www.eandis.be

Regulated information *Melle, 31 August 2018*

HALF-YEARLY FINANCIAL REPORT OF THE EANDIS-GROUP[1] AS PER 30 JUNE 2018[2]

HIGHLIGHTS

- Eandis System Operator cvba and Infrax cvba realise their announced merger. On 1 July 2018 **Fluvius System Operator cvba** starts as the integrated multi-utility operator for the whole of Flanders. Fluvius System Operator is from that day on the licensed operating company for 11 distribution system operators (DSOs) for gas and/or electricity and 3 other intermunicipal utilities in Flanders.
- Since 1 April 2018, some DSOs are in charge of **participations in Publi-T and Publigas**. The latter are the core shareholders of transmission system operator Elia and gas transport company Fluxys respectively.
- Moody's has improved the outlook on Eandis' **A3 rating** from stable to positive.
- Both of the subsidiaries in which Eandis participated alongside Infrax, **Warmte@Vlaanderen cvba and Fluvius cvba**, have been dissolved and put into liquidation. Their activities will now be continued within Fluvius System Operator.
- An amendment to the Flemish Energy Decree entrusts the DSOs (and thus their operating company Fluvius) – under strict conditions – with the role of **data manager**.
- The roll-out of the **digital meter** is ready for launching.
- The number of customers for the **social supplier** declined, but there was a slight increase in the number of active **budget meters**.
- Eandis/Fluvius has worked out an offer for **fibre-to-the-home (FTTH)**.
- Eandis is introducing a number of **innovative projects**, often in collaboration with other parties, aimed primarily at the energy transition.

[1] The Eandis-group comprises Eandis System Operator cvba and its subsidiaries, joint ventures and associated companies De Stroomlijn cvba, Atrias cvba, Synductis cvba, Warmte@Vlaanderen cvba and Fluvius cvba.

[2] All comparisons are with the figures reported as per 30 June 2017, unless stated otherwise.

- Several initiatives underline Eandis's **sustainability policies**: a structural collaboration with Doctors without Borders and the Food Banks, afforestation in Ninove, …
- The decrease in Eandis System Operator's **headcount** is continuing with a 1% year-on-year decline.
- **Operating revenue** for the Eandis Group has increased with 14% due to increasing **operating costs**.
- **No profit or loss**, since all costs are fully passed on to the DSOs based on the 'transfer at cost' principle.

MANAGEMENT REPORT

Eandis System Operator merges with Infrax and becomes Fluvius

The merger announced between Eandis System Operator with its Flemish peer Infrax is now a fact. First, the Boards of Directors of both companies had already approved this merger and, on 28 June 2018, the Extraordinary Shareholders' Assemblies of both Eandis System Operator and Infrax approved this integration. The merged entity, **Fluvius System Operator cvba**, kicks off on 1 July 2018. However, the commercial names Eandis and Infrax will still remain visible in the streets until early 2019; the name 'Fluvius' will then be used to the customers as well. For more information on Fluvius, visit the website www.fluvius.be

The realization of this merger is the result of long and intensive **preparations**. The first exploratory discussions between Eandis and Infrax date back to May 2017. Both companies then decided to collaborate more closely on a few selected topics. A first concrete result was the establishment of two joint subsidiaries, in which each partner participated for 50%. First, there was Warmte@Vlaanderen which was established with the aim to develop projects for district heating. And then there was Fluvius, through which the founders wanted to bring about a joint and coordinated approach to the digital metering roll-out in Flanders. Step by step, the idea grew that a more intense collaboration and integration of both operating companies could contribute to substantial financial and operational gains. Once a consultant had mapped out and budgeted these gains, the merger proposal was launched.

From a legal perspective, the merger was realized through a **merger by absorption** in which Eandis System Operator absorbs Infrax, with an immediate change of name of Eandis System Operator into Fluvius System Operator.

Fluvius System Operator will be responsible for the distribution management of electricity and gas in all 308 Flemish cities and municipalities. But Infrax's sewerage and cable activities are taken over by Fluvius System Operator as well. In 84 municipalities Fluvius will manage the sewerage system, in 91 municipalities it will manage the cable distribution network. District heating projects also belon,g to the company's tasks. So, Fluvius clearly positions itself as a **multi-utility company**.

At the start of Fluvius some clear objectives have been laid down. Thanks to **integration and cost-saving programmes** an annual cost saving of 110 million EUR can be realized. This represents 15% of the operational costs incurred by Fluvius. This will benefit the end consumers in the form of a lower distribution grid fee for electricity and gas, estimated at a decrease of the end bill for energy of 36 euro per year for an average household.

On 26 June 2018, the Flemish energy regulator VREG – after careful investigations – formally allowed[3] 11 DSOs (being Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek, Sibelgas, PBE, Infrax-West, IVEG and Inter-energa) to make use of the operating company Fluvius System Operator cvba's services. This permission is valid until the end of their appointment as DSO, i.e. 25 September 2026.

In the run-up to the merger into Fluvius, Eandis and Infrax decided to eliminate their **two joint subsidiaries**. Both Warmte@Vlaanderen cvba and Fluvius cvba have been dissolved and put into liquidation in the course of the first semester of 2018. The activities of both entities are now being organised within Fluvius.

Since 1 April 2018 several DSOs are participating in Publi-T and Publigas, these participations formerly being held by the **financing associations** (FICs)[4]. These DSOs are Gaselwest, IMEA, Imewo, Intergem and Iverlek. Through Publi-T the local authorities are indirectly participating in the electricity transmission operator Elia; through Publigas they are indirectly participating in the gas transport company Fluxys. The reorganization of these participations held by the municipalities is part of a larger reshuffle and simplification of the way in which the energy sector is structured. The DSOs with Infrax as their operating company already participated in Publi-T.

The **digital meter** will gradually be introduced in Flanders starting in 2019. It will replace the traditional mechanical meters for electricity and gas. The preparations for this roll-out have already been executed in a joint effort by Eandis and Infrax. In the autumn of 2018 a last test project will be set up in the province of Flemish-Brabant in order to test the planned approach of the roll-out. The roll-out itself kicks off in 2019 with some dedicated target groups, such as new and renovated houses, new owners of solar panels who need a meter replacement, and consumers with a budget meter. The digital consumption meter will enable the consumer to access a number of benefits (such as remote meter reading and services, and thanks to two usage ports in the digital meter also 'smart' commercial applications). The complete set-up is an essential element in the energy transition. Eandis/Fluvius is making all possible efforts to keep the societal costs for the introduction of the digital meter at a minimum and to safeguard the consumers' privacy.

