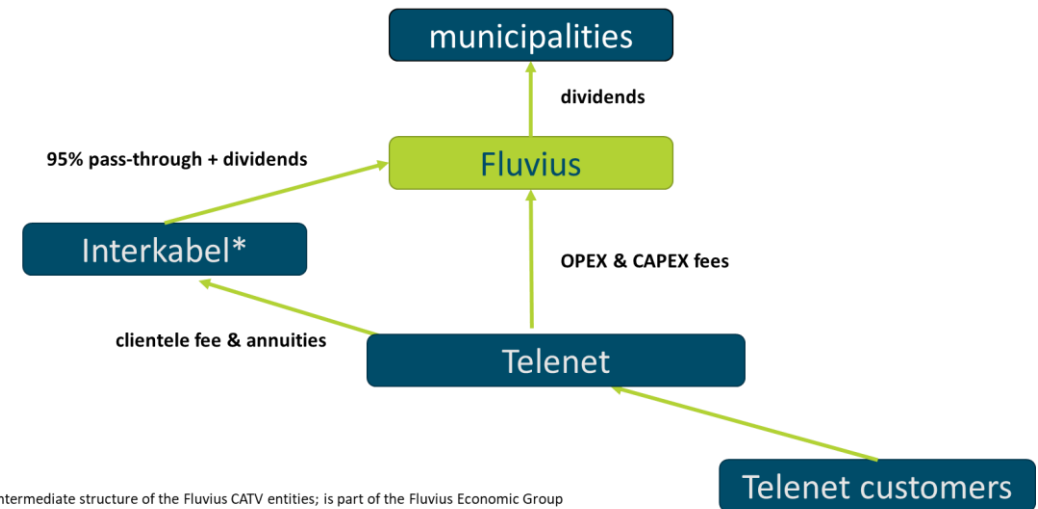


also check slide 14

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 meters for E&G; only digital meters installed since 1 July 2019; total of 4,2 million meters E and 3,2 million meters G to be installed

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; allows detection of energy fraud and innovative services
- enables data manager role for the energy transition

Current status:

- 2,15 million digital meters E&G already installed (Dec 2022)
- simultaneous installation with digital water meter in collaboration with major Flemish water companies since 2022

Public Lighting

Characteristics

Partly regulated activity (e.g. investments in new grids) and partly non-regulated (e.g. new poles and fixtures)

“Public Lighting 2.0”:

- aims at switching entire municipal public lighting (1,2 million lighting points) to LED by 2028 (originally 2030)
- most municipalities have transferred their public lighting infrastructure to the DSO; relevant costs processed through electricity dividend

State of roll-out (Dec 2022): 419.000 LED installed (= 36% of the entire programme completed)

Energy efficiency: 45% energy efficiency gains, consumption volumes down by 17,9%, while total lighting points up by 4,3% (2018-HY2022); for same period CO₂ savings of 20.595 tons

Capex budget: EUR 925,5 million (2020-2028)

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

Fast data network

Agreement with Telenet

[19 July 2022]

Fluvius reached an agreement with **Telenet** on the incorporation of a new digital infrastructure company ('NetCo') for evolving the hybrid fibre coax network in Flanders, incl. FttH technology through own build + collaboration with external partners. NetCo will be independent, self-funding and will offer open access.

Each partner contributes its existing assets; Fluvius also contributes LT lease contracts, but will receive guaranteed dividends. Fluvius will own **33,2%** of NetCo's share capital.

NetCo's operations expected to start mid-2023, after approval by European Commission.



District heating

Characteristics

Fluvius is involved in several local projects, with a focus on the grid (build & maintain) – Fluvius is grid operator in 14 of these projects

Potential projects require:

- 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).

Our data management enables innovative energy services, e.g. P2P sale of renewable energy, energy sharing, flexibility applications etc.

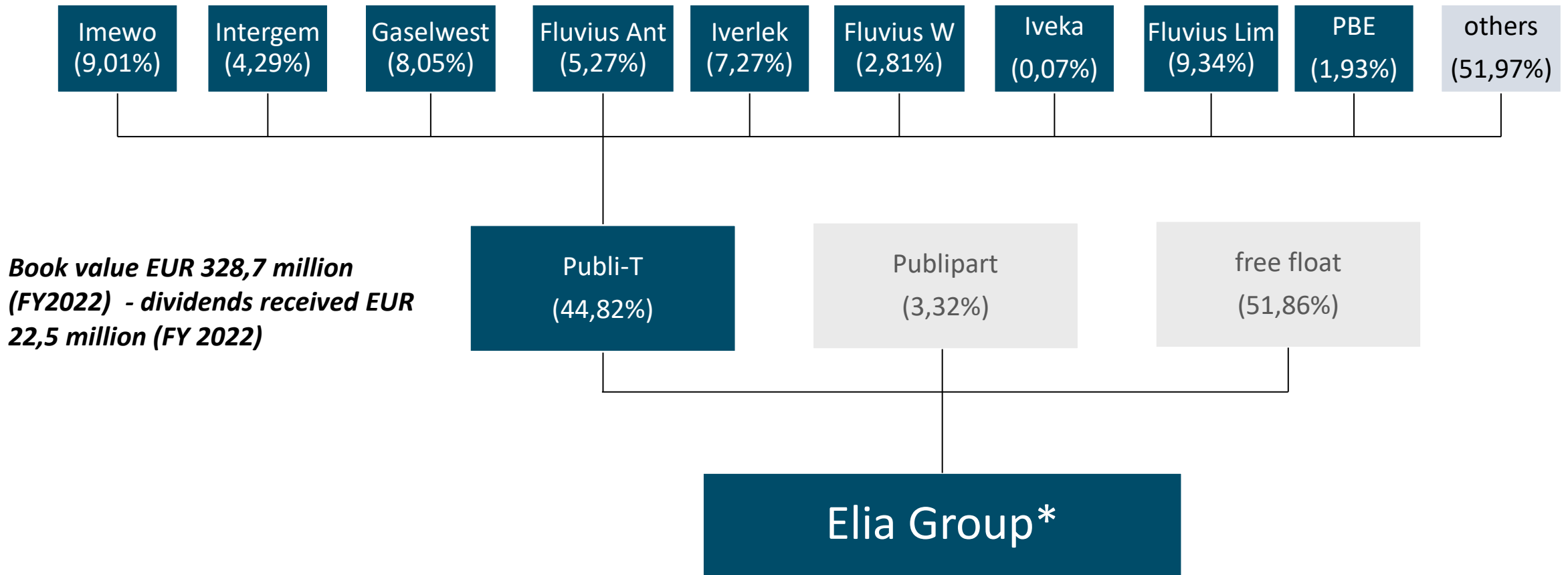
Bound by strict provisions on independent operations and protection of data & privacy (GDPR).

