

CREDIT OPINION

9 August 2023

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 for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

- Maurice Loewe, CFA +49.69.70730.893
AVP-Analyst
maurice.loewe@moodys.com
- Maxime Amalvict, +33.1.5330.5985
CFA
Associate Analyst
maxime.amalvict@moodys.com
- Andrew Blease +33.1.5330.3372
Associate Managing Director
andrew.blease@moodys.com

Fluvius System Operator CV

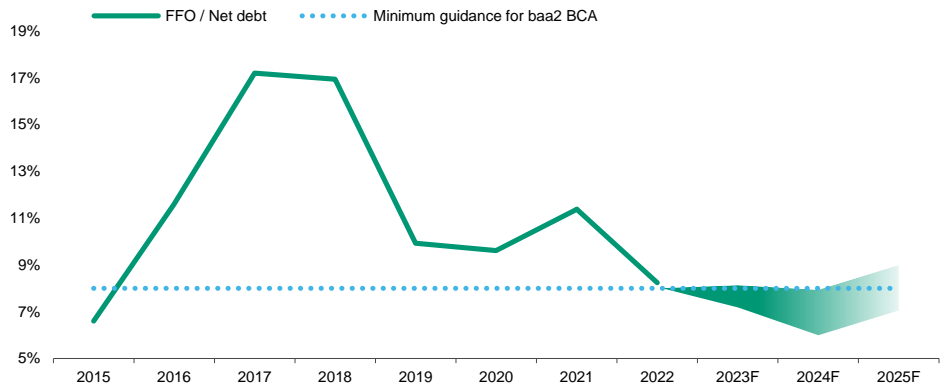
Update to credit analysis

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 (see 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).

Exhibit 1
Fluvius' financial metrics likely to remain close or even slightly below our downgrade guidance



Financial metrics for 2015-17 are for the Eandis Economic Group, and metrics for 2018-25 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. The current regulatory period runs from 2021 to 2024. The new regulatory period will apply from 2025. Minor changes have been made to reflect current market conditions. 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
- » Increasing capital spending for investments in the electricity network needed to support the energy transition alongside investments for the accelerated deployment of LED public lighting and the ongoing rollout of smart 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-19	Dec-20	Dec-21	Dec-22	12-18 month forward view
(FFO + Interest Expense) / Interest Expense	4.4x	4.6x	6.0x	5.0x	4-5x
Net Debt / Fixed Assets	58.5%	61.1%	62.4%	63.0%	64-68%
FFO / Net Debt	9.9%	9.6%	11.4%	8.2%	7-8%
RCF / Net Debt	5.6%	5.2%	7.5%	5.3%	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