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[3] Document BESL-2018-21, which can be consulted on www.vreg.be

[4] These FICs are Fingem, Finiwo, Finilek, Figga and FINEA.


digital meter

The Flemish Government also decided that – in the framework of the digital meter introduction – the DSOs through their operating company will act as **data manager**. The data manager will be responsible for meter reading (digital or analogue) and collecting and processing the data from these meters. The appointment as data manager is subject to a number of strict conditions (e.g. relating to independence and privacy) and is limited in time. These measures will be integrated in an amendment to the Flemish Energy Decree.

The roll-out of a large-scale **fibre-to-the-home (FTTH) grid** is a very important project for the Flemish society. The Flemish authorities want to realise such a superfast grid so as to be able to allow access to innovative and future-oriented services. Eandis and Infrax have jointly worked out and proposed such an offer. The basic idea of this offer is to have one single open network, rolled out by Fluvius, covering at least 80% of Flanders with a point-to-point 1 GB access. In this way, the Flemish people can have maximum access to this new-style network. The plans of Eandis/Infrax are being proposed to all parties concerned and discussed with them.

Eandis has decided in favour of a faster switch of all **public lighting** installations towards LED technology combined with remote control and remote feedback of the appliances. The current plan is to have LED in the entire public lighting grid by 2030 at the latest.

In May 2018, the Flemish energy market was confronted with the bankruptcy of the energy supplier **Belpower**. Almost 6.000 end consumers lost their supplier. Infrax and Eandis have acted – through the DSOs and in consultation with the regulator VREG – as supplier of last resort and they have temporarily supplied energy to the stricken end consumers.

Eandis has launched some remarkable **innovation projects**. These projects give Eandis the opportunity to gain experience with new applications that all fit in the energy transition, i.e. the switch to a decentralized, renewable and carbon-light energy system replacing the classic forms of energy.
In the logistics centre in Lokeren we have installed an innovative **energy storage system**. A smart battery container has been connected to the solar panels on the roof of the distribution centre. Eandis can now store energy surpluses for those moments when there is insufficient sunlight. This energy is used for charging the electrical forklifts. Apart from the Lokeren logistics centre, Eandis has also installed solar panels on its sites in Melle, Sint-Niklaas, Erembodegem, Turnhout and Deurne. The renewed site in Mechelen will be added to this list in 2018.

battery for energy storage (Lokeren)

In Zellik, Eandis is a partner in a project for a carbon-neutral smart grid (**'Green Energy Park'**); this grid will supply 72 businesses in the local research park.
The existing contract with **Living Tomorrow** was renewed and prolonged for the period 2018-2024. This collaboration is centered around two themes: smart cities and raising awareness on living and working in the future.
The contract between Eandis and the Public Flemish Waste Company (**OVAM**) for the clean-up of historical soil contamination has been prolonged for a 10 year period (2019-2029).
Finally, Eandis is one of the partners in '**Flexhub'**. All Belgian distribution operators and Elia have worked together to create an IT system ('data hub') for flexibility[5] on the electricity market. This system makes it possible to quickly calculate how much flexibility a large consumer or consumer group has supplied in a given period. Flexhub thus plays a vital role in the transition of the energy market.

On 30 June 2018, Eandis System Operator had **3.852 employees** or 3.676,99 full-time equivalents (FTE). This means a further decrease with 38 employees (-1,0%) compared to 30 June 2017 (3.890 employees). In the June 2018 figure six employees, taken over from ex-Intermixt, are included. They were taken over by Eandis System Operator at the occasion of the transfer of the Publi-T and Publigas participations. The decrease of the number of employees is continuing the trend since 2013. The entire Eandis Group counted 4.137 employees (3.936,89 FTE) on 30 June 2018. The entire Eandis Group employed a total of 4.137 employees (3.936,89 FTE) on 30 June 2018.

Eandis System Operator has two ratings: one with Moody's and one with Creditreform Rating.
On 29 June 2018, **Moody's** improved the rating outlook for Eandis from stable to positive, while maintaining the rating itself at A3. According to the rating agency, the improved outlook is inspired by the substantially improved credit ratios, especially due to a better debt ratio after having eliminated the stock of certificates. Furthermore, Moody's points to the positive impact the Fluvius merger may have on the creditworthiness of Eandis/Fluvius as an issuer of debt instruments.
On 17 January 2018, **Creditreform Rating** kept the Eandis rating unchanged at A+ with a stable outlook.

[5] Flexibility can be defined as modifying generation or consumption patterns in reaction to an external signal (such as a change in price or a change in the availability of renewable energy such as solar or wind power) to provide a service within the energy system.

Eandis is responsible for the implementation of the DSOs' **social public service obligations**. Over the course of the first semester of 2018, we recorded a slight decrease in the number of social supplier consumers: for electricity and gas combined there was a 1,3% decrease to a total of 111.548 customers. On the other hand, the number of active budget meters increased. For electricity we recorded 33.974 active budget meters on 30 June 2018 (+2,1% compared to June 2017), for gas there were 24.256 active budget meters (+0,6%). Presumably, seasonal effects are involved, as well as the tariff measures taken in 2016/2017 of which the impact is now being reflected in the figures.

The **safety results** for the current year[6] were encouraging. The frequency rate stood at 5,47; this result comes just below the objective of 5,30. The target score for the severity rate, however, was reached: the score of 0,09 is exactly equal to the objective. There were no fluidum accidents[7] with absence from work in the first six months of 2018.

There has been one change in the composition of the **corporate bodies** of Eandis System Operator cvba during the first semester of 2018. Mr Christophe Peeters has been appointed as member of the Board, replacing Mr Geert Versnick. Mr Peeters has also been appointed as a vice-president on the Board and member of the Strategic Committee.

The **Criminal Court of Turnhout** has acquitted Eandis for a fatal gas explosion in 2015. The court deemed that there was insufficient evidence that Eandis might have been the cause of the explosion because of a badly executed gas connection in the house concerned. This gas connection had been executed by a contractor working on behalf of Eandis more than eight years before the explosion took place.