Subsidiary **Atrias** functions as data hub for the Belgian energy sector – Central Market System for Belgium live since 1 November 2021 and fully operational since 31 December 2021.



Fluvius's activities: financial participations (1)

Belgian electricity TSO Elia through Publi-T

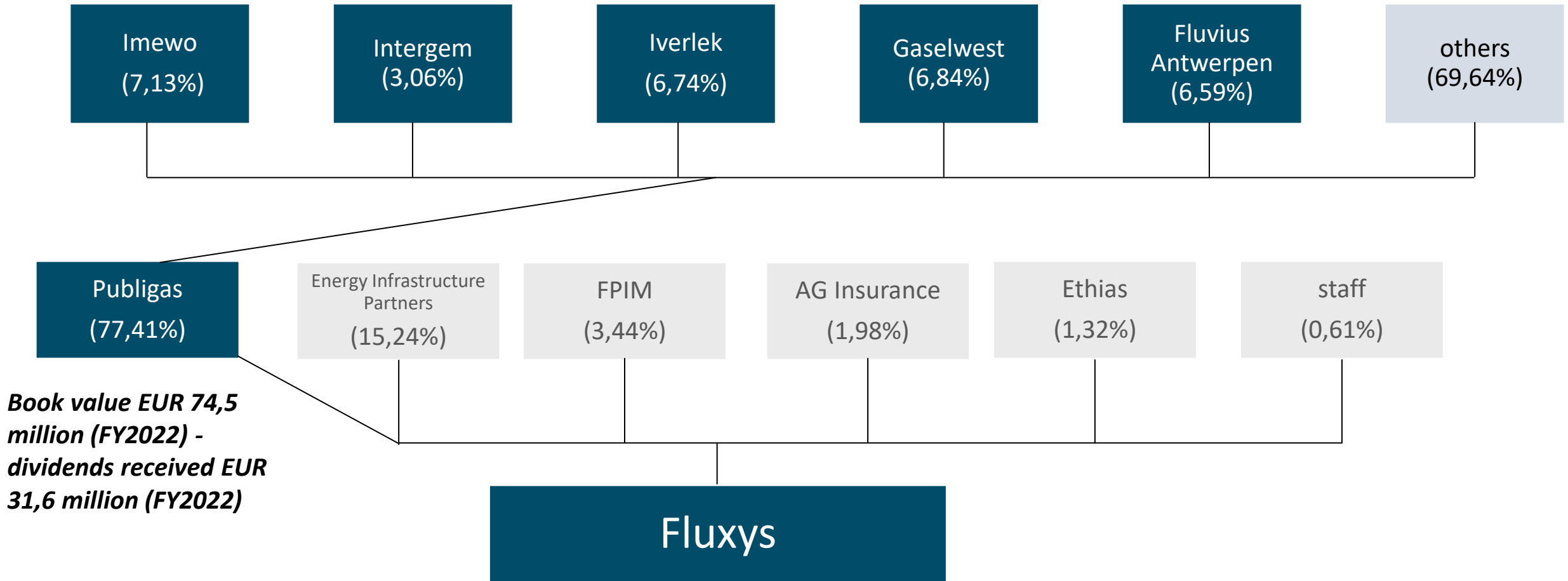


Book value EUR 328,7 million (FY2022) - dividends received EUR 22,5 million (FY 2022)

** including 80% of German TSO 50 Hertz*

Fluvius's activities: financial participations (2)

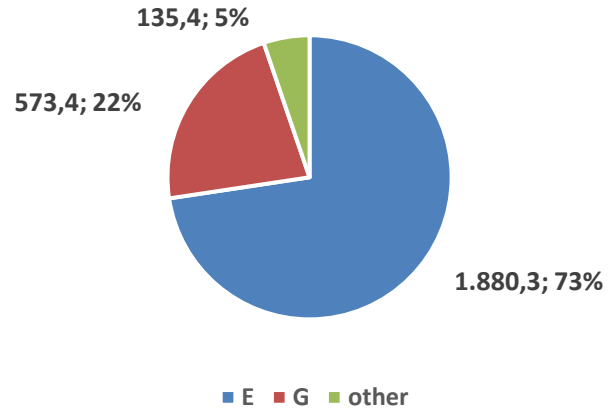
Belgian gas TSO Fluxys through Publigas



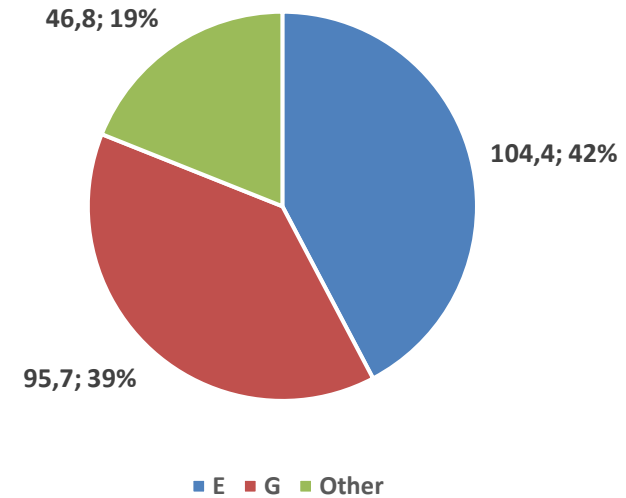
Breakdown of activities



Turnover¹ breakdown 2022 (total of DSOs, BE-GAAP)



Profit breakdown 2022 (total of DSOs, BE-GAAP)



¹: turnover figure "other" differs from 2022 IFRS report due to eliminations between entities of Fluvius Economic Group

Comments

- all figures in million EUR – FY 2022
- other activities include sewerage, CATV distribution, public lighting, financial participations, data management, ...

