

# Investor Presentation

Fluvius System Operator cv

September 2023

fluvius.



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*Please read the disclaimer on page 55*



# Executive Summary



<b>Strategic Importance to the Flemish Region</b>	<ul style="list-style-type: none"><li>• Fluvius covers 100 % of the municipalities of the Flemish Region</li><li>• Fluvius operates essential utility services for Flemish society: electricity &amp; gas distribution, public lighting, sewerage, district heating and the associated data management</li></ul>
<b>Favourable Regulatory Environment for Energy (Revenue Cap)</b>	<ul style="list-style-type: none"><li>• The energy DSOs have a legally based regional monopoly for electricity &amp; gas distribution</li><li>• Tariff mechanism with a 4-year regulatory period based on a revenue cap model, including a fair profit margin as remuneration on invested capital</li></ul>
<b>Efficient Operating Scheme</b>	<ul style="list-style-type: none"><li>• Group structure with a single operating company (Fluvius System Operator) for 11 intermunicipal utilities allows for efficient operations and benefits of scale</li><li>• Pooling of staff and all operational, financial and management activities at the operating company</li></ul>
<b>Solid Cash Flow Visibility</b>	<ul style="list-style-type: none"><li>• Predictable revenue streams across all activities</li></ul>
<b>Low Risk Profile</b>	<ul style="list-style-type: none"><li>• Low business risk – the DSOs and other intermunicipalities are not involved in competitive activities</li><li>• Intermunicipalities own 100% of their network infrastructure</li></ul>
<b>Favourable Economic Dynamics</b>	<ul style="list-style-type: none"><li>• 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)</li><li>• Fluvius has a solid investment grade rating of A3 (stable) at Moody's</li></ul>
<b>CSR &amp; ESG policy</b>	<ul style="list-style-type: none"><li>• Fluvius is a key partner for the Flemish Energy &amp; Climate Plan, to be implemented through its annually updated Energy Transition for Flanders capex plan</li><li>• Fluvius itself has developed its Vision 2050 pathway to Flemish climate neutrality</li><li>• Sustainable Development Goals (SDGs) are at the heart of Fluvius's impact-based CSR strategy</li></ul>

# 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)
- Fluvius serves approx. 3,8 million access points for electricity, 2,5 million for gas, 0,7 million for sewerage and 1,2 million public lighting points. Its energy 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)

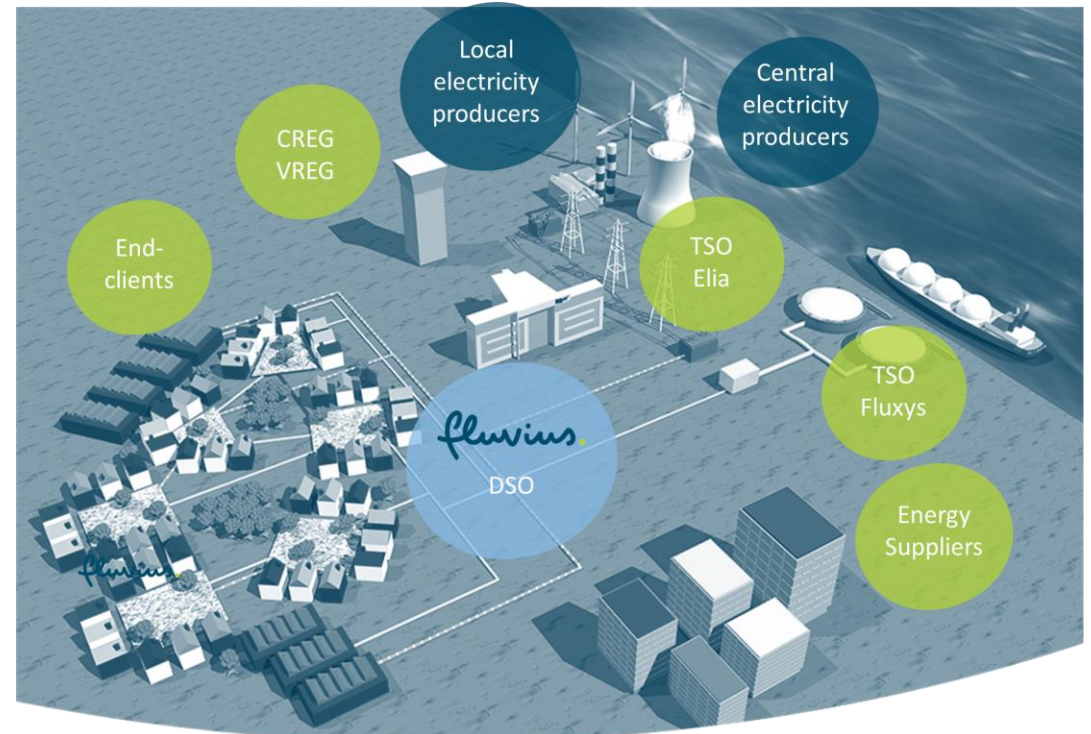
- 8,1 million connections of which
  - 3,8 million for electricity
  - 2,5 million for gas
  - 0,7 million for sewerage
- 1,2 million public lighting points
- 5.437 employees\*
- EUR 1,2 billion gross investments in 2022

