28 October 2021 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the solicited corporate issuer rating of Fluvius System Operator CV, at A+ with negative outlook.

Analysts

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Creditreform Rating (CRA) has affirmed the solicited corporate issuer rating of Fluvius System Operator CV, as well as the solicited corporate issue rating of the long-term local currency senior unsecured issues, at A+ with negative outlook.

For more information about our rating assessment of Fluvius System Operator CV, especially with regard to its earlier development and structural, business, and financial risks, please refer to our full rating report and update report, published on 26 July 2019 and on 27 October 2020 respectively, which can be found on our website under published ratings.

Fluvius System Operator CV (hereinafter also 'the Company', 'FSO' or 'Fluvius') is the multi-utility network operator in Flanders, Belgium. The Company was founded on 1 July 2018 through the merger of the former operating companies Eandis System Operator CVBA and Infrax CVBA, and is responsible for the distribution of electricity, gas, sewerage, cables, and heat. FSO, its consolidated subsidiaries, and the Mission Entrusted Associations (MEA's) together form the Economic Group Fluvius (hereinafter also 'the Group' or 'EGF').

Fluvius System Operator CV operates on a cost-price basis on behalf of the MEA's, which are the network owners, and given the fact that they provide guarantees for debt obligations of FSO, we have considered the Group as a whole in order to assess the creditworthiness of FSO.

Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- Government-related Company, 100% public shareholders
- Strategic importance of the Group for the Flemish Region
- Low business risk profile of the DSO's[1] with a legally-based regional monopoly for gas and electricity distribution
- Stable and predictable cash flows from regulated and contracted activities
- Despite the slight deterioration of some relevant financial figures, an overall steady business performance in 2020
- Expectation of a significant decline in earnings and cash flows from 2021 onwards due to the new tariff methodology for gas and electricity distribution
- Decrease in WACC as well as in the remuneration base
- Increased investment needs, high fixed costs
- Develop a package of measures to mitigate the negative impact of the tariff methodology 2021-2024
- Proven access to capital markets
- Guarantee by MEA's for debts taken by FSO

[1] A distribution system operator

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Fluvius System Operator CV we have not identified any ESG factor with significant influence.

As a distribution network operator with increasing decentralized generation, charging infrastructure for electric vehicles, and heat pumps, Fluvius is exposed to increased risk with regard to the implementation of the new technologies in the network infrastructure. This could have a negative impact on the business operations and financial position of the Company. We recognise, however, a credible strategy by the Company to manage these risks and increase the share of renewable energy through an increasing number of connections of renewable generation systems to the grid, and public LED lighting in line with long-term social and political goals.

In addition, Fluvius supports cities and municipalities in achieving the 2030 and 2050 climate targets by making their buildings energy-efficient and defining plans for potential energy savings. Furthermore, the Company aims to improve sustainability in its supply chain in 2021-2024.

To align its financial policy with its sustainability strategy, Fluvius has developed a Green Financing Framework. The Green Financing Instruments under this programme are linked to the environmental objectives defined in the EU taxonomy. In this way, the Company hopes to contribute to sustainable solutions for the entire Flemish Region and the energy sector in particular.

In the social area, we assess the company as above average. A part of the variable remuneration of executives is also dependent on social goals regarding employee health and safety. Furthermore, Fluvius has good corporate governance, but gender equality in management positions could be expanded further. It should also be noted critically that the Group has so far not reported any environmental KPIs. However, we recognize Fluvius' efforts to restructure its ESG reporting and we will monitor these developments. Nonetheless, we believe that Fluvius will play an important role in Flemish climate protection in the future in view of the growing electrification in the course of the energy transition, which will have a positive effect on the Group's sales in the long term.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Rating result

With the present rating of A+, Fluvius System Operator CV continues to have a high level of creditworthiness and lower risk of default. The rating is mainly based on the strong profile of the financial ratios, the low business risk profile supported by a regulatory framework in its main business areas, and the strategic importance of the Group for the region of Flanders (Belgium).

As the MEA's that own FSO are wholly-owned by Flemish municipalities, we assume a high probability that the local authorities would provide the Group with extraordinary support in the event of financial difficulties. This factor has a positive impact on the rating result according to our sub-methodology "government-related entities". Any change in Belgium's sovereign rating (CRA rating AA / negative as of 18 June 2021) could therefore also have an impact on FSO's corporate issuer rating.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

The rating is currently limited to A+, partly as the new regulatory framework for the gas and electricity markets will cause a reduction in the EGF's permissible revenues from 2021 onwards, and thus put considerable pressure on the Group's operating earnings and internal financing power.