3. Recent events

2022 Highlights

Jan-Jun: substantial declines in E (-8,4%) and G (-12,7%) consumption volumes due to sharp price hikes – no material negative impact expected on Fluvius’s finances due to war in Ukraine

28 Feb: Autonomous Municipal Company of Knokke-Heist joins Synductis

18 Mar: Fluvius becomes supplier-of-last-resort for customers of a third supplier in financial distress

1 Apr: milestone of 1,5 million installed digital meters reached

1 Jun: EIB loan of EUR 150 million for energy transition infrastructure (5 years at 1,574%)

1 Jul: start of Department Energy & Climate Transition

6 Jul: EUR 500 million EMTN bond issued (10 years at 4,00%)

19 Jul: Fluvius and Telenet announce agreement on NetCo (see slide 14)

Sep-Nov: EUR 200 million in private placements issued (maturities ranging from 12 to 20 years; coupons between 4,254% and 4,778%)



2023 Highlights



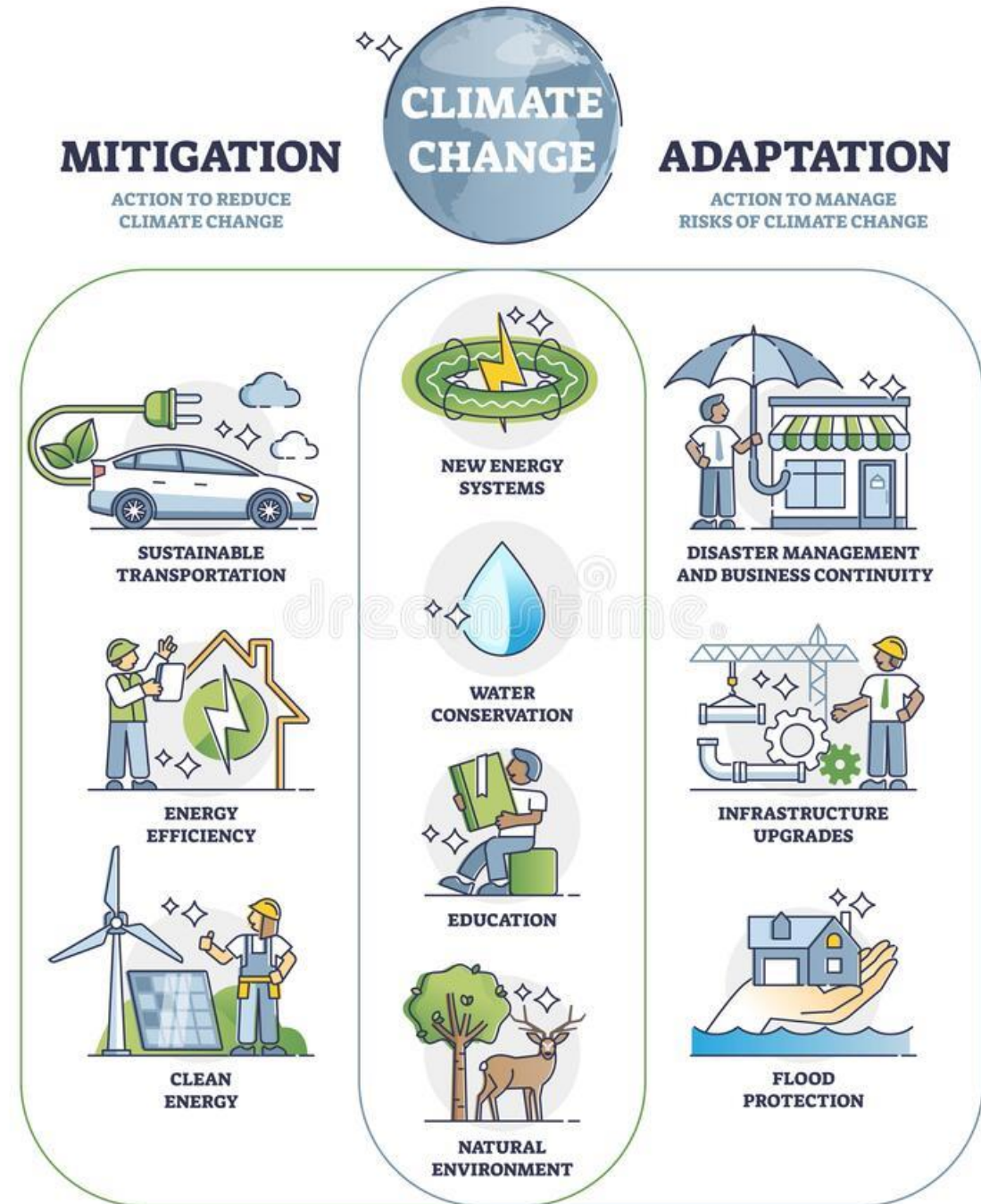
1 Jan: capacity tariff introduced

31 Mar: VREG approves Fluvius's Energy Transition capex plan 2023-2032 and formulates conditions to be met in 2024-2033 update of the plan

4. Corporate Social Responsibility & Sustainability

CSR and sustainability at Fluvius

- Fluvius is an **enabler of sustainability** at our stakeholders (end consumers, local authorities, third parties): increased energy efficiency, decentralized renewables, sustainable mobility, enhanced electrification, ...
- Fluvius invests in the **energy transition** in Flanders:
 - Fluvius implements the Flemish Energy & Climate Plan 2021-2030
 - Dedicated capex plan 2023-2032 Energy Transition (see slide 31) with a clear focus on electrification
- Focus on **climate mitigation** in energy and **climate adaptation** in sewerage.
- Fluvius rigorously applies CSR principles in its **internal policies** on HR, ethics, governance, environmental care, occupational health & safety etc. - all within compliance with legal and regulatory requirements.