\* Fluvius System Operator + Fluvius OV

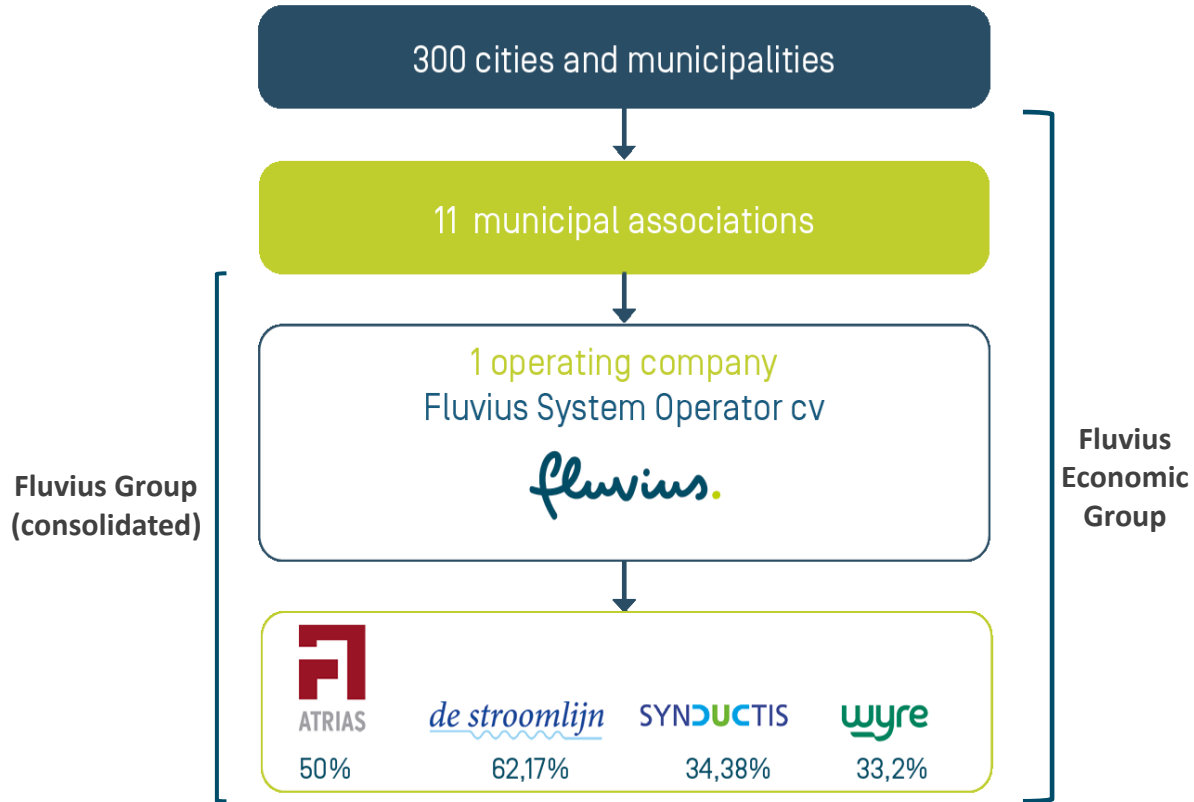
## Operating area



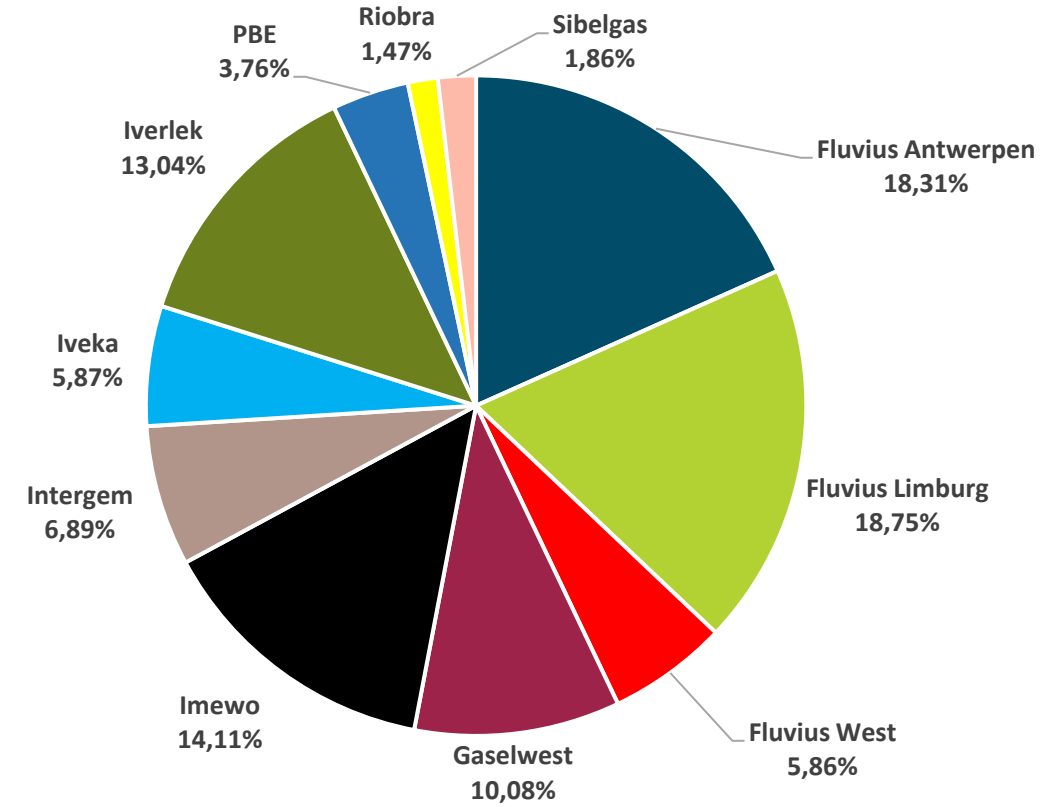
## Who's who in the Flemish energy market



# Fluvius's Corporate Structure as from 1 July 2023 (1/2)



Fluvius System Operator's shareholders: 11 intermunicipalities



# 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 19 members
- responsible for general strategy & policy, financing, Fluvius corporate matters

## Fluvius Management Committee

CEO:	Frank VANBRABANT
Network Management:	Raf BELLERS
Network Operations:	Tom CEUPPENS
Customer Services & Data Management:	Guy COSYNS
Network Operations: Energy & Climate	Wim DEN ROOVER
Transition:	Jean Pierre HOLLEVOET
Finance, Legal & ICT:	David TERMONT (CFO)
HR:	Ilse VAN BELLE
Strategy:	Filip VAN ROMPAEY