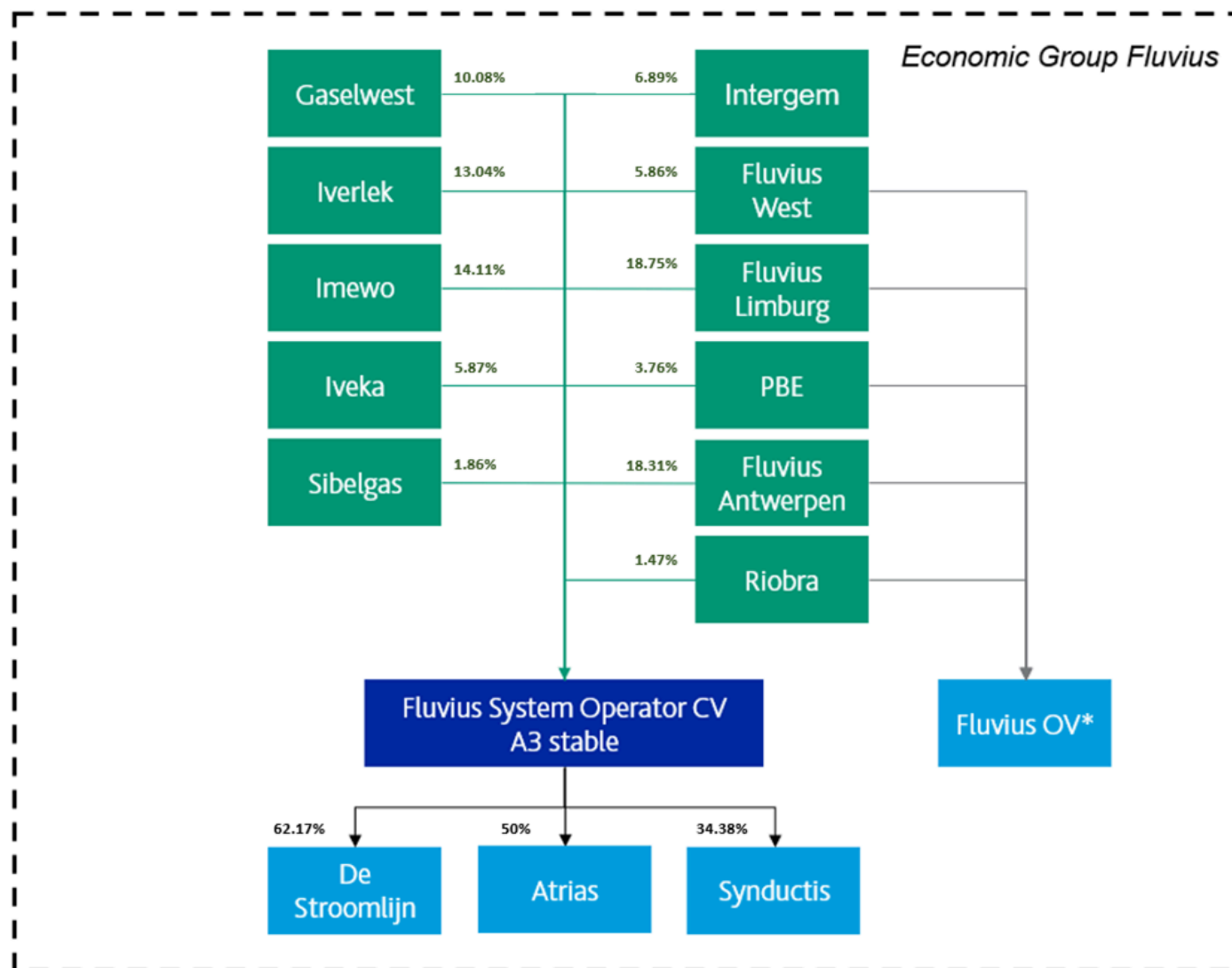
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

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 operating electricity and gas distribution networks in the Flemish Region in Belgium. Fluvius was formed through the merger of Eandis and Infrac 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 95% of its operating profit from the regulated energy distribution activities in 2022, with the remaining 5% derived predominantly from regulated sewage and contract-based cable television network operations. The group also holds small district heating infrastructure in selected areas.

Exhibit 3

Simplified organisational structure of the Fluvius Economic Group



* Fluvius OV employs all ex-Infrac statutory employees since 1 April 2019.

Source: 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 from 1 January 2025 (delayed, initially meant to be effective from 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 (see Exhibit 3).

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

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, will likely be finalised towards the second half of 2024 with first consultations currently ongoing.

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 the 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 4).

Exhibit 4

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 linear bond (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.

Source: 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. However, Fluvius does not expect to apply for or receive advances in 2023 and 2024.
- » 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.
- » 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, of which €30 million can only be realised by additional cost savings unrelated to the merger. It has not yet been determined how VREG will evaluate Fluvius' performance.

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 2016-20. They will be paid back 50% in 2022 and 50% in 2023.

For 2022, the electricity result is below previous forecasts because of higher decommissioning costs, endogenously manageable costs above the budget, a decrease in cost of grid losses and reconciliation revenue, and higher financial costs. This is partly compensated by higher margin on public service obligations and additional revenue derived from the difference between real and expected inflation. For gas, the 2022 result is above the initial forecast, as decommissioning costs were lower and Fluvius had a higher margin on public service obligations. Like for electricity, the inflationary effects were favourable.

The 2023 regulated results will be substantially below initial projections because of the repayment of advances, leading to a lower allowed income, higher costs for grid losses and as was in 2022, higher financing costs.

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 have been 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 that 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 was 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. Mitigating measures may not be

sufficient for the Fluvius Economic Group to maintain credit metrics in line with its ratio guidance. Subject to the new regulatory framework and in light of increasing capital spending, capital injections might become necessary.