FLUVIUS Green Financing Framework



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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 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 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

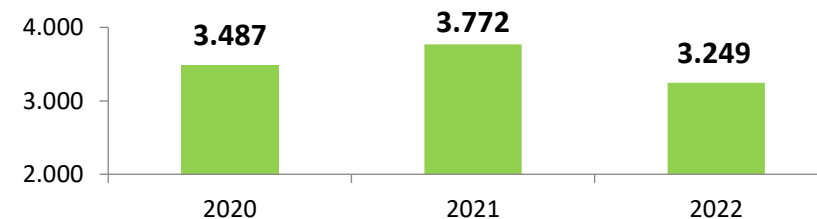
5. Financial Profile

Financial Overview

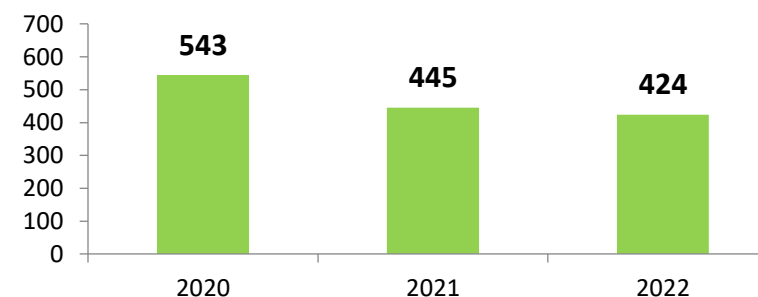
Summary Financials FY 2020-2022 (IFRS, Ec. Group)

(in mio €)	2020	2021	2022
Statement of Profit/Loss			
revenues	2.924	3.038	2.400
operating revenues	3.487	3.772	3.249
operating expenses	-2.945	-3.327	-2.825
result from operations	543	445	424
net financial income/expenses	-69	-43	-14
profit before tax	473	402	410
profit for the period	363	302	346
other comprehensive income	290	451	438
total comprehensive income	652	753	784
Statement of Financial Position			
current assets	927	1.329	1.852
non-current assets	14.899	15.371	15.390
total assets	15.826	16.699	17.242
total equity (attributable to parent)	6.757	7.247	7.823
non-current liabilities	6.933	7.330	7.375
current liabilities	2.136	2.122	2.044
total liabilities	9.069	9.452	9.419
total equity & liabilities	15.826	16.699	17.242
Cash Flow Statement			
net CF from operating activities	816	615	809
net CF from investing activities	-847	-893	-1.020
net CF used in/from financing activities	-2	336	202
net increase/decrease of cash/cash equivalents	-33	58	-9
cash + cash equivalents at 31 Dec	31	89	80

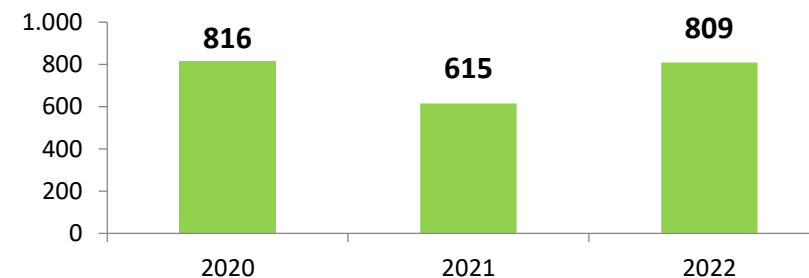
Operating revenue (in mio €)



Result from operations (in mio €)



Net CF from operating activities (in mio €)



Liquidity Facilities (31 Dec 2022)

A	Cash facility / Straight Loan	TOTAL : 225 mEUR (2 banks)	}	total amount: 925 mEUR
B	Revolving Credit	TOTAL : 200 mEUR (1 bank)		
C	Commercial Paper Programme ("Thesauriebewijzen")	TOTAL : 500 mEUR (4 banks)		

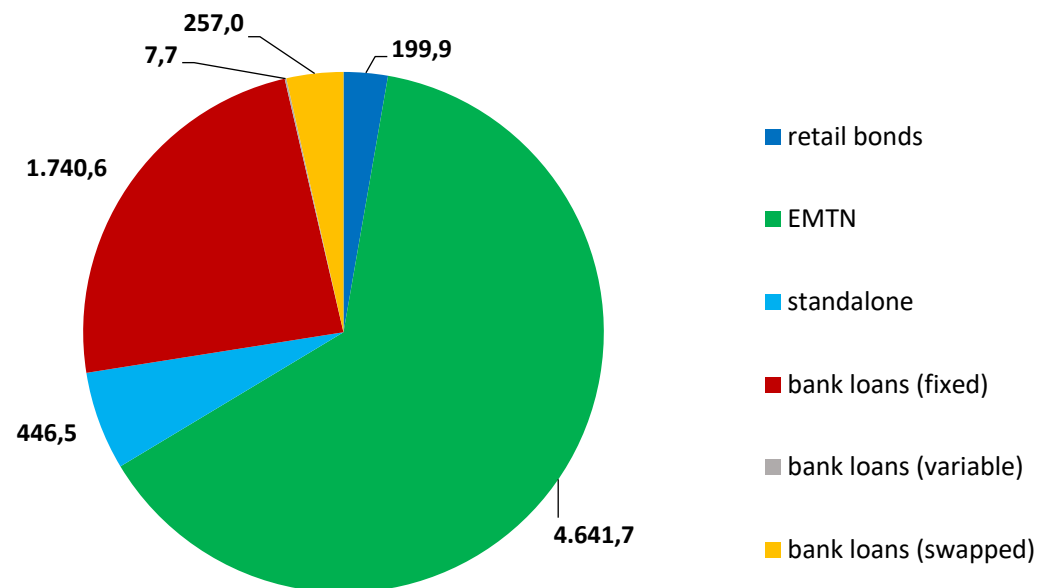
A and B are committed facilities;
C is a non-committed programme

Amounts drawn: 300 million EUR (= 32,4%)