*Frank VANBRABANT, CEO*



# Corporate Strategy

## Our mission

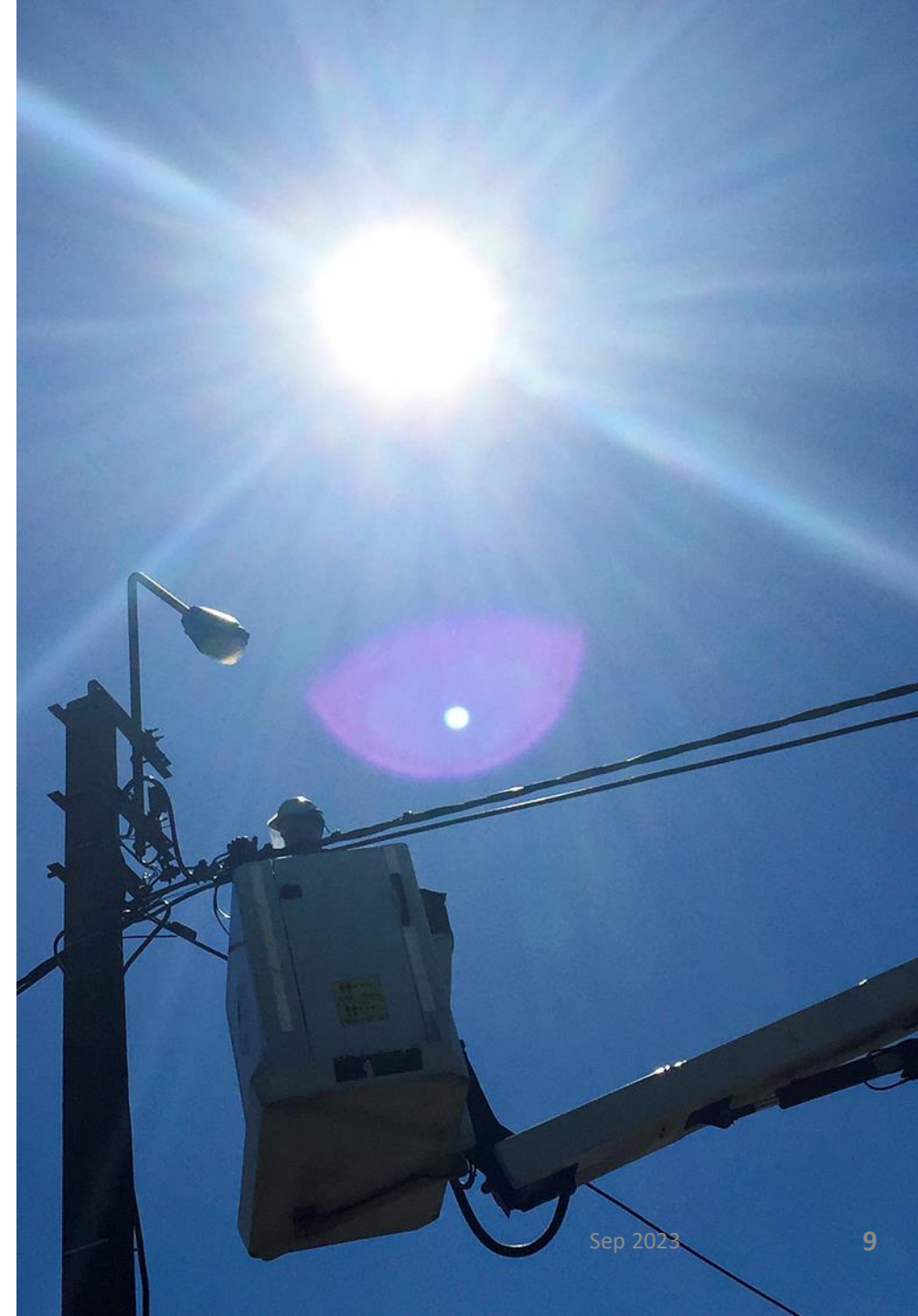
Sustainably connect society through our multi-utility networks.

## 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)
- tariffication:
  - 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

# 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 CO<sub>2</sub> 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

## Wyre: a Fluvius/Telenet joint venture

Fluvius and Telenet have established the joint venture Wyre for building the data network of the future in Flanders and parts of Brussels. By upgrading the existing network and building a new fibre network, Wyre's ambition is to provide everyone with the best possible connection to an open-access and non-discriminatory network.

- Fluvius's participation: 33,2% in Wyre Holding, the 100% holding controlling the operational company Wyre
- Wyre's operational start: 1 July 2023
- Wyre aims at 100.000 fibre connections by end 2023



fluvius.

wyre

# 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.

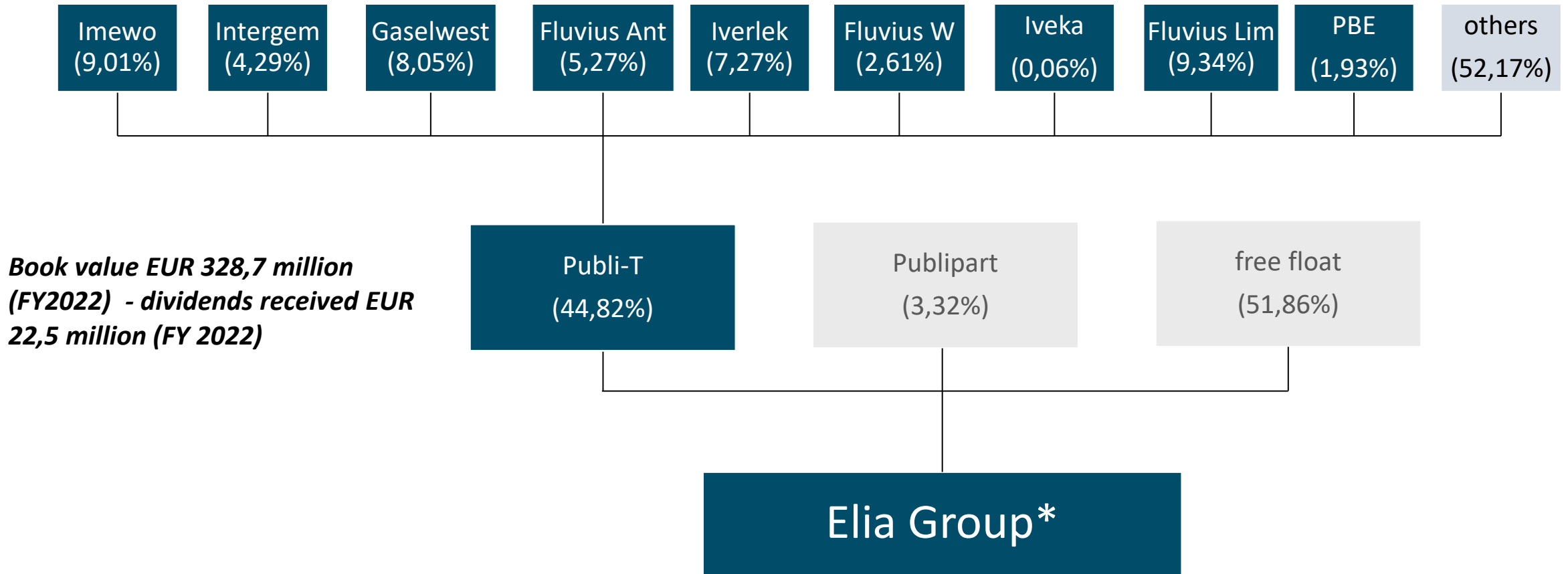
Bound by strict provisions on independent operations and protection of data & privacy (GDPR).