Eandis pays a lot of attention to **sustainable business**, which is, by the way, strongly embedded in the corporate strategy.
For the first semester of 2018 we mention the structural collaboration with **Doctors Without Borders** (DWB). DWB can safely house its mobile surgical unit in the logistics centre of Eandis in Lokeren. Thanks to the central location and the good and permanent accessibility close to the E17 motorway, DWB can swiftly transport these medical units to all corners of the world when necessary to bring aid in cases of emergency. And Eandis can exchange experience with DWB on advanced logistical processes.
In March 2018 our employees planted **1 ha of new forest** in Ninove. This forest is the result of a successful internal action to save on paper use. The more savings at Eandis, the more trees can be

[6] Period of July 2017 until June 2018.

[7] A fluidum accident is an accident with our core products electricity or gas.

planted. The total new forest planted already reaches a total of 8,15 ha over a number of locations. This action is spread out over a five-year period.

RISK FACTORS

The fundamental risk factors as described in the Eandis 2017 Annual Report and the Prospectus dated 2 June 2017 are still valid for the first half of 2018.

Additionally, the management and the Board of Directors draw the attention to the fact that the integration of both companies, Eandis System Operator and Infrax, into Fluvius System Operator has not yet been finalised with the legal closing of the merger. The further integration of staff, business processes, IT systems and other items will take a considerable period of time and will also necessitate substantial investments. So there exists a risk that the operational and financial objectives stated earlier cannot be reached fully, timely or, in the worst case, cannot be reached at all. However, Eandis/Fluvius has called upon all human and other resources needed to successfully implement this integration process and to effectively reach or exceed the stated objectives.

MAJOR EVENTS AFTER REPORTING DATE

In July 2018, the Flemish Government reached an agreement (*‘memorandum of understanding’*) with the telecom operators Proximus and Telenet on the roll-out in Flanders of a **fibre-to-the-home (FTTH) grid**, which would allow access to superfast internet. If this agreement is implemented, this would mean that the FTTH offer worked out by Infrax and Eandis together is no longer under consideration. The Board of Directors of Fluvius System Operator will now deliberate about the further evolution and Fluvius’s position with regard to this activity.

The energy regulator VREG launched two consultation procedures in July 2018. The first is about the -changes to the tariff methodology 2017-2020 regarding a savings incentive to the DSOs (the so-called X’ factor) at the occasion of the merger of their operating companies. The second consultation is about the final establishment and allocation of the regulatory balances of the DSO tariffs dating back to the 2010-2014 period. On 28 August 2018, the VREG took decisions on the allocation of the historic balances of 2010 until 2014. The DSOs will register their reservations about these decisions and take all necessary actions to safeguard their rights.

OUTLOOK

Barring unforeseen economic or regulatory developments, Eandis/Fluvius expects that in the second half of 2018 there will be no substantial deviations from the defined financial and budgetary objectives. The company will continue to closely monitor all relevant financial, economic and regulatory developments.

Management expects to be able to continue to keep the Fluvius Group’s costs and its overall and company specific risks strictly under control.

We report that an agreement has been reached on the merger of the DSOs **IMEA** (from the Eandis Economic Group) and **Iveg** (from the Infrax Economic Group). Both entities have operations within the city of Antwerp and neighbouring municipalities. Also the intermunicipal company **Integan**, which is operational in the management of cable infrastructure and whose area of operations also includes the city of Antwerp and the wider Antwerp region, will be involved in this merger operation. This merger will become effective as from 1 April 2019. This merger will be accompanied by the switch of several local authorities from one energy DSO to another.

REPORTING STATUS

These condensed financial statements for the period ended 30 June 2018 were approved for publication by Fluvius's Board of Directors on 30 August 2018.

On 30 August 2018 Eandis's statutory auditor Ernst & Young Bedrijfsrevisoren, represented by Mr Paul Eelen, issued a report on the limited review of the consolidated half-year financial information for the six-month period ended 30 June 2018, stating that the interim financial information in all material aspects has been prepared in accordance with IAS 34, "Interim Financial Reporting" as approved for application within the European Union.

Fluvius System Operator will for the first time publish its financial results on the financial year that ends on 31 December 2018, according to IFRS, in which will be reported for the second semester of 2018 on all activities of the company after the merger on 1 July 2018. The Fluvius Economic Group will for the first time report on all activities for the financial year that ends on 31 December 2018, including the results as from 1 July 2018.

STATEMENT BY THE RESPONSIBLE PERSONS

The undersigned persons state that, to the best of their knowledge,

- *the condensed interim financial statements of Eandis cvba and its subsidiaries as of 30 June 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS), and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and*
- *the interim management report gives a fair overview of the information required to be included herein.*

Melle, 30 August 2018,

Walter VAN DEN BOSSCHE, CEO

David TERMONT, CFO

PROFILE OF THE REPORTING ENTITY

Eandis System Operator cvba and its consolidated subsidiaries De Stroomlijn cvba, Atrias cvba and Synductis cvba (together the 'Eandis Group' or the 'Group') is the independent company that carries out operational tasks and public service obligations for electricity and gas at cost price for the distribution system operators Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas.

Due to the principle of 'operating at cost price', the Group's result shows no profit or loss.

As from 1 July 2018, the company's name was changed into Fluvius System Operator cvba. This change of name was carried out at the occasion of the merger of Eandis System Operator with its peer Infrax cvba, which also became effective on 1 July 2018.

ANNEX

Condensed interim IFRS financial statements for the six-month period ended 30 June 2018:

- Condensed consolidated statement of profit and loss
- Condensed consolidated statement of comprehensive income
- Condensed consolidated statement of financial position
- Condensed consolidated statement of changes in equity
- Condensed consolidated statement of cash flows
- Selected explanatory notes

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EANDIS SYSTEM OPERATOR GROUP

Condensed Consolidated Interim IFRS Financial Statements

30 June 2018

Content

Interim Financial Statements

Condensed consolidated statement of profit or loss

(In thousands of EUR)	Notes	30 June 2018	30 June 2017
Operating revenue		**567.249**	**516.510**
Revenue	3	556.507	506.430
Other operating income	3	10.742	10.080
Operating expenses		**−559.047**	**−507.794**
Cost of trade goods		−45.383	−46.991
Cost for services and other consumables	4	−303.260	−258.770
Employee benefit expenses	5	−182.663	−203.124
Depreciation, amortization, impairments and changes in provisions		−27.284	1.438
Other operational expenses		−457	−347
Result from operations		**8.202**	**8.716**
Finance income	6	53.177	54.021
Finance costs	6	−57.223	−57.746
Profit before tax		**4.156**	**4.991**
Income tax expenses	7	−4.156	−4.991
Profit for the period		**0**	**0**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2018	30 June 2017
Profit for the period		**0**	**0**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	20	−61.926	37.009
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	12	61.926	−37.009
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**0**	**0**
Total comprehensive income for the period		**0**	**0**