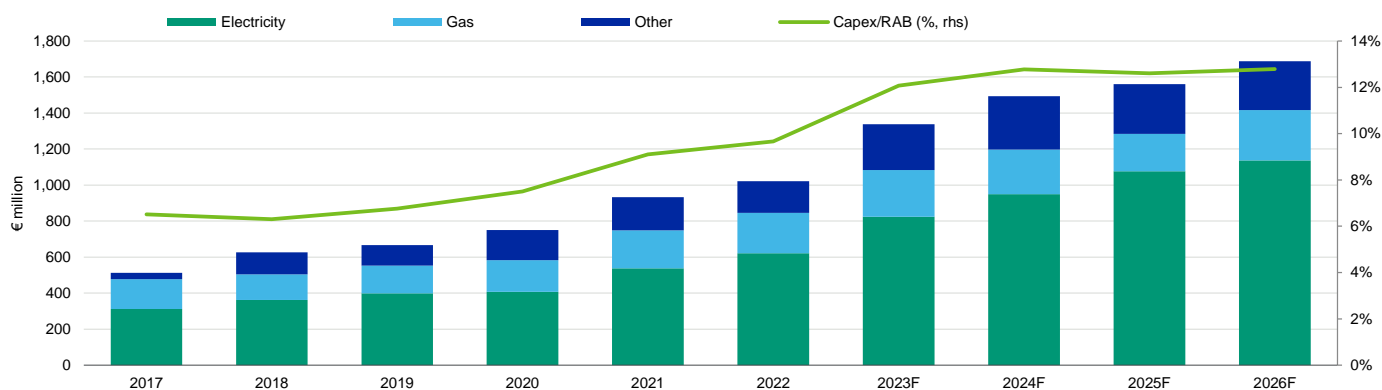
Capital spending and dividend payout will be high, weighing on financial metrics

The company forecasts a substantial increase in its capital spending, reaching up to €1.7 billion in 2026. This compares with capital spending of around €965 million in 2021 and €1.05 billion in 2022. The 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 and 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. Investments in public lighting will be accelerated, leading to investment needs of up to €120 million per year until 2026. The targeted completion date was pulled forward to 2028 from 2030.

Most of Fluvius' investments will be in its regulated electric and, to a lesser extent, in its gas distribution network businesses, which will increase the company's RAB (including smart meters). Gas-related expenditures beyond 2025 will likely be focused on maintenance expenditures given the Flemish government's decision to prohibit new gas grids from 2026. Based on Fluvius' Energy Transition capital spending plan, the budget for regular gas investments in a 'keep-it-running' scenario will further decline to just €66 million by 2030, a reduction of 25% compared with the previous budget plan. 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 5

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



Data for 2017 are for the Eandis Economic Group, and metrics for 2018-26 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 partly mitigated by the introduction of an advance mechanism in the 2021-24 regulatory period. A decision on advances is made by the regulator each October for the subsequent year (for example, October 2023 for advances in 2024). Fluvius has received around €43 million of advances in 2021 and €22 million in 2022. For 2023, no advances have been requested, and this is expected for 2024 as well. As discussed in the section "Further decrease in allowed returns..." a repayment of €72.1 million will be deducted from the allowed income in 2023.

The Fluvius Economic Group has been paying large dividends to its shareholders in recent years, with €221 million in 2022 and €285 million in 2021, with a dividend payout in excess of 80% of net income during the 2018-21 period. 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 is applied since 2022, leading to a lower dividend payout than under the previous policy (around 64% in 2022).

On 19 July 2022, Fluvius announced that it entered into a binding agreement with Telenet for setting up a new company focused on fibre connections. In May 2023, Fluvius and Telenet obtained official clearance by the European Commission. The company started operations in early July 2023 under the commercial name "Wyre," in which Fluvius holds a 33.2% share via the newly established