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)

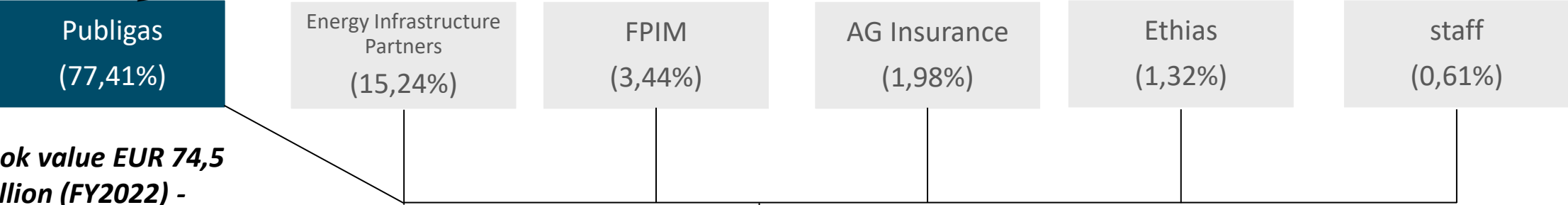
## Belgian electricity TSO Elia through Publi-T



\* including 80% of German TSO 50 Hertz

# Fluvius's activities: financial participations (2)

## Belgian gas TSO Fluxys through Publigas



**Book value EUR 74,5 million (FY2022) - dividends received EUR 31,6 million (FY2022)**

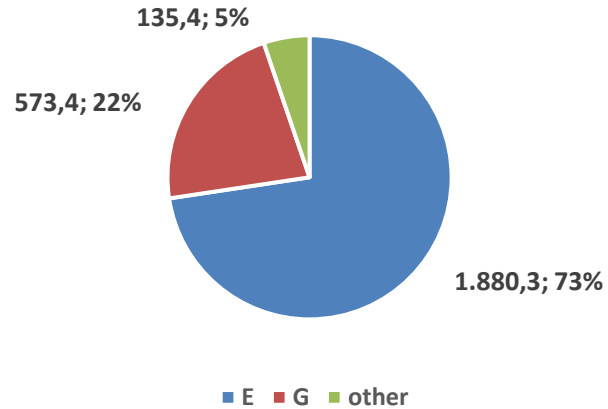




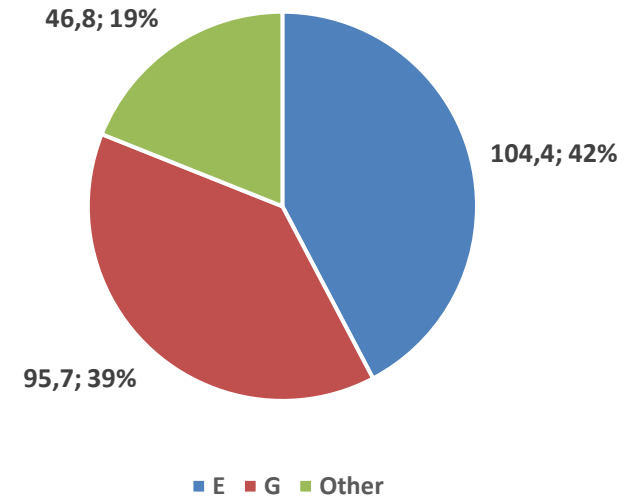
# Breakdown of activities



## Turnover<sup>1</sup> breakdown 2022 (total of DSOs, BE-GAAP)



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



<sup>1</sup>: 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

# 2023 Highlights



**1 January:** capacity tariff introduced

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

**18 April:** clearance for NetCo by Belgian Competition Authority

**end of April:** 2,5 million digital meters installed

**9 May:** 700 mEUR 10 y EMTN institutional bond at 3,875% coupon

**31 May:** clearance for NetCo by European Commission

**23 June:** subscription to new shares Publi-T (Elia Group's reference shareholder) for EUR 116,32 million following a capital increase at Elia Group in 2022 that Publi-T subscribed to

**28 June:** 240 mEUR 4y green retail bond at 4,000% coupon

**28 June:** Riobra's duration extended until 29 March 2037

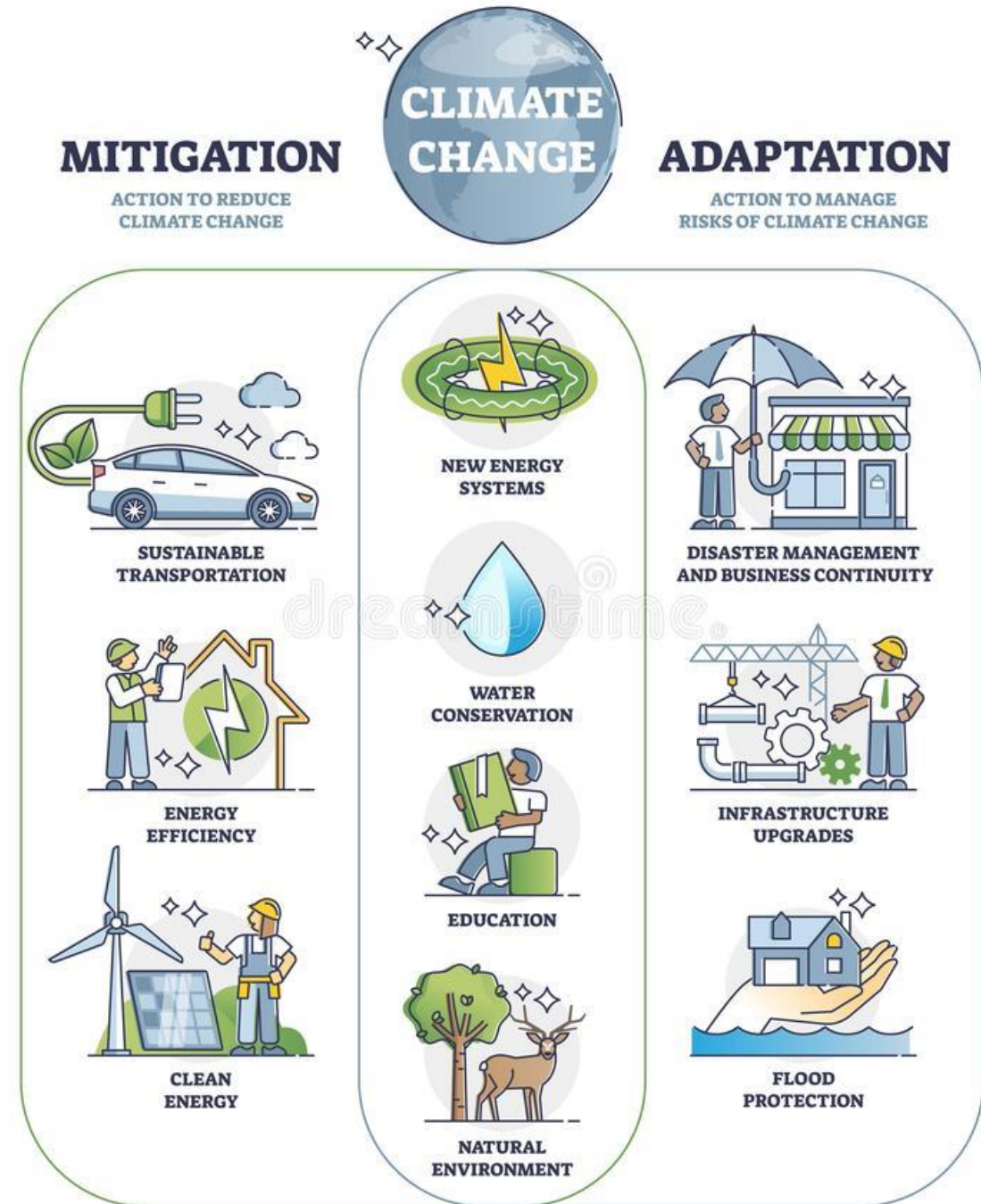
**1 July:** NetCo's name changed into Wyre and start of the new company's operations