Outlook

The one-year outlook of the rating is negative. This assessment is based on our expectation that the Group will suffer a reduction in earnings and cash flows in the current regulatory period, which can be seen in the business development in the first half of 2021. Moreover, the increase in capital expenditure will put the EGF's cash flows further under pressure. However, the Group implemented a set of mitigating measures which will reduce the negative impact of the lower allowed income following the new tariff methodology, which will limit the deterioration of the Group's financial key figures. We nonetheless do expect a slight deterioration of EGF's relevant financial metrics over the course of the next years due to the fact that we anticipate negative free cash flow generation (including dividends), which will lead to an increase in indebtedness.

Best-case scenario: A+

In our best-case scenario for one year, we assume a rating of A+. The prospect for an upgrade in the one-year period is currently low due to the expected decline in the Group's earnings as a result of the adjusted tariff methodology 2021-2024 and the implemented mitigating measures. Nonetheless, the relevant financial ratios remain at the 2020 level due to the operational efficiencies realized.

Worst-case scenario: A

In our worst-case scenario for one year, we assume a rating of A. In this scenario, we assume a deterioration of the Group's operating earnings following the lower allowed return in the new tariff methodology. This, in combination with higher investment needs, might lead to a deterioration of the financial metrics, thus making a downgrade necessary. Moreover, a downgrade of Belgium's sovereign rating could also lead to a change in the rating in the short term.

Business development and outlook

As of 31 December 2020, Economic Group Fluvius manages 231,000 kilometres of utility networks and 7.5 million connections, and operates in all 300 cities and municipalities in the Flemish Region (Belgium). EGF employed an average of 5,665 people (2019: 5,425 people) in 2020 and is thereby by far the largest intermunicipal company in Flanders. The Group achieved total operating revenues of EUR 3,487 million in 2020 (2019: EUR 3,472 million), including revenues from contracts with customers, other operating income, as well as capitalized own production, and an EAT of EUR 363 million (2019: EUR 331 million). The majority of its revenues (93.5%) continued to be generated by remuneration for the distribution of electricity and gas via its networks. The slight decline in total revenue by 2.3% in 2020 is mainly due to lower electricity consumption as a result of a warm winter, as well as the high efficiency of solar panels, the impact of the COVID-19 pandemic, and the lower tariff prices applied.

Table 1: Financials of Economic Group Fluvius I Source: Economic Group Fluvius, consolidated financial statements 2020, standardized by CRA

Economic Group Fluvius Selected key figures of the financial statement analysis Basis: Consolidated Financial Statements of 31.12. (IFRS)	CRA standardized figures[2]	
	2019	**2020**
Revenue (million EUR)	2,991.50	2,923.73
EBITDA (million EUR)	985.74	1,032.81
EBIT (million EUR)	517.11	542.57
EAT (million EUR)	330.92	362.73
EAT after transfer (million EUR)	330.92	362.73
Total assets (million EUR)	14,267.16	14,629.72
Equity ratio (%)	43.09	42.40
Capital lock-up period (days)	39.96	44.43
Short-term capital lock-up (%)	47.47	59.24
Net total debt / EBITDA adj. (factor)	7.99	7.80
Ratio of interest expenses to total debt (%)	2.57	2.22
Return on investment (%)	3.03	2.95

Table 2: The business development of the Economic Group Fluvius (total revenues from contracts with customers). Source: Economic Group Fluvius' consolidated financial statements 2020

Economic Group Fluvius			
In million EUR	**2019**	**2020**	**Δ %**
Distribution and transport grid revenue	2.801	2.733	-2,4
Sale of energy	58	45	-21,9
Construction works for third parties	60	38	-37,5
Other sales	73	108	47,9
Total revenue	**2.992**	**2.924**	**-2,3**

Despite the 6.7% increase in costs for green energy and cogeneration certificates compared to the previous year 2019, as well as the 0.8% higher transmission costs, the total costs of trade goods in 2020 remained roughly at the previous year's level, at EUR 1,419 million (2019: EUR 1,415 million). As the cost for services and other consumables declined from EUR 463 million to EUR 437 million, the Group's gross profit margin improved slightly from 50.5% to 51.1%. EBIT increased by 4.9% to EUR 543 million (2019: EUR 517 million). This was in large part due to the regulated balances and transfers of EUR 91 million (2019: EUR 25 million), which had a positive impact on the operating result, although increased expenses for employee benefits, total amortization and depreciation, as well as other operational expenses had an opposite effect.