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2018	31 December 2017
Non-current assets		**3.753.725**	**3.685.531**
Intangible assets	8	302	469
Property, plant and equipment	9	2.505	2.392
Investment in joint ventures and associates	10	11	30
Other investments	11, 22	832	832
Rights to reimbursement on post-employment employee benefits	12	279.194	210.947
Long-term receivables, other	13	3.470.881	3.470.861
Current assets		**626.169**	**375.109**
Inventories		32.727	33.646
Trade and other receivables	14, 22	321.858	290.671
Receivables cash pool activities	15, 22	4.739	19.402
Other investments	16, 22	50.000	0
Cash and cash equivalents	17, 22	216.845	31.390
TOTAL ASSETS		**4.379.894**	**4.060.640**
EQUITY	**18**	**1.099**	**1.099**
Total equity attributable to owners of the parent		**1.006**	**1.006**
Share capital, reserves and retained earnings		1.006	1.006
Non-controlling interest		**93**	**93**
LIABILITIES		**4.378.795**	**4.059.541**
Non-current liabilities		**3.729.741**	**3.660.276**
Interest bearing loans and borrowings	19, 22	3.450.547	3.449.329
Employee benefit liabilities	20	253.442	210.947
Provisions	20	25.752	0
Current liabilities		**649.054**	**399.265**
Trade payables and other current liabilities	21, 22	349.646	289.535
Liabilities cash pool activities	15, 22	295.666	96.415
Current tax liabilities	22	3.742	13.315
TOTAL EQUITY AND LIABILITIES		**4.379.894**	**4.060.640**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2017	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 30 June 2017	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Balance at 1 January 2018	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 30 June 2018	**915**	**72**	**19**	**1.006**	**93**	**1.099**

Further information is disclosed in the note ‘Equity’.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2018	30 June 2017
Profit for the period		0	0
Amortization of intangible assets		167	165
Depreciation on property, plant and equipment		428	447
Change in provisions (Reversal -; Recognition +)	20	25.752	0
Impairment current assets (Reversal -; Recognition +)		937	−2.050
Gains or losses on realization receivables		347	151
Net finance costs		4.046	3.725
Gains or losses on sale of property, plant and equipment		0	22
Income tax expense	7	4.156	4.991
Operating cash flow before change in working capital and provisions for employee benefits		**35.833**	**7.451**
Change in inventories		919	353
Change in trade and other receivables		−13.809	2.739
Change in trade payables and other current liabilities		41.381	39.080
Change in employee benefits	20	−25.752	0
Net operating cash flow		**2.739**	**42.172**
Interest paid		−37.276	−31.492
Interest received		34.302	28.943
Financial discount on debts		213	170
Income tax paid	7	−13.729	−9.440
Net cash flow from operating activities		**22.082**	**37.804**
Proceeds from sale of property, plant and equipment		0	2
Purchase of property, plant and equipment	9	−541	−310
Net investments in long-term receivables		0	18
Net cash flow used in investing activities		**−541**	**−290**
Repayment of borrowings	19	0	−150.000
Proceeds from bonds/borrowings	19	0	199.737
Change in current liabilities	19	0	−394.239
Change in short-term investments	16	−50.000	0
Change in cash pool	15	213.914	356.958
Provide long-term loans		0	−200.000
Repayment provided long-term loans		0	150.000
Net cash flow from/used in financing activities		**163.914**	**−37.544**
Net increase/decrease in cash		**185.455**	**−30**
Cash and cash equivalents at the beginning of period		**31.390**	**2.662**
Cash and cash equivalents at the end of period	**17**	**216.845**	**2.632**

Selected explanatory notes

Basis of preparation

1 Corporate information

Eandis System Operator, formerly Eandis, a limited liability partnership ('coöperatieve vennootschap met beperkte aansprakelijkheid'/'société coopérative à responsabilité limitée') under Belgian law, is registered in Belgium, at Brusselsesteenweg 199, 9090 Melle. It is registered under number 0477.445.084 in the central enterprise register of Ghent (section Ghent).
The condensed consolidated interim financial statements of Eandis for the period ended 30 June 2018 contain the information of the company, its subsidiaries, investment in joint ventures and associates - De Stroomlijn cvba, Atrias cvba and Synductis cvba - and together they form the 'Group'.

The shareholders of Eandis System Operator are seven Distribution System Operators or DSOs in the Flemish region (Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas), that are predominantly distributing both electricity and gas to the end customer.

The role of Eandis System Operator is limited mainly to the development, the operation and the maintenance for the Flemish DSOs of the low voltage and mid voltage distribution networks for electricity as well as their low pressure and mid pressure distribution networks for gas. The grid assets themselves remain owned by the Flemish DSOs that are also the holders of the electricity and gas distribution system operator licences granted by the Flemish energy regulatory authority, VREG.

Eandis System Operator cvba operates in 229 cities and municipalities in the Flemish Region (Belgium) but also in 4 municipalities of the Walloon region. The Group employed on average 4.262 persons during 2017. The company carries out its operational activities at cost price without charging any commercial margin to mainly the Distribution System Operators. This means that all costs incurred are passed through according to fixed allocation rules. Each month Eandis System Operator invoices each of the DSOs for the operational services rendered. The result of the Group is therefore without profit or loss.

The Flemish DSOs have appointed Eandis System Operator as their operating company.
The Flemish energy regulator (VREG) decided in 2015 to grant permission to the distribution system operators Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas to call on the services of the operating company Eandis System Operator for electricity and gas. This authorisation applies since 5 September 2014 for electricity and since 14 October 2015 for gas for a period of twelve years.

In October 2011, Eandis System Operator obtained an A1 rating (negative outlook) from the rating agency 'Moody's Investors Service Ltd.' (Moody's). On 14 December 2016 this rating was downgraded to A3 with a stable outlook. On 29 June 2018, the rating agency Moody's changed the outlook for the A3 rating from stable to positive. This change in the outlook reflects the improved credit profile of Eandis System Operator and the impact on this credit profile of the announced merger of Eandis System Operator with its industry partner Infrax cvba to Fluvius System Operator, which will take effect from 1 July 2018.