# 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 2023 Green Financing Framework



## 1° Use of Proceeds

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

## 2° Process for Project Evaluation & Selection

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

## 3° Management of Proceeds

- The process for the management of proceeds is handled by Fluvius's Corporate Finance team, which monitors and keeps track of the amount of net proceeds from GFI instruments and the investments made in Eligible Green Projects.
- Fluvius 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 until the full allocation of the proceeds of Green Financing Instruments.
- Fluvius will request external assurance on the allocation and impact of the Green Financing Instruments issued under this Green Financing Framework.

## 5° External Review

- ISS-ESG delivered a Second Party Opinion (29 May 2023) certifying that the Fluvius Green Financing Framework is aligned with:
- climate change mitigation and adaptation, and the Do No Significant Harm criteria, but not aligned with the Minimum Safeguards requirements
  - the Green Bond Principles (GBP) developed by the International Capital Markets Association (ICMA), as well as the Green Loan Principles (GLP) developed by the Loan Market Association (LMA)
  - the Green Bond Standards as proposed by the European Union



\* 3 of the EU Taxonomy's Environmental Objectives

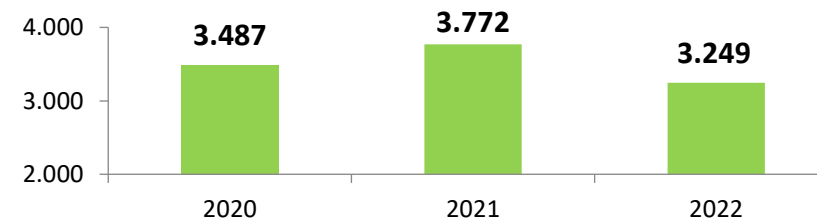
# 5. Financial Profile

# Financial Overview

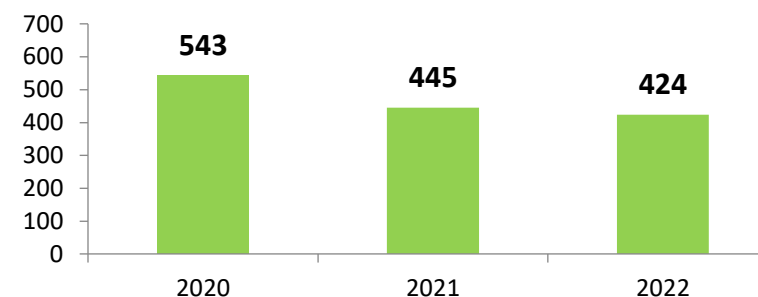
## Summary Financials FY 2020-2022 (IFRS, Ec. Group)

(in mio €)	2020	2021	2022
<b>Statement of Profit/Loss</b>			
revenues	2.924	3.038	2.400
operating revenues	3.487	3.772	3.249
operating expenses	-2.945	-3.327	-2.825
<b>result from operations</b>	<b>543</b>	<b>445</b>	<b>424</b>
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
<b>total comprehensive income</b>	<b>652</b>	<b>753</b>	<b>784</b>
<b>Statement of Financial Position</b>			
current assets	927	1.329	1.852
non-current assets	14.899	15.371	15.390
<b>total assets</b>	<b>15.826</b>	<b>16.699</b>	<b>17.242</b>
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
<b>total liabilities</b>	<b>9.069</b>	<b>9.452</b>	<b>9.419</b>
<b>total equity &amp; liabilities</b>	<b>15.826</b>	<b>16.699</b>	<b>17.242</b>
<b>Cash Flow Statement</b>			
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

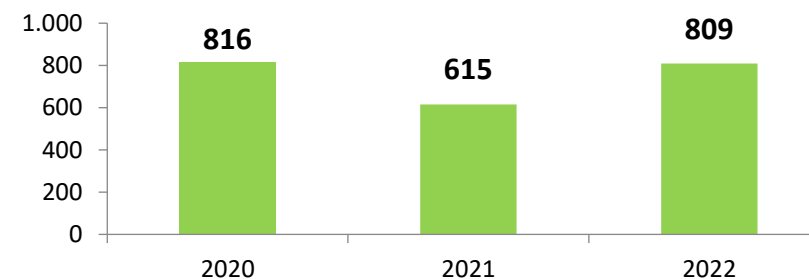
### Operating revenue (in mio €)



### Result from operations (in mio €)



### Net CF from operating activities (in mio €)



# Liquidity Facilities (30 June 2023)

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)	