[2] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

In addition to Elia's transmission grid tariffs and transit costs, fees payable to cities and municipalities, RUE[3] premiums, costs for purchasing the GECs and CHPs[4], taxes, and the reduction of tariff balances are also defined as exogenous (non-controllable) costs. The amount of exogenous costs to be included in the network charges for a given year may be adjusted annually by the VREG depending on the actual exogenous costs incurred in previous years. Therefore, the future balances of the exogenous costs actually incurred, and the actual revenues which should cover these costs, are deducted from or added to the network charges.

As a result of the increased EBIT combined with a favourable change of EUR 32 million in the net financial result, the Group's EBT increased noticeably by 13.8% to EUR 473 million in 2020 (2019: EUR 416 million). After deduction of taxes, EAT amounted to EUR 363 million at the end of 2020, corresponding to an increase of 9.6% compared to the previous year.

At the end of 2020, the Group recognised a negative cash pool balance of EUR 548 million, financed on short-term by the issuance of commercial paper in the amount of EUR 500 million and the subscription of a fixed loan in the amount of EUR 48 million. Moreover, Sibelgas (MEA) borrowed an amount on a short-term basis of EUR 25 million from its shareholder, IBEG. Overall, as of 31 December 2020, the total short-term loans increased by EUR 433 million to EUR 1,308 million (2019: EUR 875 million), with the current portion of long-term loans accounting for EUR 735 million (2019: EUR 410 million). As a result, the short-term capital lock-up deteriorated from 47.5% to 59.2% compared to 2019.

In 2020, a EUR 600 million Green Bond was issued under the new Fluvius EMTN programme. In addition, at the end of 2020, a EUR 425 million loan programme was agreed with the European Investment Bank for the period between 2021 and 2024. As of 31 December 2020, the total amount of the Group's outstanding long-term loans was EUR 5,281 million (2019: EUR 5,414 million).

The financial resources raised in 2020 were used to refinance the maturing bond loan, repay bank loans, finance the participation in Publi-T in the course of Elia's capital increase, and for the acquisition of the public lighting infrastructure of several municipalities. Furthermore, there was the dividend payment, a capital reduction in the public lighting activities of Fluvius Limburg, and the financing of the digital meter project. Overall, the Group's investment level in 2020 rose by 9.2%, amounting to EUR 938 million (2019: EUR 859 million).

At the end of 2020, EGF displayed an appropriate capital structure. Due to the increase in total debt, the adjusted equity ratio declined slightly, from 43.1% to 42.4%, nonetheless, remaining at a healthy level and in line with the assumptions of the VREG's tariff methodology. Given the improvement in EBITDA adj., the net total debt / EBITDA adj. of 7.8 remained unchanged. The asset coverage ratio dropped for the fourth consecutive year, amounting to 69.8% (2019: 72.1%), which we consider to be in need of improvement.

As the Group operates within a regulated framework, the financial impact of the COVID-19 pandemic in 2020 was limited. Moreover, the Group was able to benefit from favourable measures introduced by public authorities.

In the first half of 2021, EGF generated revenue of EUR 1,492 million (30.06.2020: EUR 1,443 million) and EAT of EUR 119 million (30.06.2020: EUR 181 million), and was thus able to achieve

[3] Rational use of energy

4 Green energy and combined heat and power certificates

a revenue growth of 3.4%, but suffered a noticeable decrease in earnings of 34.3% compared to the previous year. Decisive factors for the increase in revenue were an increase in unit prices for transport costs compared to the previous year, as well as the settlement invoice, which closes the period of the prosumers' reversing meter. On 1 May 2021, as a result of the ruling of the Constitutional Court which came into force, the prosumer tariff with the principle of a reversing meter for owners of solar modules with a digital meter was abolished. The consumption of prosumers who already have a digital meter is billed based on the amount of electricity actually drawn from the network. After consultation with the Flemish government and the VREG, the Group decided to temporarily stop the accelerated roll-out of digital meters to prosumers until the legal framework in Flanders has been adapted. As a result, the Group had to adjust the roll-out scheme of the digital meters.