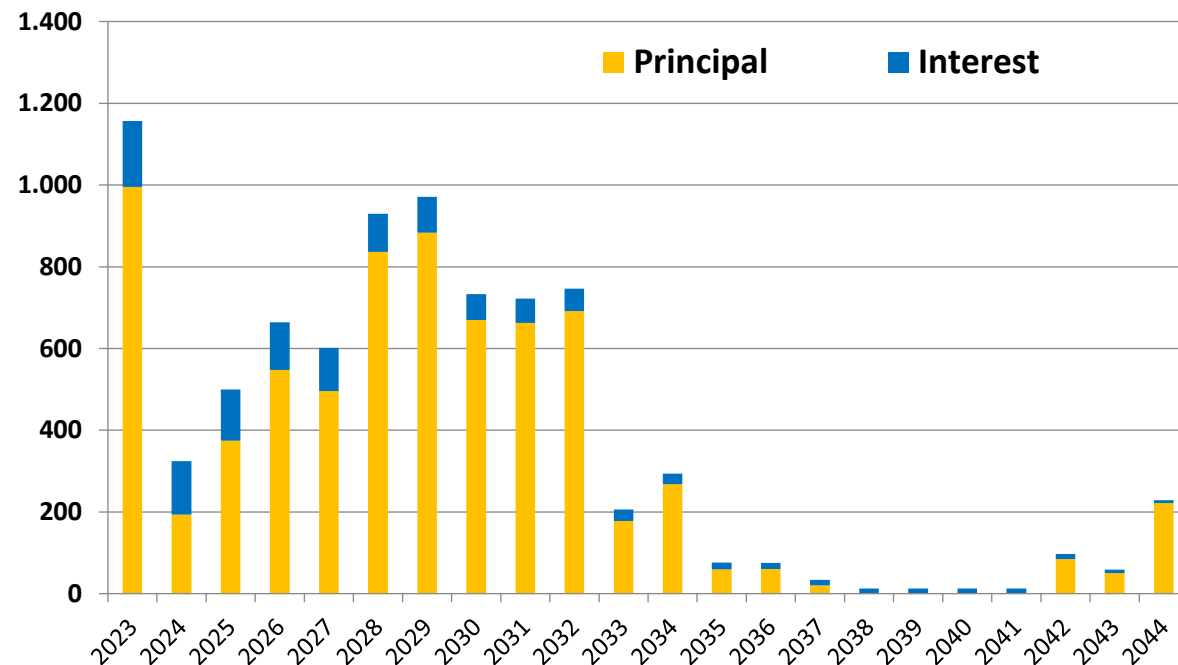
under A: 0 million EUR
under B: 0 million EUR
under C: 300 million EUR

Debt Profile (Fluvius Economic Group, 31 Dec 2022)

LT debt by instrument: 7.293,5 million EUR



Maturity profile of outstanding LT debt (in million EUR)



- average maturity: 6 years 9 months (as per 31 Dec 2022)
- average interest rate: 2,22% (as per 31 Dec 2022)
- last EMTN benchmark transaction: 500 mEUR, settlement 6 July 2022, 10y maturity, 4,00% coupon rate
- total EMTN programme Fluvius: EUR 5 billion EUR (50% already issued)

Financial Overview

Outstanding bonds at Fluvius (as per 31 Dec 2022)

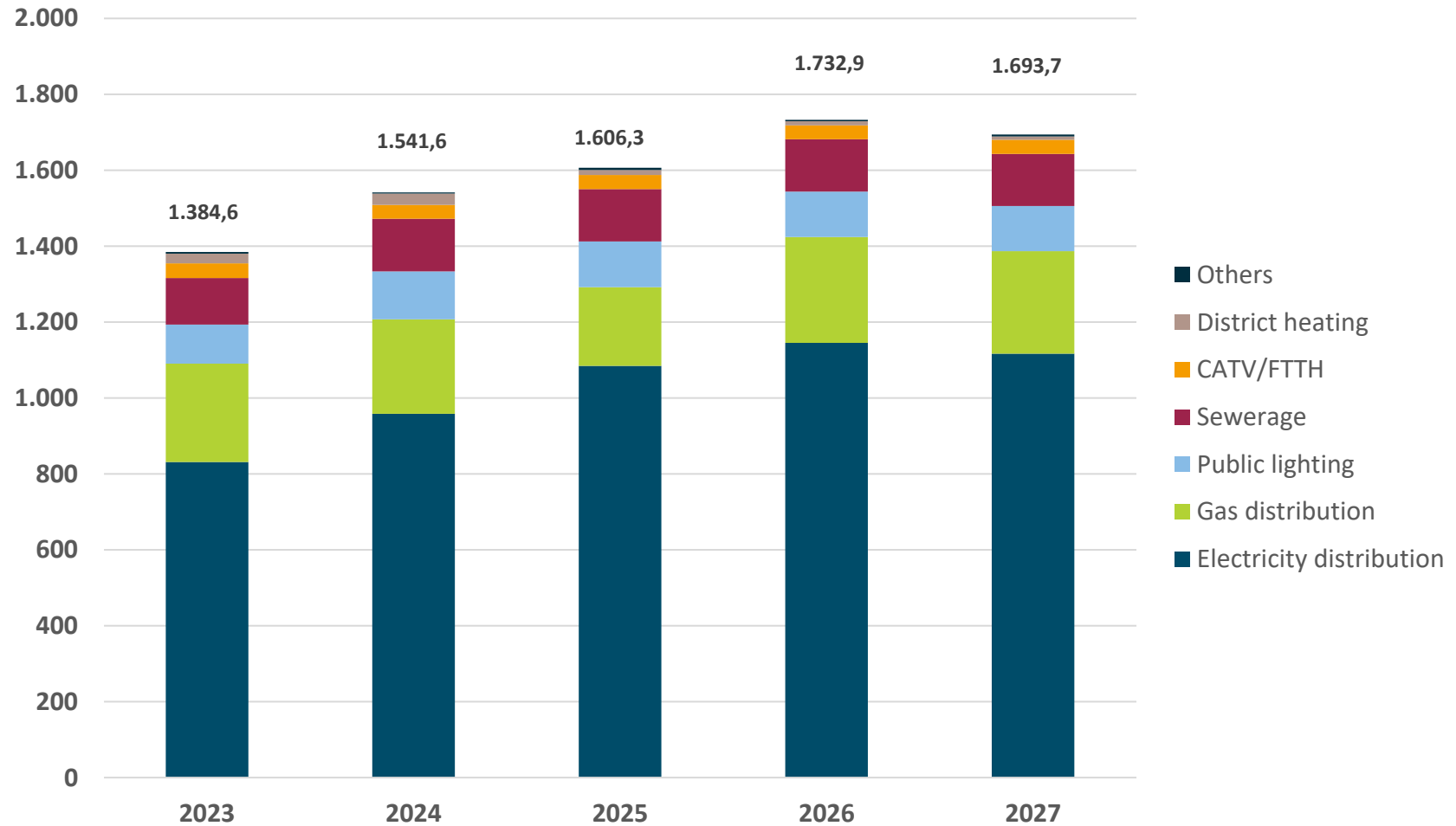


[in order of maturity date]