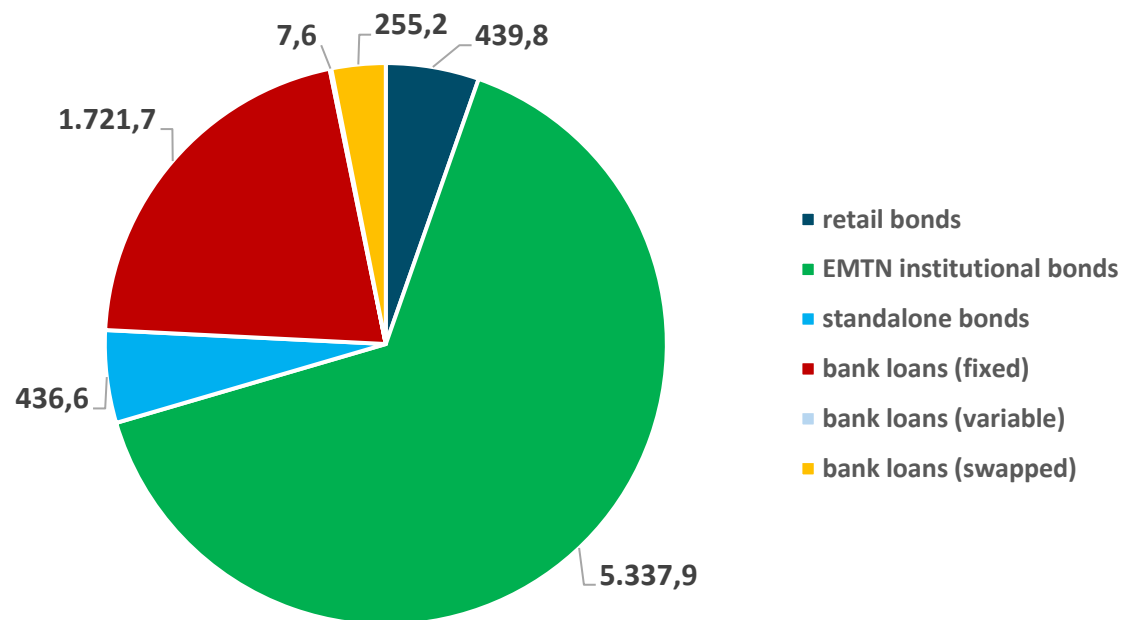
A and B are committed facilities;  
C is a non-committed programme

**Amounts drawn: 30 million EUR (= 3,24%)**

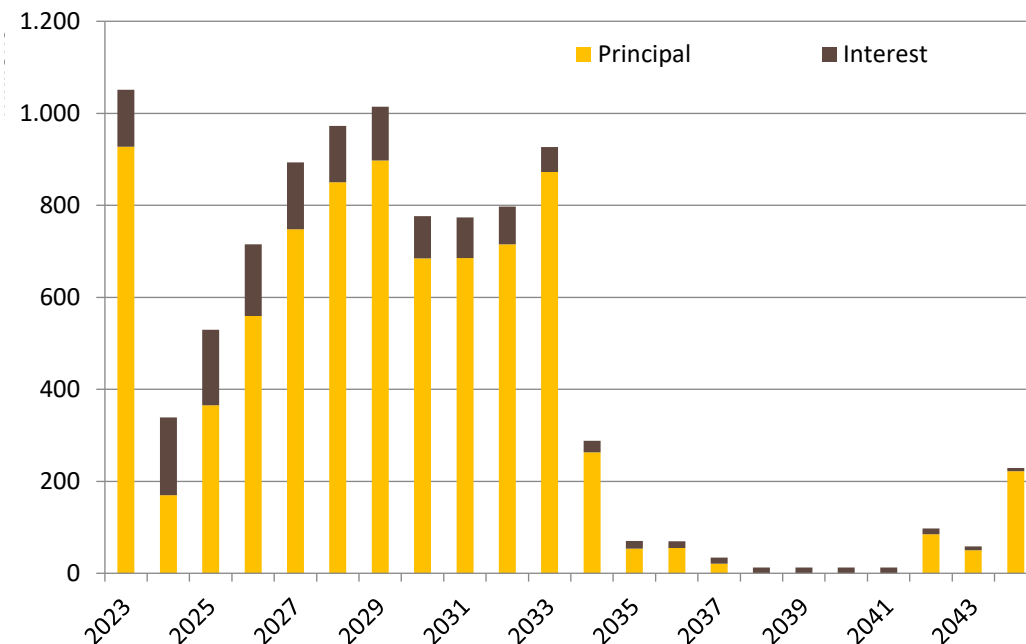
under A: 0 million EUR  
under B: 0 million EUR  
under C: 30 million EUR

# Debt Profile (Fluvius Economic Group, 30 June 2023)

LT debt by instrument: 8.198,7 million EUR



Maturity profile of outstanding LT debt (in million EUR)



- average maturity: 6 years 8 months (as per 30 June 2023)
- average interest rate: 2,36% (excl June 2023 green retail bond)
- last EMTN transactions: (1) 700 mEUR institutional bond, settlement 9 May 2023, 10y maturity, 3,875% coupon rate; (2) 240 mEUR green retail bond, settlement 28 June 2023, 10 y maturity, 4,000% coupon rate
- total EMTN programme Fluvius: EUR 5 billion EUR (68,8% already issued)



# Financial Overview

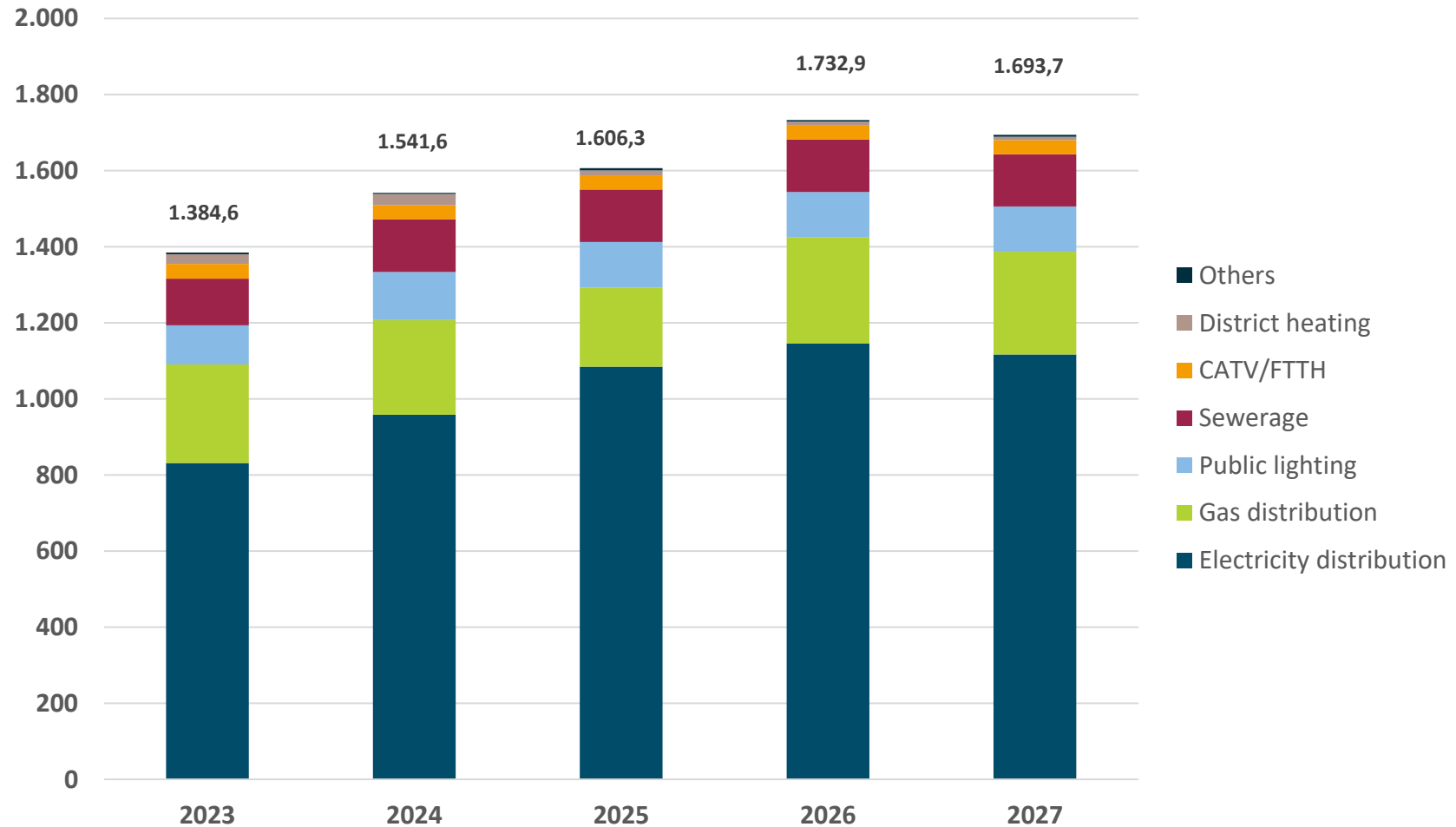
Outstanding bonds at Fluvius (as per 30 June 2023), in order of maturity date