Table 3: The business development of Economic Group Fluvius I Source: Economic Group Fluvius, condensed consolidated interim 30 June 2021

Economic Group Fluvius				
In million EUR	**H1 2020**	**H1 2021**	**Δ**	**Δ %**
Revenue	1,443.3	1,492.4	+49.1	+3.4
EBIT	297.1	224.0	-73.1	-24.6
EAT	181.4	119.1	-62.3	-34.3

Due to the 11.5% increase in operating costs to EUR 1,602 million (30.06.2020: EUR 1,437 million), EBIT for the reporting period decreased by 24.6%, amounting to EUR 224 million (30.06.2020: EUR 297 million). Despite the slightly lower negative financial result and tax expense, EAT fell by 34.3%, amounting to EUR 119 million (30.06.2019: EUR 181 million).

As of 30 June 2021, the total indebtedness increased by EUR 91 million to EUR 8,518 million compared to the end of 2020, including the EUR 242 million increase in long-term and short-term loans. While short-term loans as of 30 June 2021 decreased from EUR 1,308 million to EUR 761 million compared to 31 December 2020, long-term loans increased from EUR 5,281 million to EUR 6,070 million in the same period. The reason for the increase in long-term loans was the taking out of several new loans totalling EUR 831 million, which were used to repay the short-term loans, finance the stake in Publi-T, and to finance the roll-out of the digital meters. The as of yet unallocated funds were temporarily held as cash, due to which cash and cash equivalents increased to EUR 162 million, amounting to EUR 193 million as of 30 June 2021 (31.12.2020: EUR 31 million). Net debt decreased by EUR 71 million to EUR 8,325 million (31.12.2020: EUR 8,396 million).

In addition to cash and cash equivalents, as of 30 June 2021 the Group had cash credit lines totalling EUR 425 million, a commercial paper program amounting to EUR 500 million, and a loan to third parties. Of this, EUR 900 million had not been drawn as of 30 June 2021. Overall, EGF has sufficient liquidity to cover its financial liabilities due within the next 12 months.

On 28 October 2021, the Company published that FSO has reached a non-binding agreement with Telenet B.V. in order to develop their hybrid fiber coaxial ("HFC") network in Flanders. The developments of this new partnership remain to be seen.

The new tariff methodology published by the VREG on 13 August 2020 imposes considerable reductions in the allowed income of EGF for the period 2021 - 2024. At the same time, the long-term financial plan foresees a significant increase in investments, which, combined with the high dividend payouts, would materially deteriorate the Group's financial profile if no measures would be taken. As a reaction on this, EGF drew up a plan with several measures in various areas to mitigate the negative impact of the new tariff methodology. These measures are:

- Application for an advance payment scheme from VREG for the roll-out of the digital meters,
- Action plan to evaluate investments based on quantitative and qualitative financial criteria,
- Realisation of the cost savings of EUR 150 million imposed by VREG by 2024,
- Implementation of an adjusted dividend policy as of 2022.

All of the above measures have been approved and will be implemented as such. It should be noted, however, that, when taking these measures into account, our scenario analysis still shows a slight deterioration in the Group’s financial key figures over the coming years. Still, the real extent of the financial impact remains to be seen. Nevertheless, we see the Group's efforts to mitigate the effects of the tariff methodology in order to maintain financial stability as positive. Moreover, we assume that the group can continue to count on the support of its public shareholders in the event of liquidity problems.

Issue rating

Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured Notes, denominated in euros, issued by Fluvius System Operator CV (ex-Eandis and ex-Infrax) and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The bonds issued by ex-Eandis, which have been issued within the framework of a Euro Medium Term Note Programme (“EMTN Programme”) - of which the latest base prospectus is dated 25 November 2014 - benefit from a guarantee on a several but not joint basis by the following DSOs: Gaselwest, Fluvius Antwerpen, Imewo, Intergem, Iveka, Iverlek and Sibelgas. The current EMTN Programme of ex-Eandis amounts to a maximum of EUR 5bn. The issue proceeds are used to finance general corporate purposes of the issuer, and, in most cases, consist in the financing of the guarantors’ investment programmes (capex) as approved by the regulator. The Notes issued under the EMTN Programme benefit from a negative pledge provision and cross-default mechanism. A redemption at the option of the noteholders may be possible if a put option is specified in the final terms of the Note.