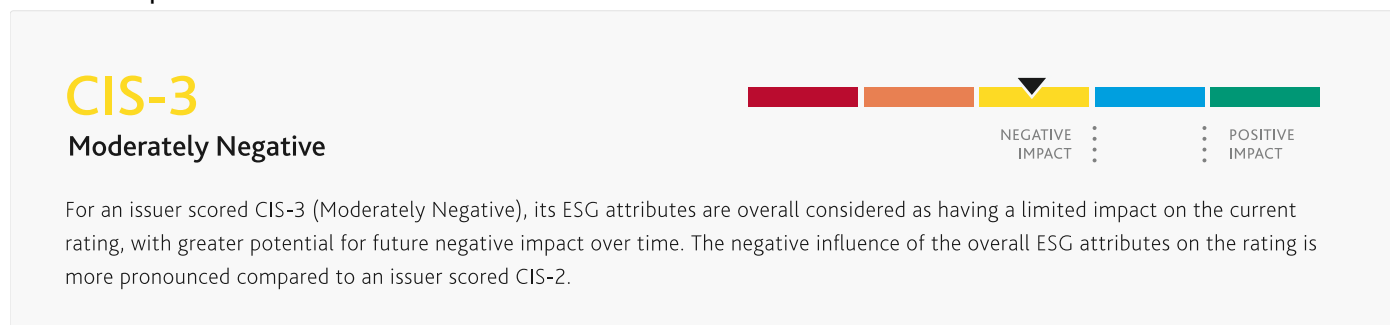
holding company above Wyre, equivalent to the value of its contributed assets (mainly hybrid fibre-coaxial). Capital spending is likely to be paid by internally generated cash flow of the newly created joint venture, and no capital contributions from Fluvius are required. We expect a minor decline in revenue because the annuity fees for the contributed assets are no longer paid to Fluvius and dividend payments are unlikely during the ramp-up phase of Wyre. To compensate Fluvius shareholders for the loss of current dividends coming from related activities, over a six-year period starting in 2024, there will be an annual €20 million payment to the municipalities via a shareholder loan. This is a pass-through item for Fluvius.

ESG considerations

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

Exhibit 6

ESG Credit Impact Score



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 7

ESG Issuer Profile Scores



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 95% of its operating profit from its regulated electric and gas distribution network activities with a substantial, although decreasing, share from gas (around 40% of its regulated asset base in 2020). 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's 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 Moody's.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.

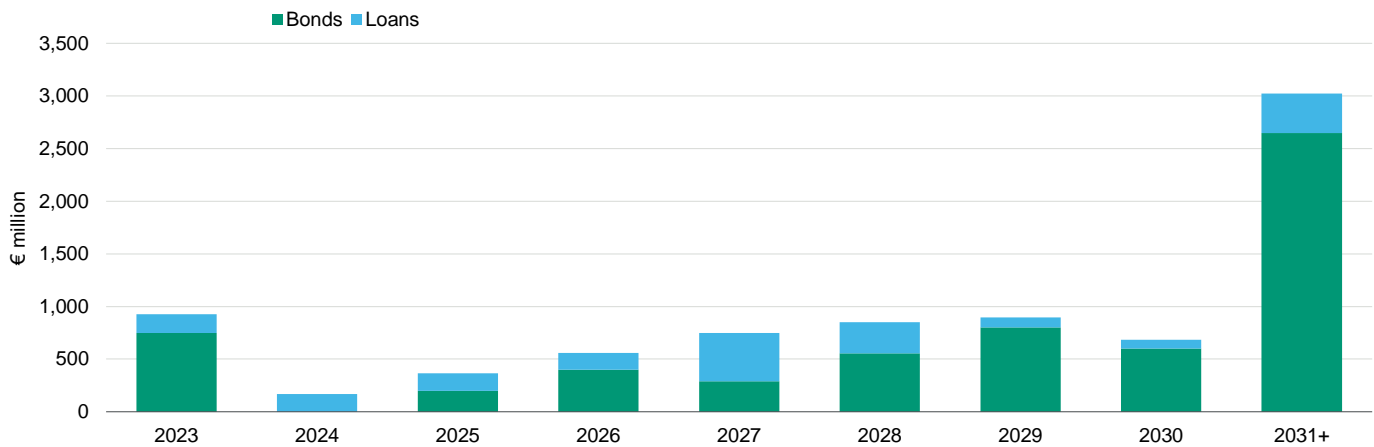
Liquidity analysis

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 8

Debt maturity profile for the Fluvius Economic Group

As of 30 June 2023



Source: 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 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 €30 million were drawn as of 30 June 2023. The committed credit facilities are unused (both as of 30 June 2023). 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 9

Rating factors

Fluvius System Operator CV

Regulated Electric and Gas Networks Industry[1][2]	Current FY 12/31/2022		Moody's 12-18 Month Forward View As of 7/31/2023 [3]	
	Measure	Score	Measure	Score
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)				
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)	5.2x	A	4x - 5x	A
b) Net Debt / Fixed Assets (3 Year Avg)	62.2%	Baa	64% - 68%	Baa
c) FFO / Net Debt (3 Year Avg)	9.7%	Ba	7% - 8%	Ba
d) RCF / Net Debt (3 Year Avg)	6.0%	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 31/12/2022.