Type	E = Eandis		Settlement date	Maturity date	Maturity (years)	Coupon
	I = Infrac Fluvius	F = Amount (m€)				
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%
EMTN green retail	F	240	28/06/2023	28/06/2027	4	4,000%
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 benchmark	F	700	9/05/2023	9/05/2033	10	3,875%
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:

- strong links with Flemish Region (2 notches uplift), through provision of essential energy network services
- strong underlying business risk profile based on monopoly network assets
- transparent and generally supportive regulatory framework, but relatively short track record

## 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
- increasing capital spending for investments in electricity network for the energy transition, alongside investments in LED for public lighting and roll-out of digital metering
- historically high dividend distribution, depending on equity/RAB

*from: Moody's Credit Opinion  
(9 August 2023)*

MOODY'S  
INVESTORS SERVICE

## 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

## 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).

## 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)**

## 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
- highly experienced management and staff
- strategic focus on operational excellence, synergies and sustainability

**solid investment grade  
A3 rating from Moody's**





# Contact Fluvius



## **FLUVIUS System Operator cv**

Brusselsesteenweg 199, B-9090 Melle

Your contact: Investor Relations (Koen Schelkens)

Mail: [investors@fluvius.be](mailto:investors@fluvius.be)

Tel: +32 9 263 45 04

<http://www.fluvius.be>

*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  $\leq 70$  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**:

<b>1. Technical</b>	<ul style="list-style-type: none"><li>• DSO is required to connect each end user to the E&amp;G distribution grids at a maximum cost of EUR 250</li></ul>
<b>2. Social</b>	<ul style="list-style-type: none"><li>• DSO is the social supplier for customers dropped by commercial suppliers</li><li>• cut-offs from grid only allowed under strict conditions as protection of socially vulnerable customers</li><li>• DSO is supplier-of-last-resort when commercial supplier fails</li></ul>
<b>3. Environmental</b>	<ul style="list-style-type: none"><li>• 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</li><li>• DSO pays out subsidies for energy-saving measures (Rational Use of Energy)</li><li>• DSO installs charging infrastructure for electric vehicles</li></ul>

→ 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 years
  - **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  $\beta$  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

# 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

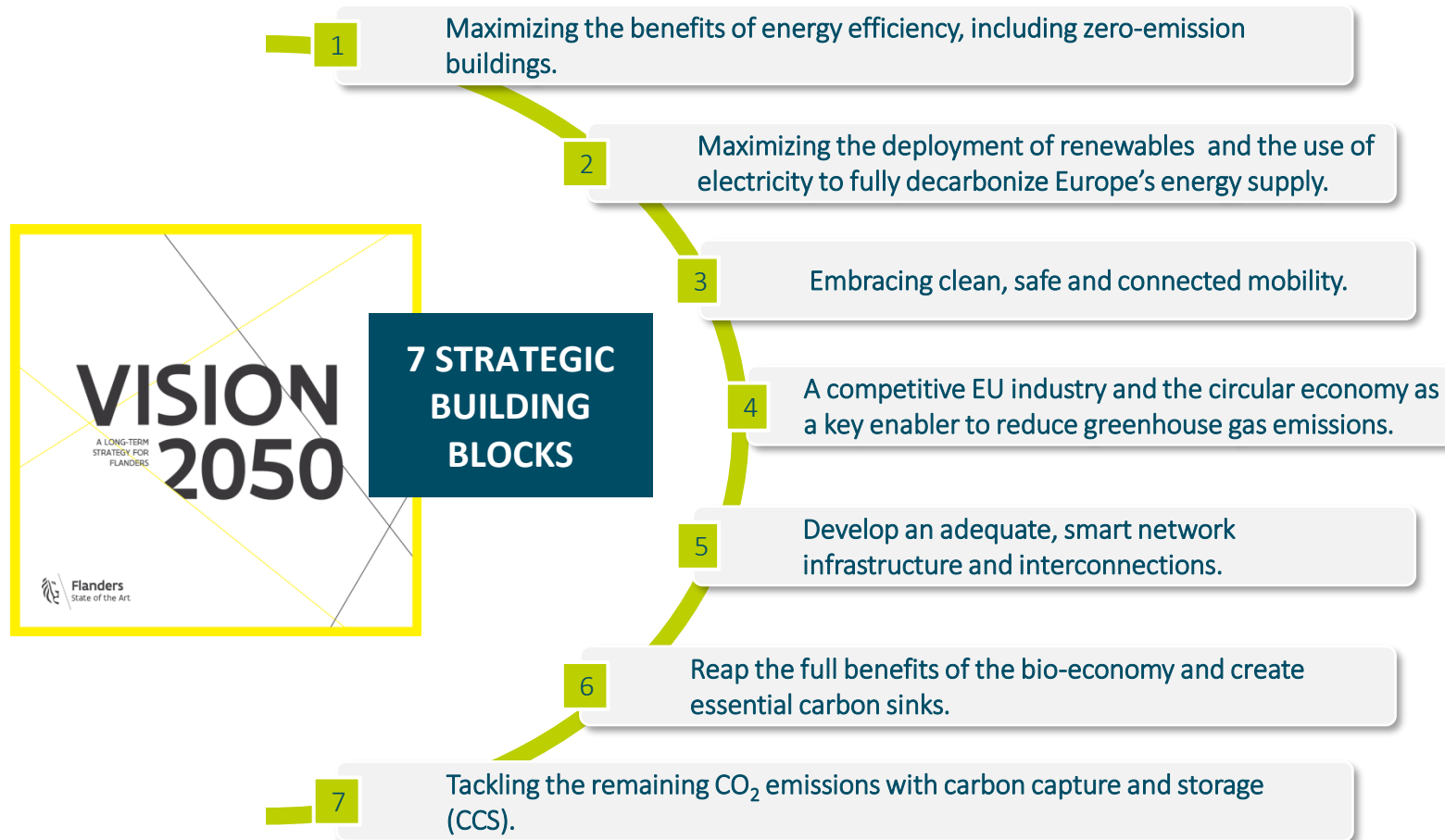
## *we create new possibilities for our customers*