The bonds issued by ex-Eandis, which have been the object of separate bond issuance documentation, also benefit from the several but not joint guarantee from the ex-Eandis DSOs. The issue proceeds serve to finance the investment programme of the Group, the working capital of the regular operations of the Group, or to refinance other bonds.

The bonds issued by ex-Infrax have been issued within the framework of a Euro Medium Term Note Programme (“EMTN Programme”), of which the latest base prospectus is dated 16 October 2014. A first tranche of EUR 250 million was issued in 2013 (duration 10 years) and a second tranche of EUR 250 million was issued in 2014 (duration 15 years). All notes issued under the EMTN Programme are guaranteed on a several, proportionate and joint basis by Fluvius Limburg and on a several and proportionate but not joint basis by Infrax West, Fluvius Antwerpen, PBE and Riobra. The issue proceeds are used to finance working capital requirements and the investment expenditure of the issuer and the guarantors. The Notes issued under the EMTN Programme benefit from a negative pledge provision as well as cross-acceleration and cross-default mechanisms. A change of control put right has been specified in the final term of each outstanding note (BE0002448232 and BE0002478536). As Infrax was dissolved within the framework of the merger, and its assets and liabilities transferred to the merged entity Fluvius, the conditions 9(f) and 9(h) of the “event of default” of the base prospectus of the EMTN-Programme of Infrax (dated 16 October 2014) were applicable. This means that the merger constituted an event of default and the bondholders could request an early redemption of the bonds. This early redemption was waived by the bondholders during a meeting of bondholders on 2 May 2018. Furthermore, the bondholders consented during the meeting to various amendments to the conditions under the EMTN-Programme in light of the merger of Infrax with Eandis.

The bonds issued by Fluvius System Operator CV have been issued within the foundation of the new Euro Medium Term Note Programme, the base prospectus of which was dated 17 November 2020. The current EMTN programme amounts to a maximum EUR 5bn. The notes issued within the framework of the EMTN programme constitute direct, unconditional, unsubordinated and unsecured obligations, and rank pari passu and rateably, without any preference among themselves, and all other current and future direct, unconditional, unsubordinated and unsecured obligations. The Notes are guaranteed by the 11 intermunicipal utility companies that form a part of the Economic Group Fluvius. The guarantee is given on a separate and not on a joint basis. These 11 Guarantors are Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas. The guarantee constitutes an unconditional and irrevocable guarantee of due payment of all debt within this programme (Capital and Interest). The Notes issued under the EMTN programme benefit from a negative pledge provision and cross-default mechanism.

Result Corporate Issue Rating

We assign a rating of A+ (negative) to the long-term local currency senior unsecured debt securities issued by Fluvius System Operator CV. The decision is derived from the corporate issuer rating and its outlook. We did not derive any unfavourable change in the current bonds' documentation due to the transfer of the outstanding bonds into Fluvius, as the current outstanding ex-Eandis bonds remain guaranteed by ex-Eandis guarantors, and the current outstanding ex-Infrax bonds remain guaranteed by ex-Infrax guarantors. After the merger of Imea, Iveg and Integan into Fluvius-Antwerpen, the latter took over the guarantee of Imea in the ex-Eandis bonds and the guarantee of Iveg in the ex-Infrax bonds proportionally. Similarly, Fluvius-Limburg as a legal successor assumed the guarantee for the ex-Infrax bonds, formerly provided by Inter-energa, Inter-aqua and Inter-media, after their merger. Any change in the guarantee structure could generally have an impact on the rating of the LT LC senior unsecured issues of Fluvius.

The following tables give an overview of the ratings assigned by CRA, as well as of the current EMTN Programmes of Fluvius, ex-Eandis and ex-Infrax.

Overview

Table 4: Overview of CRA Ratings I Source: CRA

Rating Category	Details	
	Date	Rating
Fluvius System Operator CV (Issuer)	28.10.2021	A+ / negative
Long-Term Local Currency (LC) Senior Unsecured Issues	28.10.2021	A+ / negative
Other	--	n.r.