Type	E = Eandis I = Infrax F = Fluvius	Amount (m€)	Settlement date	Maturity date	Maturity (years)	Coupon
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	F	500	14/06/2021	14/06/2028	7	0,250%
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	2/12/2020	2/12/2030	10	0,250%
EMTN benchmark	F	600	24/11/2021	24/11/2031	10	0,625%
EMTN Private Placement	E	135,5	10/07/2012	10/07/2032	20	3,950%
EMTN benchmark	F	500	6/07/2022	6/07/2032	10	4,000%
EMTN Private Placement	E	20,5	28/03/2013	28/03/2033	20	3,750%
EMTN Private Placement	F	100	8/04/2021	8/04/2033	12	0,810%
EMTN Private Placement	F	50	20/09/2022	20/09/2034	12	4,278%
Private Placement	E	95	27/10/2014	27/10/2034	20	2,600%
Private Placement	F	50	7/11/2022	7/11/2034	12	4,625%
EMTN Private Placement	F	15	15/11/2022	15/11/2034	12	4,610%
Private Placement	E	23	5/03/2014	5/03/2036	22	3,550%
EMTN Private Placement	F	50	28/10/2022	28/10/2042	20	4,778%
EMTN Private Placement	F	35	15/12/2022	15/12/2042	20	4,254%
Namenschuldverschreibung	E	50	24/06/2013	24/06/2043	30	3,500%
Private Placement	E	52	5/03/2014	5/03/2044	30	3,550%
Private Placement	E	170	27/10/2014	27/10/2044	30	3,000%

Financial Overview

Investment budgets 2023-2027 (net investments, in million EUR)



Moody's Corporate Rating of Fluvius

A3 (stable)

Credit strengths:

- robust credit quality of the 11 DSOs that own the company
- strong underlying business risk profile based on its monopoly network assets
- mitigating measures to maintain current credit metrics
- transparent and generally supportive regulatory framework, but relatively short track record
- two-notch uplift for strong links with the Community of Flanders through the provision of essential energy network services

Credit challenges:

- earnings pressure because of a 150 bps decrease in allowed returns on RAB, the suppression of remuneration on revaluation surpluses over 8 years and additional efficiency requirements
- increase in capex in 2022/2023
- historically high dividend distribution, depending on equity/RAB

*from: Moody's Credit Opinion
(19 September 2022)*



MOODY'S
INVESTORS SERVICE

CREDIT OPINION
19 September 2022

Update

Send Your Feedback

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

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.

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)**
- **10 Sep 2020 – 29 Oct 2021: A3 (negative)**
- **since 29 Oct 2021: A3 (stable)**

Creditreform's Corporate Rating of Fluvius

A (stable)

Credit positives:

- government-related company, 100% public shareholders
- strategic importance for Flanders: largest multi-utility and E/G coverage in all municipalities
- transparent and supportive regulatory framework
- low business risk profile as operations mostly regulated and benefits from LT contracts
- predictable earnings and cash flows
- debt taken by Fluvius System Operator guaranteed by DSOs

Credit negatives:

- capital-intensive business, high fixed costs
- limited upside potential given revenue cap
- ongoing investments required for normal operations as well as to foster energy transition in Flanders

*from: Creditreform Rating Action
(22 August 2022)*

Rating history:

- **18 Jan 2017 - 27 Oct 2020: A+ stable**
- **27 Oct 2020 - 16 Aug 2022: A+ negative**
- **16 Aug 2022 – present: A stable**

Creditreform Corporate Issuer / Issue Rating
Fluvius System Operator CV

Creditreform
Rating

Rating object	Rating information	
Fluvius System Operator CV Creditreform ID: 2000000589 Incorporation: 1 July 2018 Based in: Melle, Belgium Main (Industry): Utilities CEO: Frank Vanbrabant	Corporate Issuer Rating: A / stable	Type: Update Solicited Public rating
	LT/LC Senior Unsecured Issues: A / stable	Other: n.r.
Rating date: 16 August 2022 Monitoring until: withdrawal of the rating Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Government Related Companies" CRA "Rating Criteria and Definitions" Rating history: www.creditreform-rating.de		
<u>Rating objects:</u> Long-term Corporate Issuer Rating; Fluvius System Operator CV Long-term Local Currency (LT/LC) Senior Unsecured Issues		

6. 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

Solid credit ratings:
investment grade ratings from Moody's and Creditreform Rating



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fluvius.



7. 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 as 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