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.*

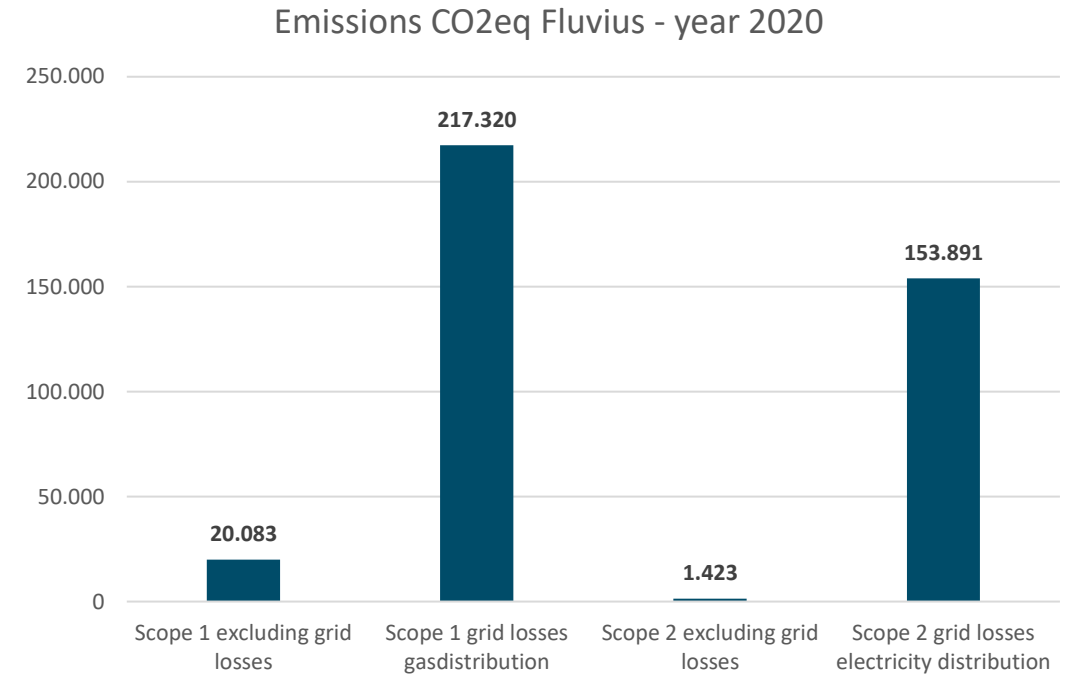
- annual measurement of carbon emissions according to international standards (GHG Protocol)
- split into 2 groups:
  - carbon emitting activities with direct control (scope 1 & scope 2): e.g. emissions from own transport, use of gas for heating buildings, etc...
  - carbon emitting activities with indirect 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 CO<sub>2</sub>eq)

	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
<b>Total emissions direct control</b>	<b>21.507</b>
<b>Total emissions indirect control</b>	<b>371.211</b>
<b>Total emissions Fluvius</b>	<b>392.717</b>





# 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"> <li>• energy saved (kWh)</li> <li>• digital meters installed (number of)</li> <li>• public lighting points switched to led (number of)</li> <li>• GHG emissions avoided (tCO<sub>2</sub>e)</li> </ul>
Water infrastructure	<ul style="list-style-type: none"> <li>• sewerage grid constructed (km)</li> <li>• new connections to sewerage grid (number of)</li> <li>• volume of wastewater collected (m<sup>3</sup>)</li> </ul>
District heating	<ul style="list-style-type: none"> <li>• grid length (km)</li> <li>• supply of heat generated (GJ)</li> <li>• GHG emissions avoided (tCO<sub>2</sub>e)</li> </ul>
Clean transport	<ul style="list-style-type: none"> <li>• EV charging points installed (number of)</li> <li>• e-vehicles purchased for Fluvius's fleet (number of)</li> <li>• e-vehicles purchased for municipal fleets (number of)</li> <li>• CO<sub>2</sub> emissions avoided (tonnes)</li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>• renewable generation projects connected to the distribution grid (number of projects)</li> <li>• renewable generation capacity connected to the distribution grid (MW)</li> </ul>

# 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 2022 (BE-GAAP)
  - Balance sheet total: EUR 5.355.498
  - Contribution: EUR 265.400
  - Debt: EUR 5.090.098, all of it ST debt
  - Turnover: EUR 22.980.588

# 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 2022 (BE-GAAP)
  - Balance sheet total: EUR 86.145.733
  - Contribution: EUR 18.600 (formerly share capital)
  - Debt: EUR 86.127.133 (of which EUR 55.800.000 LT debt and EUR 29.820.678 ST debt)
  - Turnover: EUR 53.428.723



# 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 2022 (BE-GAAP)
  - Balance sheet total: EUR 1.623.689
  - Contribution: EUR 21.700
  - Debt: EUR 1.610.989 (only ST debt / no LT debt)
  - Turnover: EUR 2.030.063

# Fluvius System Operator's subsidiary:

## Wyre bv



- Date of establishment: 1 July 2023
- Shareholders: Telenet (66,8%) and Fluvius System Operator (33,2%) in Wyre Holding which fully controls Wyre
- CEO: Mr Micha Berger
- Board: 12 members (of which 4 for Fluvius) – chairman: John Porter (Telenet)
- By enhancing the existing network and building a brand-new fibre network, Wyre wants to ensure everyone has the best possible connection to an open-access and non-discriminatory network.

# 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



- **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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