On 18 January 2017, Eandis obtained a second rating. The German credit rating agency Creditreform Rating AG granted Eandis System Operator an A+ rating with stable outlook. This rating was confirmed on 17 January 2018.

On 28 June 2018, the Extraordinary General Shareholders' Meetings of Eandis System Operator and Infrax approved the merger between the two network companies. The Boards of Directors of both companies had previously given their approval for that plan and meanwhile also the fourteen intermunicipal companies that are shareholders of Infrax (Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra) or Eandis (Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas).
Thus, on 1 July 2018, the new utility company Fluvius System Operator is created, which will take charge of the grid management for natural gas and electricity for the whole of Flanders. The sewerage and cable activities of the former Infrax will also form part of Fluvius System Operator.
Fluvius will be active in all 308 Flemish municipalities for natural gas and electricity, in 84 Flemish municipalities as operator for the sewerage, in 91 municipalities to manage the cable distribution network and the entire municipal public lighting.
The multi-utility approach (multiple utilities within one company) will ensure financial and operational efficiency within Fluvius. The better utilities can be coordinated in terms of planning and approach, the less nuisance they cause and the less often the street has to be broken open.
An integration and saving process will start with the merger that should result in a lower distribution grid tariff for natural gas and electricity. Savings are realized, among other things, by avoiding double investments, by economies of scale and natural redundancies.

The Group will announce the IFRS results for the first time for the financial year ending on 31 December 2018, where for the second half year it will report over all these activities (see note 'Events after the balance sheet date').

These condensed consolidated interim financial statements for the six months ended 30 June 2018 were approved for publication by the Board of Directors on 30 August 2018 and have been reviewed in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

2 Significant accounting policies

2.1 Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, as adopted by the European Union.
They do not contain all the necessary information for a full set of financial statements, and should therefore be read in conjunction with the financial statements of the Group for the year ended on 31 December 2017.

2.2 Summary of significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with the accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2017 except for the new standards or interpretations in force since 1 January 2018.

The new standards and interpretations applicable from 1 January 2018 do not affect the condensed consolidated interim financial statements of the Group. Those standards and interpretations applicable for the accounting year beginning on 1 January 2017 were the following:

- IFRS 9 *Financial Instruments*, effective from 1 January 2018
  This standard was issued in the framework of a wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.
  - Classification and valuation: the main financial assets of the Group include loans, lent on to the DSOs and currently recorded at amortized cost. These loans are held to obtain contractual cash flows and it is expected to obtain cash flows that only consist of receipts of principal and interest. The Group has analyzed the characteristics of the contractual cash flows of each of these loans in detail and concluded that these instruments meet the criteria of IFRS 9 for valuation at amortized cost. Consequently, the current accounting treatment can be preserved under the new standard.
  - Impairments: all trade receivables of the Group are short term receivables and as a result of which an application of the expected credit loss calculation will have no impact. The currently used depreciation principles may be maintained under the new standard.
  - Hedge accounting: the Group has no derivatives, hence hedge accounting does not apply.

- IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15, effective 1 January 2018
  IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. IFRS 15 is applicable to financial years beginning on or after 1 January 2018. The Group applies the new standard on the required effective date retrospectively. The main revenue stream of the Group results from passing on the costs of development, management and maintenance of the distribution networks to its shareholders, the seven DSOs. This transfer is performed on the basis of agreed allocation rules. IFRS 15 has no effect on the processing of these proceeds. Consequently, the current accounting treatment will be preserved under the new standard.

- Amendments to IFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018

- Amendments to IFRS 4 *Insurance Contracts* – Applying IFRS 9 *Financial instruments* with IFRS 4 *Insurance Contracts*, effective 1 January 2018

- Amendments to IAS 40 *Investment Property* – Transfers of Investment Property, effective 1 January 2018

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective 1 January 2018

- Annual Improvements Cycle - 2014-2016, effective 1 January 2018

The new and revised standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's condensed interim financial statements and that will have a significant impact are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- IFRS 16 *Lease*, applicable from 1 January 2019

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the statement of profit or loss. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group has appointed a project team that is working on the implementation of the new IFRS standard leasing 16 and the adaptation to the IT system. The Group usually assumes the role of lessee.

During the first phase, an overview of the existing operational leasing contracts was determined and analyzed (the Group manages mainly leases of vehicles, IT equipment and buildings). Furthermore, specific attention and work was carried out to select a tool that can handle the number of contracts and supports the corresponding IFRS 16 calculations and journal entries. Its implementation of the IT system is currently on-going.

The Group expects to have calculated the final impact on transition date at the year ending 31 December 2018. The expected impact on the consolidated figures is an increase of the assets and the lease obligations, because the lease contracts are currently recorded as operating lease costs. The reversal of the operating lease costs and the recording of the lease obligation according to IFRS 16 will lead to an increase in EBITDA, depreciation and financial costs.

A first calculation of the existing lease contracts on reporting date 30 June 2018 results in a projected increase of assets and liabilities with 26.808 k euro as per 1 January 2019. This calculation takes into account certain assumptions for the discount rate and the low-threshold values, that can still be adapted for the final calculation on transition date.

The Group will implement the standard by 1 January 2019 using the modified retrospective approach option 2. The cumulative effect by applying IFRS 16 will therefore be visible at the start date and represents the right of use asset, that in the opening balance sheet equals the lease obligation without adjusting the comparative figures.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the amounts of revenue and expenses.

The actual results could differ from these estimates.