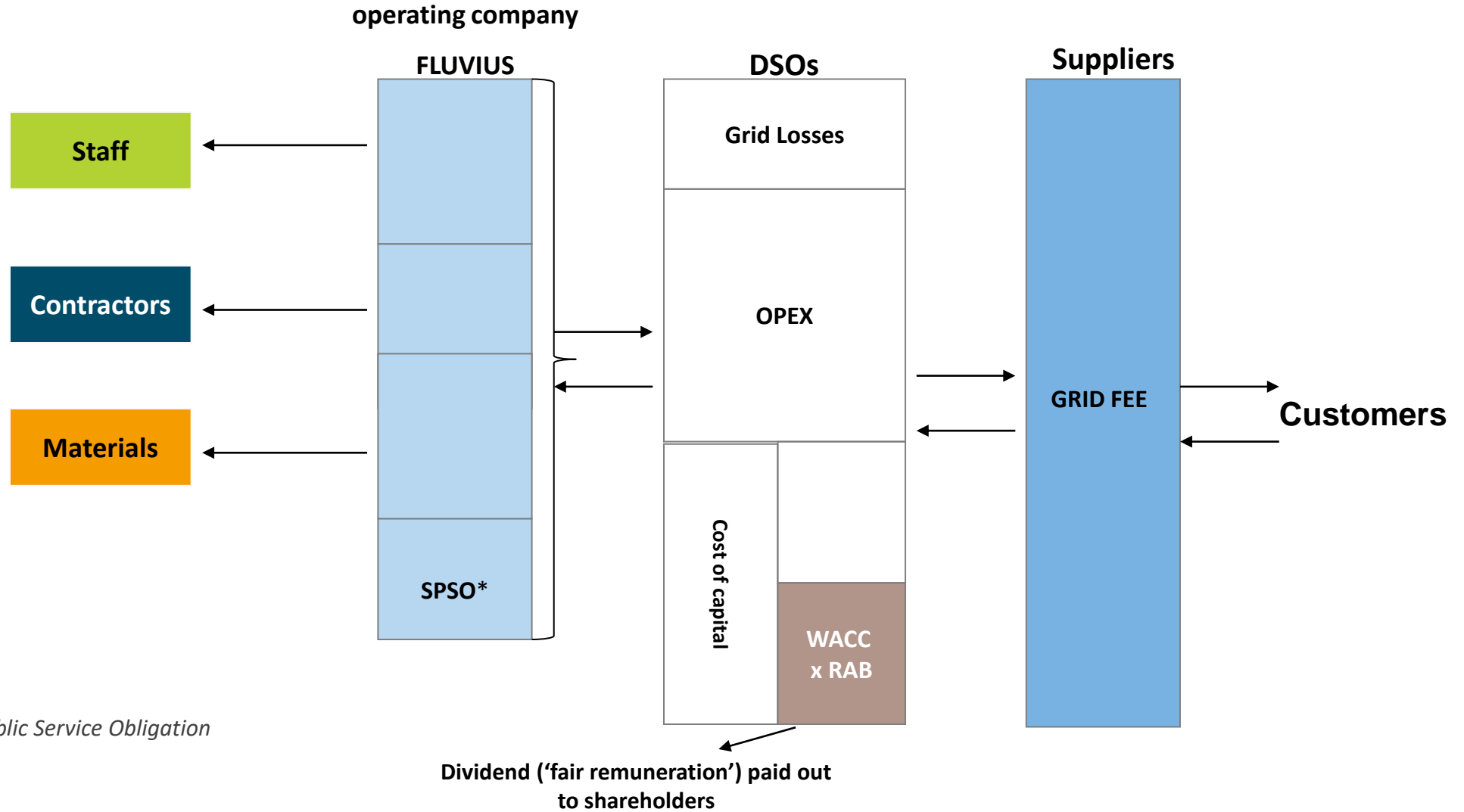
Fluvius's activities

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 – 2022: 14,4 million EUR for E and 7,1 million EUR for G (2021-2024: 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

Cash Cycle E&G distribution



* SPSO = Social Public Service Obligation

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 (cfr. Flemish Energy & Climate Plan 2021-2030),
 - 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** sets 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 grids



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 carbon footprints.

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

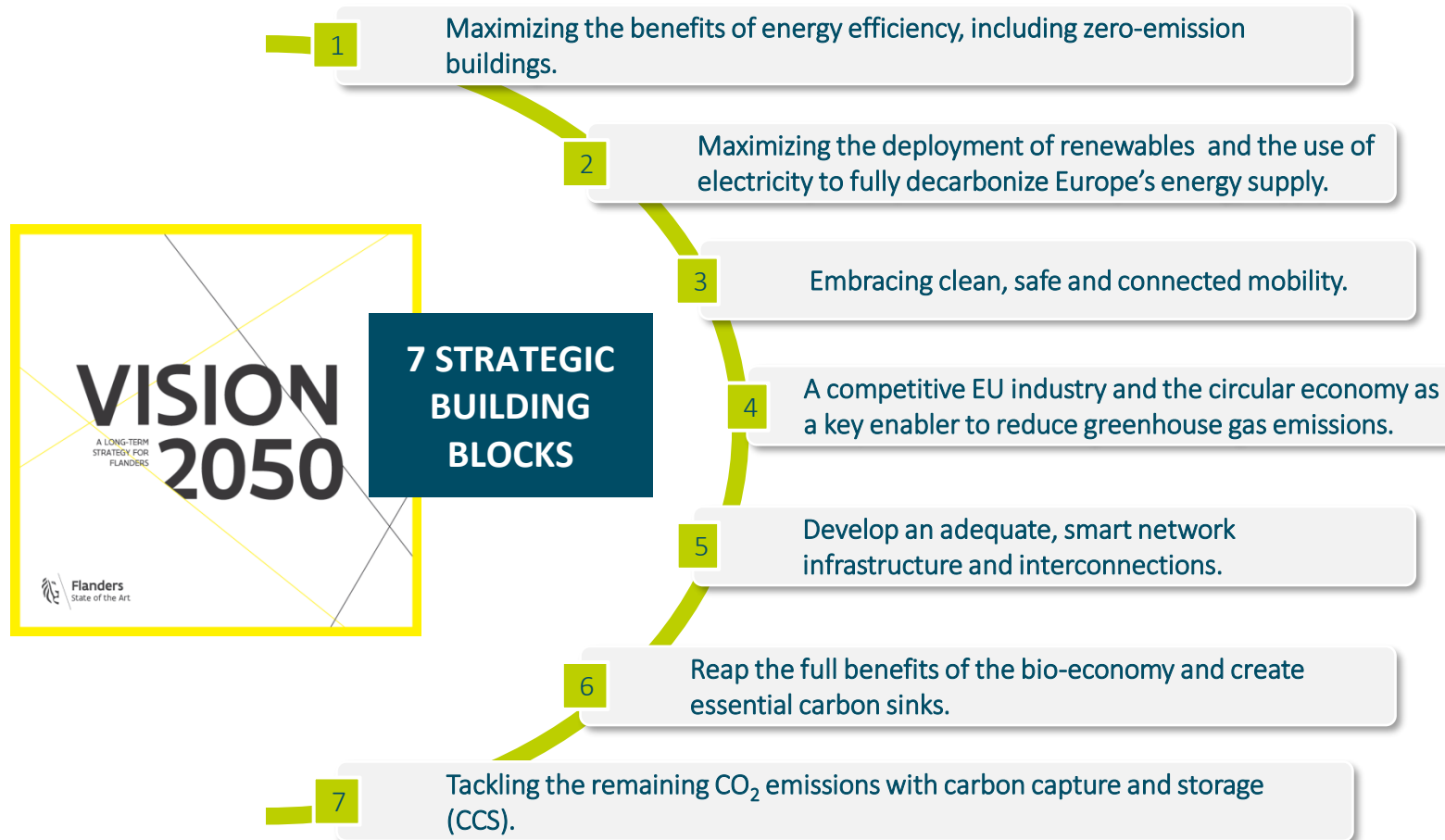
we create new possibilities for our customers

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 and investment policy supports the Flemish strategy by aiming at:

- building infrastructure to enable the energy transition
- 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.