[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 10

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 11

Peer comparison

Numbers presented for the Fluvius Economic Group

(in EUR million)	Fluvius Economic Group Not Rated			Terega SA Baa2 Stable			2i Rete Gas S.p.A. Baa2 Negative			RESA S.A. A2 Negative		
	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	
	Dec-20	Dec-21	Dec-22	Dec-20	Dec-21	Dec-22	Dec-20	Dec-21	Dec-22	Dec-20	Dec-21	Dec-22
Revenue	2,924	3,038	2,400	460	488	799	702	722	695	295	328	365
EBITDA	1,091	1,201	1,005	279	285	306	503	527	508	121	128	126
Total Debt	7,181	7,415	7,647	1,925	1,450	1,457	2,853	3,297	3,254	576	569	593
Net Debt	7,149	7,326	7,567	1,442	1,437	1,422	2,666	2,854	3,208	545	537	552
(FFO + Interest Expense) / Interest Expense	4.6x	6.0x	5.0x	5.4x	6.8x	9.9x	7.7x	8.0x	7.6x	15.6x	15.2x	14.4x
Net Debt / Fixed Assets	61.1%	62.4%	63.0%	81.5%	80.6%	77.5%	79.8%	80.0%	80.4%	39.8%	38.4%	38.9%
FFO / Net Debt	9.6%	11.4%	8.2%	14.0%	15.5%	17.2%	14.1%	14.3%	12.3%	20.2%	19.5%	17.7%
RCF / Net Debt	5.2%	7.5%	5.3%	10.0%	11.6%	11.6%	12.2%	9.9%	9.1%	16.7%	16.0%	14.3%
Net Debt / EBITDA	6.6x	6.1x	7.5x	5.2x	5.0x	4.6x	5.3x	5.4x	6.3x	4.5x	4.2x	4.4x

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

Source: Moody's Financial Metrics™

Exhibit 12

Debt adjustment breakdown

Numbers presented for the Fluvius Economic Group

(in EUR million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22
As Reported Total Debt	6,337	6,633	7,238	7,645
Pensions	428	547	177	2
Moody's Adjusted Total Debt	6,765	7,181	7,415	7,647
Cash & Cash Equivalents	(65)	(31)	(89)	(80)
Moody's Adjusted Net Debt	6,700	7,149	7,326	7,567

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

Source: Moody's Financial Metrics™

Exhibit 13

Select Moody's-adjusted historical financials
Numbers presented for the Fluvius Economic Group

(in EUR million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22
INCOME STATEMENT				
Revenue	2,991	2,924	3,038	2,400
EBITDA	1,020	1,091	1,201	1,005
EBITDA margin %	34.1%	37.3%	39.5%	41.9%
EBIT	602	647	738	470
EBIT margin %	20.1%	22.1%	24.3%	19.6%
Interest Expense	194	188	168	156
Net income	325	351	427	274
BALANCE SHEET				
Total Debt	6,765	7,181	7,415	7,647
Cash & Cash Equivalents	65	31	89	80
Net Debt	6,700	7,149	7,326	7,567
Net Property Plant and Equipment	11,453	11,707	11,738	12,014
Total Assets	15,060	15,712	16,242	16,888
CASH FLOW				
Funds from Operations (FFO)	665	686	834	623
Cash Flow From Operations (CFO)	741	761	570	809
Dividends	289	311	285	221
Retained Cash Flow (RCF)	376	375	549	402
Capital Expenditures	(625)	(730)	(869)	(1,040)
Free Cash Flow (FCF)	(173)	(280)	(585)	(452)
INTEREST COVERAGE				
(FFO + Interest Expense) / Interest Expense	4.4x	4.6x	6.0x	5.0x
LEVERAGE				
Debt / EBITDA	663.1%	658.3%	617.2%	761.1%
Net Debt / EBITDA	656.7%	655.4%	609.7%	753.1%
Net Debt / Fixed Assets	58.5%	61.1%	62.4%	63.0%

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

Source: Moody's Financial Metrics™

Endnotes

1 On 31 March 2023, Fluvius' updated investment plan for 2024-32 has been approved by the VREG.

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.