In preparing these condensed consolidated interim financial statements, evaluation by management on the application of the accounting policies of the company as well as the sources of uncertainty used, are the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

Performance of the period

3 Operating revenue

The operating revenue amounts to 556.507 k EUR on 30 June 2018 and 506.430 k EUR on 30 June 2017, this is an increase of 50.077 k EUR.
Revenue reflects the increased costs that are passed on mainly to the distribution system operators, shareholders.
Hereunder the detail of the total invoicing to the clients:

	30 June 2018		30 June 2017	
Company	**Revenue in k EUR**	**% relative to revenue**	**Revenue in k EUR**	**% relative to revenue**
Gaselwest	104.128	18,7%	98.127	19,4%
IMEA	60.585	10,9%	51.458	10,2%
Imewo	132.874	23,9%	117.822	23,3%
Iveka	75.524	13,6%	70.449	13,9%
Iverlek	114.070	20,5%	101.218	20,0%
Other	69.326	12,5%	67.356	13,3%
Total	**556.507**	**100,0%**	**506.430**	**100,0%**

4 Cost for services and other consumables

The cost for services and other consumables amounts to −303.260 k EUR on 30 June 2018 and −258.770 k EUR on 30 June 2017.
The increase of 65.990 k EUR is mainly due to the increase in the cost for contractors, purchases for operations and the costs of consultancy.
The cost for the rational use of energy decreases from 32.409 k EUR on 30 June 2017 to 25.849 k EUR on 30 June 2018.

5 Employee benefit expenses

The employee benefit expenses amount to 182.663 k EUR on 30 June 2018 and 203.124 k EUR on 30 June 2017, a decrease of 20.461 k EUR.

This decrease in personnel costs is mainly due to the decrease in the item 'Provisions for employee benefits' by 25.752 k EUR. However, the same amount was included as a cost in the statement of profit or loss in the item 'Changes in provisions' as accrual for the balance sheet item' Provision, other' (see note 'Provisions for employee benefits').

6 Financial results

Financial income amounts to 53.177 k EUR on 30 June 2018 and 54.021 k EUR on 30 June 2017. This item contains the interest to be received on loans granted to the distribution system operators (30 June 2018: 52.788 k EUR; 30 June 2017: 53.722 k EUR).

The financial costs amount to 57.223 k EUR on 30 June 2018 and 57.746 k EUR on 30 June 2017. These costs contain the interest payable on the bond loans (30 June 2018: 52.774 k EUR; 30 June 2017: 53.723 k EUR), interest paid on other financial obligations with banks and cash pool activities with the DSOs.
The other financial costs comprise costs related to debt, interest costs on renting and pension liabilities as well as various bank costs.

7 Income tax expenses

The income tax expenses amount −4.156 k EUR at 30 June 2018 and −4.991 k EUR at 30 June 2017.

(In thousands of EUR)	30 June 2018	30 June 2017
Profit before tax	4.156	4.991
Effect non-deductible expenses	9.895	9.692
Tax basis	**14.051**	**14.683**
Total current income tax expenses	**−4.156**	**−4.991**

Subject to the legal tax rate of 33,99% (up to 2017) and 29,58% (as from 2018)

This decrease is the result of the adaptation of the income tax rate from 33,99% in 2017 to 29,58% in 2018 notwithstanding the higher disallowed expenses that constitute the taxable basis.
In the period up to 30 June 2018, an amount of 6.135 k EUR (2017: 4.085 k EUR) was paid in advance to the tax authorities and an amount of 7.590 k EUR taxes were paid concerning the 2016 financial year 2016 (in 2017: 5.354 k EUR related to financial year 2015).

Assets

8 Intangible assets

The Group reports intangible assets for 302 k EUR on 30 June 2018 and 469 k EUR on 31 December 2017, a decrease of 167 k EUR. This decrease is the result of the amortisation.
The intangible assets contain merely software licenses.

9 Property, plant and equipment

Property, plant and equipment amounts to 2.505 k EUR on 30 June 2018 and 2.392 k EUR on 31 December 2017. This increase of 113 k EUR is mainly due to on the one hand the purchase of IT equipment (541 k EUR) and on the other hand the depreciation (428 k EUR).

10 Investments in joint ventures and associates

These investments amount to 11 k EUR at 30 June 2018 and 30 k EUR at 31 December 2017.
These investments are held in Atrias cvba and Synductis cvba.
The companies Warmte@Vlaanderen cvba and Fluvius cvba were founded in 2016 but do not contain any activities. During 2018 (respectively February 2018 and March 2018) the Board of Directors of Warmte@Vlaanderen cvba and Fluvius cvba decided to dissolve these companies and put them into liquidation.

11 Other investments

The other investments amount to 832 k EUR on 30 June 2018 and 832 k EUR on 31 December 2017, which is unchanged compared to 31 December 2017.
The other investments comprise the participations still held by the Group in the business centres situated in the distribution area of Gaselwest and Imewo.

12 Rights to reimbursement on post-employment employee benefits

The rights to reimbursement on post-employment employee benefits amounts to 279.194 k EUR on 30 June 2018 and 210.947 k EUR on 31 December 2017, an increase of 68.247 k EUR.
This increase is the result of the increase in the employee benefit liability with 42.495 k EUR and the recognition of a provision, others for an amount of 25.752 k EUR (see note 'Employee benefit liabilities').

13 Long-term receivables, other

The long-term receivables mainly contain the receivable from the distribution system operators that originates from lending on funds that were obtained by Eandis System Operator from the issuance of the bonds (stand-alone, retail and EMTN) since 2010.
The loans issued by the Group are lent on to the distribution system operators at the same conditions as the loans obtained by Eandis System Operator (see note 'Interest bearing loans and borrowings').
The longterm receivables from the distribution system operators amount to 3.470.500 k EUR at 31 December 2017 and at 30 June 2018.

14 Trade and other receivables

The trade and other receivables amount to 321.858 k EUR on 30 June 2018 and 290.671 k EUR on 31 December 2017.
The trade receivables before impairment amount to 202.622 k EUR on 30 June 2018 and 159.006 k EUR at 31 December 2017. This increase is due to the higher expenses that were charged to the DSOs. The impairments on trade receivables decrease compared to 31 December 2017 (30 June 2018: -4.523 k EUR; 31 December 2017: -3.586 k EUR).
The other receivables amount to 123.759 k EUR on 30 June 2018 and 135.251 k EUR on 31 December 2017. These receivables mainly contain a receivable of VAT from the VAT-unit of the Group (30 June 2018: 35.415 k EUR; 31 December 2017: 71.275 k EUR), accrued interests on the loans to the DSOs.

15 Receivables and liabilities cash pool activities

The receivable on the distribution system operators amounts to 4.739 k EUR on 30 June 2018 and 19.402 k EUR on 31 December 2017. The debts on the distribution system operators amount to 295.666 k EUR on 30 June 2018 and 96.415 k EUR on 31 December 2017.