Climate ambition

Carbon Footprint Fluvius

Fluvius wants to respect the goals set in the Paris climate agreements and takes the appropriate measures regarding its activities.

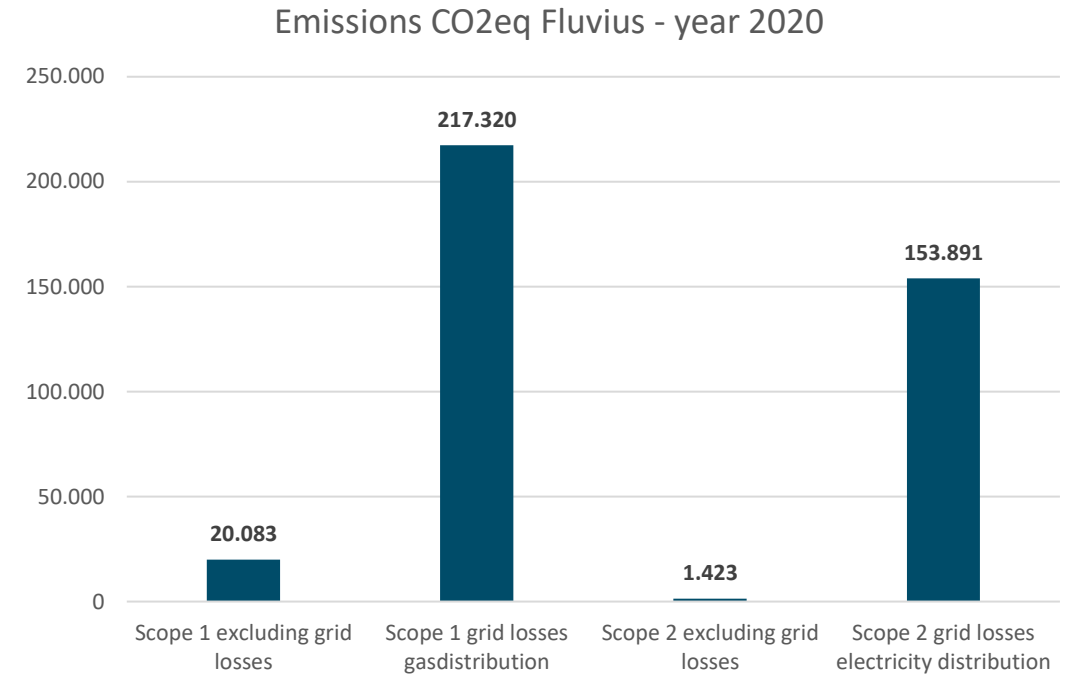
- annual measurement of carbon emissions according to international standards (GHG Protocol)
- split into 2 groups:
 - carbon emitting activities with direct control (scope 1 & scope 2): e.g. emissions from own transport, use of gas for heating buildings, etc...
 - carbon emitting activities with indirect control (scope 1 & scope 2): emissions from grid losses of electricity & gas distribution
- carbon emissions scope 3 will be calculated in 2023

Climate ambition

Calculation

- Base year 2020 (numbers in ton CO₂eq)

	2020
Scope 1 excluding grid losses	20.083
Scope 1 grid losses gas distribution	217.320
Scope 2 excluding grid losses	1.423
Scope 2 grid losses electricity distribution	153.891
Total emissions direct control	21.507
Total emissions indirect control	371.211
Total emissions Fluvius	392.717



Climate ambition

Targets & roadmap

Ambition:

For carbon emissions of all our activities we strive towards being a net zero organisation by 2050

- In the activities under our direct control, we set an SBTi inspired target, i.e. a minimum reduction of carbon emissions by 30% in 2030 (compared to base year 2020)
- In 2023, we will calculate our scope 3 carbon emissions and draw up an action plan for reducing these emissions, in collaboration with our supply chain partners
- In 2050, we are a Net-Zero organisation for carbon emissions of all activities
- We periodically evaluate the feasibility to become a carbon-neutral company

Our vision for the sewerage activity

1. Sewerage systems substantially contribute to climate adaptation. Flanders is an area with high water stress.
2. Fluvius unequivocally endorses (i) the EU objectives for clean surface water and (ii) the Flemish Blue Deal on the rational use of water.
3. We aim to:
 - reduce the use of drinking water in Flanders
 - use water in a circular way and to re-install the natural rainwater cycle
 - make our sewerage grids future-proof (separation of rainwater/wastewater, digitalization and automation)
 - share grid status data with partners in the water chain to avoid peak loads and to buffer water whenever possible



Green bond: allocation & impact reporting



Allocation Reporting

Fluvius's report discusses the allocation of its net proceeds during the lifetime of outstanding Green Financing Instruments. The allocation report presents 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 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

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: 361 on 4 sites (Mechelen, Ghent, Ypres and Hasselt) – managing director: Luc Van Ammel
- Established: 28 December 2006

- Operates at cost price (no margin/profit) for its shareholders
- Consolidated according to the integral method
- Financials 2021 (BE-GAAP)
 - Balance sheet total: EUR 2.735.230
 - Contribution: EUR 265.400
 - Debt: EUR 2.469.830, all of it ST debt
 - Turnover: EUR 19.943.246

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 a central market system (launched November 2021)
- 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 (34,38%), De Watergroep, TMVW, IWVA, Proximus, Pidpa, Aquafin and Autonomous Municipal Company Knokke-Heist – collaboration agreements with the Flemish public transport company De Lijn and the Flemish Agency for Roads & Traffic - open for other utilities to join
- Board: 10 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 2021 (BE-GAAP)
 - Balance sheet total: EUR 1.618.604
 - Contribution: EUR 21.700
 - Debt: EUR 1.596.904 (only ST debt / no LT debt)
 - Turnover: EUR 1.908.752

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)
- **CV** = cooperative company (coöperatieve vennootschap)
- **DSO** = Distribution System Operator (distributienetbeheerder, DNB)
- **EBITDA** = Earnings Before Interest, Taxes, Depreciation and Amortization
- **FttH** = Fibre-to-the-Home
- **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 (transmissienetbeheerder, 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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