Table 5: Overview of 2014 EMTN Programme of ex-Eandis I Source: Eandis System Operator CV, prospectus dated 25 November 2014

Overview of 2014 EMTN Programme			
Volume	EUR 5,000,000,000	Maturity	Depending on the respective Notes
Issuer	Eandis System Operator CV	Coupon	Depending on the respective Notes
Arranger	Belfius Bank and HSBC	Currency	Depending on the respective Notes
Credit enhancement	Guarantee on a several but not joint basis by Gasel-west, Fluvius Antwerpen, Imewo, Intergem, Iveka, Iverlek and Sibelgas	ISIN	Depending on the respective Notes

Table 6: Overview of 2014 EMTN Programme of ex-Infrax I Source: Infrax CV, prospectus dated 16 October 2014

Overview of 2014 EMTN Programme			
Volume	EUR 500,000,000	Maturity	Depending on the respective Notes
Issuer	Infrax CV	Coupon	Depending on the respective Notes
Arranger	BNP Paribas	Currency	Depending on the respective Notes
Credit enhancement	Guarantee on a several, proportionate and joint ba-sis by Infrax Limburg and on a several and propor-tionate but not joint basis by Infrax West, Fluvius Ant-werpen, PBE and Riobra	ISIN	Depending on the respective Notes

Table 7: Overview of 2020 EMTN Programme of Fluvius I Source: Fluvius System Operator CV, Base Prospectus dated 17 November 2020

Overview of 2020 EMTN Programme			
Volume	EUR 5,000,000,000	Maturity	Depending on the respective Notes
Issuer	Fluvius System Operator CV	Coupon	Depending on the respective Notes
Arranger	Belfius Bank and BNP Paribas Fortis	Currency	Depending on the respective Notes
Credit enhancement	Guaranteed on a several but not joint basis by Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas	ISIN	Depending on the respective Notes

Under the current issuance conditions, all future LT LC senior unsecured bonds, denominated in euro and included in the list of ECB-eligible marketable assets which will be issued by Fluvius System Operator CV, will, until further notice, receive the same ratings as the current outstanding LT LC senior unsecured bonds. Other types of debt instruments of the issuer have not been rated by CRA so far. The current ratings and information can be seen on the website of Creditreform Rating AG.

Appendix

Rating history

The rating history is available under:

https://www.creditreform-rating.de/en/ratings/published-ratings.html

Table 8: Corporate issuer rating of Fluvius System Operator CV | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	04.11.2016	11.11.2016	18.01.2017	A+ / stable

Table 9: LT LC senior unsecured issues by Fluvius System Operator CV | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	05.10.2018	15.10.2018	26.07.2019	A+ / stable

Regulatory requirements

The rating[5] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, a solicited rating that is public. After having prepared an unsolicited corporate issuer rating of Eandis System Operator CVBA (since 1 April 2019 Fluvius System Operator CV) on 4 November 2016, the management of the Company commissioned Creditreform Rating AG with the preparation of a corporate issuer/issue rating (solicited rating) and monitoring of the company on 7 December 2016 (standing order).

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues.

The rating object participated in the creation of the rating as follows:

Solicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	Yes
With access to internal documents	Yes
With access to management	Yes

An online meeting with the Company took place on 26 October 2021 within the framework of the rating process.

In addition to the documents from the previous years and the monitoring during the year, the Company provided the following information as part of the update.

[5] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

List of documents

Accounting and controlling

- Consolidated financial statements IFRS Economic Group Fluvius as of 31 December 2020
- Consolidated financial statements IFRS Fluvius System Operator Group as of 31 December 2020
- Annual report Fluvius 2020
- Condensed consolidated interim IFRS Economic Group Fluvius as of 30 June 2021
- Condensed consolidated interim IFRS Fluvius System Operator Group of 30 June 2021
- Forecast financial statements
- Investment plans

Finance

- Eandis EMTN programme prospectus dated 25 November 2014
- Infrax EMTN programme prospectus dated 16 October 2014 Group Debenture
- FSO EMTN programme prospectus dated 17 November 2020
- Eandis System Operator CVBA prospectus dated 2 June 2017
- FSO EMTN programme prospectus dated 17 November 2020
- Final terms of the outstanding notes
- Minutes of the meetings of bondholders and other information

Additional documents

- Investor presentation dated October 2021 (draft)
- Press releases
- Correspondence

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Natallia Berthold	Lead-analyst	N.Berthold@creditreform-rating.de
Rudger van Mook	Analyst	R.vanMook@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Tobias Stroetges	PAC	T.Stroetges@creditreform-rating.de

The rating was presented to the rating committee on 28 October 2021. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Conflicts of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used the following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

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In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

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