16 Short-term deposits

As a result of the receipts from the issuance of a bond in 2017, the sale of heat and power certificates, the green energy certificates in 2017 and 2018, the intervention (105.000 k EUR) by Flemish Energy Agency during 2017 in particular for the sale of the aforementioned green energy certificates for the DSOs and the profit of the DSOs for 2018, the Group disposes of funds that do not have to be called upon immediately for a specific period.
The Group therefore has invested the excess funds (50.000 k EUR on 30 June 2018) until 19 December 2018 and receives a quarterly interest.

17 Cash and cash equivalents

The surplus of cash and cash equivalents amount to 216.845 k EUR on 30 June 2018 and 31.390 k EUR on 31 December 2017. As a result of the continued low (and even negative) interest on deposit accounts, the surplus cash is held as liquid assets.

Liabilities

18 Equity

Shareholders' equity remained unchanged at 1.099 k EUR compared to 31 December 2017.

A **non-controlling interest** amounts to 93 k EUR on 30 June 2018 and is equal to the amount on 31 December 2017. It comprises the participation held by third parties in 'De Stroomlijn cvba'.

19 Interest bearing loans and borrowings, current and non-current

(In thousands of EUR)	30 June 2018	31 December 2017
Long-term loans	**3.450.547**	**3.449.329**
Short-term loans	**0**	**0**
Total	**3.450.547**	**3.449.329**

The loans on long and short-term increase with 1.218 k EUR compared to 31 December 2017 from 3.449.329 k EUR to 3.450.547 k EUR. This increase is due to the recording of disagio on various retail bond loans that is spread pro rata the term of the loans in costs and debts.

The **movements of the long and short-term loans** can be analyzed as follows:

(In thousands of EUR)	30 June 2018		31 December 2017	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	**3.449.329**		**3.808.473**	
Movements on non-current loans (LT)				
Proceeds of non-current loans	0	0	199.737	0
Change in non-current loans	0	1.218	0	2.440
Movements on current loans (ST)				
Change in current loans	0	0	0	−12
Repayment of short-term portion of long-term loan	0	0	−150.000	0
Repayment current loans	0	0	−411.309	0
Total movements	**0**	**1.218**	**−361.572**	**2.428**
Total at end of reporting period	**3.450.547**		**3.449.329**	

Long-term loans

This item contains private placements and bond loans issued since 2010.

The increase of 1.218 k EUR compared to 31 December 2017 is due to the recording of the agio/disagio spread over the term of the bond loans.

In October 2011, Moody's granted Eandis System Operator an ‘A1’ credit rating with a ‘negative outlook’. On 14 December 2016 Moody's downgraded the rating to A3 stable outlook. On 29 June 2018, the rating agency Moody's changed the outlook for the A3 rating from stable to positive.
On 18 January 2017, Eandis obtained a second rating. The German credit rating agency Creditreform Rating AG granted Eandis System Operator an A+ rating with stable outlook. This rating was confirmed on 17 January 2018.

Eandis System Operator successfully issued bonds in the framework of its € 5 billion Euro Medium Term Note (EMTN) programme launched in 2011. There has always been a large interest from European investors for its bond issuances and also interest from private investors to whom several bond loans were issued.
In the framework of the € 5 billion EMTN programme an amount of 2.660.500 k EUR or 53,21 % had been issued at 30 June 2018. Since year end 2014 no bonds were issued under this programme.

The bonds are listed on the regulated market of the Luxembourg Stock Exchange and the issuances since November 2012 on the regulated market of Euronext and Alternext Brussels.

All outstanding loans are denominated in euro and have a fixed interest rate.

For all bond loans, each of the Flemish DSOs (shareholders of the Group) is guarantor on a several but non-joint basis, but limited to its proportional share in the capital of Eandis System Operator.

All funds of those loans are fully lent on to the distribution system operators at the conditions governing the issued bond loans. The resulting receivable for the Group is recorded as 'Long-term receivables, other' or ‘Short-term receivable, other’ depending on the maturity.

Distribution system operators primarily use these funds to fund their ongoing investments in the networks for electricity and gas and for refinancing purposes.

During the first six months of 2018 the Group did not issue any additional retail bond loan.

The capital of the debenture is repayable at maturity.

Loans, current
This item contains the current portion of the long-term loans (0 k EUR at 30 June 2018; 0 k EUR at 31 December 2017), the bank loans and the commercial papers on short term (0 k EUR at 30 June 2018; 0 k EUR at 31 December 2017).

T

he Group can call on the following credit facilities:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	NA	200.000	0	200.000	NA
Fixed loans	NA	100.000	0	100.000	NA
Total on 30 June 2018		**1.022.000**	**0**	**1.022.000**	
Commercial paper	(1)	522.000	0	522.000	Nvt
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	Daily	200.000	0	200.000	Nvt
Fixed loans	NA	100.000	0	100.000	NA
Total on 31 December 2017		**1.022.000**	**0**	**1.022.000**	

(1) The average interest rate of the used amounts at the end of the period
(2) Financing of the cash pool via the cash facility (bank debts) or a straight loan (fixed loan) cannot exceed 200.000 k € cumulatively

The fair value of the loans is disclosed in the note 'Financial instruments: risks and fair value '.

20 Employee benefit liabilities

The employee benefit liabilities amount to 253.442 k EUR on 30 June 2018 and 210.947 k EUR on 31 December 2017.
This increase of 42.495 k EUR is mainly explained by the adapted of the assumptions: the discount rate and the return on the plan assets have a decreasing effect on the provision opposite to the assumption for future salary adjustments. Also, a part of this provision was recognized as an other provision (see item 'Provisions, other').
The increase amounting to 42.495 k EUR was accounted for as an income in the statement of profit or loss for a total of 19.431 k EUR and 61.926 k EUR via the unrealized results (expense).

In the context of working longer, certain benefits granted for early retirement can no longer be recognized as a provision for employee benefits. Notwithstanding the fact that the Group is working on a 'renewed' pension plan, the timing of implementation cannot yet be stated with certainty. As a result, an amount of 25.752 k EUR was no longer included as a provision for employee benefits (and has a positive effect on the item in the statement of profit or loss 'Employee benefit expenses'), but this same amount was recorded as a liability on the balance sheet item' Provisions, other' (and in the statement of profit or loss as an item' Changes in the provisions').

21 Trade payables and other current liabilities

The trade payables and other current liabilities amount to 349.646 k EUR on 30 June 2018 and 289.535 k EUR on 31 December 2017.
Thedecrease increase of 60.111 k EUR is on the one hand due to an increase in trade payables (46.976 k EUR) and on the other hand due to an increase in other payables as additional provisions for employee benefit expenses (30 June 2018: 20.011 k EUR; 31 December 2017: 0 k EUR), a

provision for personnel expenses (13.050 k EUR), accrued interest on the bond loans (30 June 2018: 56.339 k EUR; 31 December 2017: 37.690 k EUR) partially compensated by a decrease of VAT and liabilities for related personnel expenses.

Financial instruments

22 Financial instruments: risks and fair value

Risks

Eandis System Operator manages its potential risks in a systematic way via the 'integral risk management' methodology. The Group's functioning as the operating company for the distribution system operators limits to a large degree the risks and their possible negative impact.

More detailed information about the risks of the Group and its shareholders is included in the IFRS consolidated financial statements of 31 December 2017, the prospectus of 2 June 2017 concerning the 'notification in respect of the public offer of bonds' and the investor presentation of May 2018. These documents can be consulted on the website of Eandis System Operator www.eandis.be

Fair value

The fair value of financial assets and liabilities is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties that are independent in an arm's length transaction and not in a forced sale or liquidation sale.

Fair value hierarchy

The fair value of the items reported as other investments is classified as level 3 since the information is based on the latest available annual information. Other financial instruments belong to level 1. This means that the valuation is based on quoted prices in an active market. The fair value of the unquoted loans (private placements) is their nominal value.

The fair value of the quoted bonds, issued for a total amount of 3.030.500 k EUR, varies according to the market interest rate. The fair value at 30 June 2018 amounts to 3.407.017 k EUR and differs from the amount that will be reimbursed and from the carrying value. The fair value was obtained based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other).

The other investments were classified as a level 3 and for all other items there were no movements between the different levels during the period.

At 30 June 2018 the fair values are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 3	Book value
Other investments	0	996	832
Short-term deposits	0	50.040	50.000
Cash and cash equivalents	216.845	0	216.845
Total receivables	321.858	0	321.858
Receivables cash pool activities	4.739	0	4.739
Total	**543.442**	**51.036**	**594.274**
Loans on long-term	3.847.017	0	3.450.547
Loans on short-term	0	0	0
Total current liabilities, other	353.388	0	353.388
Liabilities cash pool activities	295.666	0	295.666
Total	**4.496.071**	**0**	**4.099.601**

At 31 December 2017, the fair values are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 3	Book value
Other investments	0	984	832
Cash and cash equivalents	31.390	0	31.390
Total receivables	290.671	0	290.671
Receivables cash pool activities	19.402	0	19.402
Total	**341.463**	**984**	**342.295**
Loans on long-term	3.847.603	0	3.449.329
Total current liabilities, other	302.850	0	302.850
Liabilities cash pool activities	96.415	0	96.415
Total	**4.246.868**	**0**	**3.848.594**

Other information

23 Related parties

The nature of the transactions with the Management Committee, the directors and other related parties during the first six months of 2018 do not substantially differ from the transactions included in the annual report of 2017.

24 Events after the reporting date

On 1 July 2018, the new network company Fluvius System Operator cvba was created stemming from the merger between Eandis System Operator cvba and Infrax cvba. From a legal standpoint, it was opted to absorb Infrax into Eandis System Operator, with Eandis System Operator cvba changing its name to Fluvius System Operator cvba. The legal transaction chosen, being a merger by absorption, offers the most advantages in the integration of the two operating companies in the areas of human resources, current financial obligations and legal aspects. As a result of this merger by absorption, Fluvius System Operator issued 8.711.831 shares with voting rights and 151.812.970 shares without voting rights for a value of 510.186,86 euro and 8.890.551,06 euro.

Fluvius is responsible for the construction, management and maintenance of distribution networks for electricity, gas, sewerage, cable distribution and district heating, and manages the municipal public lighting. In total, the company manages 230.000 kilometers of utility lines and 7 million connections. Fluvius is active in the 308 Flemish municipalities.

The new Group (Fluvius System Operator) will announce the results for the first time according to IFRS for the financial year ending 2018 and will report for the second semester on all activities (for Belgian reporting there is a retroactive effect to 1 January 2018).

Infrax cvba does not prepare consolidated financial statements in accordance with IFRS. It only reports according to Belgian accounting principles. Below is a condensed balance sheet and income statement of Infrax cvba on 31 December 2017 according to the Belgian accounting principles, which were audited:

Condensed balance sheet **In thousands of EUR, at 31 December**	**2017**	**2016**
Fixed assets	**464.202**	**469.498**
Intangible fixed assets	7.288	14.557
Tangible fixed assets	6.545	4.574
Financial fixed assets	450.369	450.367
Current assets	**236.913**	**205.039**
Stocks and contracts in progress	36.613	32.259
Amounts receivable within one year	188.972	143.623
Cash at bank and in hand	10.981	29.019
Deferred charges and accrued income	347	138
Total assets	**701.115**	**674.537**
Equity	**11.891**	**11.883**
Capital	11.750	11.750
Other equity components: reserves, equity premium, retained earnings	59	59
Reserves	82	74
Amounts payable	**689.224**	**662.654**
Amounts payable after more than one year	543.502	546.826
Amounts payable within one year	141.274	111.868
Accrued charges and deferred income	4.448	3.960
Total liabilities	**701.115**	**674.537**

Condensed income statement **In thousands of EUR, at 31 December**	**2017**	**2016**
Turnover	18.948	12.390
Operating profit (loss)	222	255
Financial result	0	0
Extraordinary result	0	0
Income taxes	68	66
Profit for the period	**154**	**189**

The Group is currently working to convert the accounting data of Infrax cvba and its DSOs to IFRS.

AUDIT REPORT

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Report of the statutory auditor to the shareholders of Fluvius System Operator CVBA[1] on the review of the interim condensed consolidated financial statements as of 30 June 2018 and for the 6 month period then ended

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Fluvius System Operator CVBA (the "Company"), and its subsidiaries as at 30 June 2018 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 4.379.894 thousand and a net result for the six month period then ended of € 0. The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

[1] Until 1 July 2018 'Eandis System Operator CVBA'

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material aspects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Ghent, 30 August 2018

Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Paul Eelen
Partner*
* Acting on behalf of a BVBA/SPRL

Ref: 19PE0014