Economic Group Eandis

Consolidated Financial Statements IFRS

Year end 31 December 2017

Content

FINANCIAL STATEMENTS **5**
Consolidated statement of profit or loss 5
Consolidated statement of comprehensive income 6
Consolidated statement of financial position 7
Consolidated statement of changes in equity 8
Consolidated statement of cash flows 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **10**
1 Reporting entity 10
2 Summary of significant accounting policies 11
2.1 Statement of compliance and basis of presentation 11
2.2 Principles of consolidation 11
2.3 Significant accounting policies 12
2.4 Summary of changes in accounting policies applicable as from 2017 19
2.5 Use of estimates and judgments 19
2.6 Standards issued but not yet effective 20

SEGMENT INFORMATION **23**
3 Segment information 23

PERFORMANCE OF THE YEAR **28**
4 Operating revenue 28
5 Cost of trade goods 29
6 Cost for services and other consumables 29
7 Employee benefit expenses 30
8 Amortization, depreciation, impairments and changes in provisions 30
9 Other operational expenses 31
10 Regulated balances and transfers 31
11 Financial results 32
12 Income taxes 32

ASSETS **36**
13 Intangible assets 36
14 Property, plant and equipment 37
15 Investments in other companies 38
16 Other investments 39
17 Long-term receivables 38
18 Inventories 39
19 Trade and other receivables 39
20 Cash and cash equivalents 42

LIABILITIES **43**
21 Issued capital and reserves 43
22 Interest bearing loans and borrowings 46
23 Employee benefit liability 49
24 Derivative financial instruments 56
25 Provisions, other 56
26 Government grants 57
27 Trade payables and other liabilities 57
28 Current tax liabilities 58

FINANCIAL INSTRUMENTS **59**
29 Financial instruments: Risks and fair value 59

OTHER INFORMATION 64
30 Related parties 64
31 Contingencies 65
32 Events after the reporting date 66
33 List of group entities included in the consolidation 66
OPERATING IN A REGULATED ENVIRONMENT 68
34 Operating in a regulated environment 68

Financial Statements

Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2017	2016
Operating revenue		**3.019.034**	**2.788.767**
Revenue	4	2.651.860	2.454.266
Other operating income	4	96.075	65.576
Own construction, capitalized	4	271.099	268.925
Operating expenses		**−2.447.516**	**−2.169.960**
Cost of trade goods	5	−1.042.809	−1.039.602
Cost for services and other consumables	6	−337.314	−324.824
Employee benefit expenses	7	−367.221	−360.996
Depreciation, amortization, impairments and changes in provisions	8	−320.576	−325.901
Other operational expenses	9	−65.653	−46.881
Regulated transfers	10	−313.943	−71.756
Result from operations		**571.518**	**618.807**
Finance income	11	29.401	15.913
Finance costs	11	−177.596	−205.922
Profit before tax		**423.323**	**428.798**
Income tax expenses	12	−187.561	−145.906
Profit for the period		**235.762**	**282.892**

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2017	2016
Profit for the period		**235.762**	**282.892**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	23	5.147	−5.311
Deferred tax gains (losses)	12	135.842	15.564
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**140.989**	**10.253**
Total comprehensive income for the period		**376.751**	**293.145**

Consolidated statement of financial position

(In thousands of EUR)	Notes	2017	2016
Non-current assets		**7.925.395**	**7.902.818**
Intangible assets	13	64.605	96.776
Property, plant and equipment	14	7.859.072	7.804.089
Investment in joint ventures and associates	15	30	30
Other investments	16, 29	832	832
Long-term receivables, other	17	856	1.091
Current assets		**1.012.806**	**1.715.003**
Inventories	18	33.646	35.295
Trade and other receivables	19, 29	947.755	1.677.000
Cash and cash equivalents	20, 29	31.405	2.708
TOTAL ASSETS		**8.938.201**	**9.617.821**
EQUITY	**21**	**2.255.332**	**2.063.972**
Total equity attributable to owners of the parent		**2.255.239**	**2.063.879**
Capital		1.262.948	1.262.948
Issue premiums		0	0
Reserves		820.345	811.641
Other comprehensive income		−500.189	−641.178
Retained earnings		672.135	630.468
Non-controlling interest		**93**	**93**
LIABILITIES		**6.682.869**	**7.553.849**
Non-current liabilities		**5.830.209**	**5.994.950**
Interest bearing loans and borrowings	22, 29	5.235.404	5.244.409
Employee benefit liabilities	23	210.947	259.363
Derivative financial instruments	24, 29	102.460	131.067
Provisions	25	9.600	14.936
Other non-current liabilities		0	0
Deferred tax liability	12	268.662	343.819
Government grants	26	3.136	1.356
Current liabilities		**852.660**	**1.558.899**
Interest bearing loans and borrowings	22, 29	211.182	766.697
Derivative financial instruments		0	0
Trade payables and other current liabilities	27, 29	608.822	589.936
Current tax liabilities	28, 29	32.656	202.266
TOTAL EQUITY AND LIABILITIES		**8.938.201**	**9.617.821**

Consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Other compre-hensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2016	**1.278.688**	**759.548**	**−651.430**	**589.313**	**1.976.119**	**1.079**	**1.977.198**
Total comprehensive income for the period	0	0	10.252	282.892	**293.144**	0	**293.144**
Repayment non-controlling interest	0	0	0	0	**0**	−986	**−986**
Repayment of equity	−15.740	−23.928	0	36	**−39.632**	0	**−39.632**
Addition/decrease reserves	0	76.021	0	−76.021	**0**	0	**0**
Dividends paid	0	0	0	−165.752	**−165.752**	0	**−165.752**
Balance at 31 December 2016	**1.262.948**	**811.641**	**−641.178**	**630.468**	**2.063.879**	**93**	**2.063.972**
Balance at 1 January 2017	**1.262.948**	**811.641**	**−641.178**	**630.468**	**2.063.879**	**93**	**2.063.972**
Total comprehensive income for the period	0	0	140.989	235.762	**376.751**	0	**376.751**
Share capital decrease	0	0	0	0	**0**	0	**0**
Repayment of equity	0	0	0	0	**0**	0	**0**
Addition/decrease reserves	0	8.704	0	−8.704	**0**	0	**0**
Dividends paid	0	0	0	−185.391	**−185.391**	0	**−185.391**
Balance at 31 December 2017	**1.262.948**	**820.345**	**−500.189**	**672.135**	**2.255.239**	**93**	**2.255.332**

The above information is disclosed in the notes 'Equity' and as regard to ‘other comprehensive income’ in the notes ‘Income tax expenses’ and 'Employee benefit liabilities'.

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2017	2016
Profit for the period		235.762	282.892
Amortization of intangible assets	8, 13	35.926	45.824
Depreciation on property, plant and equipment	8, 14	280.924	282.676
Change in provisions (Reversal -; Recognition +)	8, 25	−5.336	−3.091
Impairment current assets (Reversal -; Recognition +)	8	9.062	492
Gains or losses on realization receivables		3.955	6.878
Net finance costs	11	176.812	204.657
Change in fair value of derivative financial instruments	11	−28.607	−14.648
Gains or losses on sale of property, plant and equipment		53.922	28.144
Movement in government grants	26	−10	−1
Income tax expense	12	187.561	145.906
Operating cash flow before change in working capital and provisions for employee benefits		**949.971**	**979.729**
Change in inventories	18	1.649	10.021
Change in trade and other receivables		717.986	83.143
Change in trade payables and other current liabilities		14.609	−54.092
Change in employee benefits		−43.269	−77.198
Net operating cash flow		**690.975**	**−38.126**
Interest paid		−170.893	−206.959
Interest received		368	711
Financial discount on debts		413	476
Income tax paid	28	−296.484	−26.596
Net cash flow from operating activities		**1.174.350**	**709.235**
Proceeds from sale of property, plant and equipment		10.728	21.240
Purchase of intangible assets	13	−17.537	−37.014
Purchase of property, plant and equipment	14	−386.775	−335.565
Acquisition of companies and other investments		0	−19
Proceeds from sale of other investments	16	0	167
Net investments in long-term receivables		29	−135
Receipt of a government grant		241	0
Net cash flow used in investing activities		**−393.314**	**−351.326**
Repayment of share capital	21	0	−40.618
Repayment of borrowings	22	−355.376	−738.558
Proceeds from borrowings	22	0	400.000
Proceeds from bonds/borrowings	22	199.737	0
Change in current liabilities	22	−411.309	186.071
Dividends paid	21	−185.391	−165.752
Net cash flow from/used in financing activities		**−752.339**	**−358.857**
Net increase/decrease in cash	**20**	**28.697**	**−948**
Cash and cash equivalents at the beginning of period		**2.708**	**3.656**
Cash and cash equivalents at the end of period		**31.405**	**2.708**

Notes to the consolidated financial statements

1 Reporting entity

The consolidated financial statements of the Economic Group Eandis comprise – beside the accounts of the 7 Flemish Distribution System Operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas – the accounts of the subsidiary being the operating company Eandis System Operator cvba, and its subsidiary, investments in joint ventures and associates. The aggregated accounts taken together form the 'Economic Group'.
The DSOs are being managed centrally by their operating company Eandis System Operator.

The statutory aim of the DSOs is the distribution system operation as understood by the Flemish Energy Decree and its execution resolutions, as well as carrying out each peripheral activity, such as public lighting and generating electricity from cogeneration within the legal framework.
The main activities are subject to the regulation by the Flemish Regulator of Electricity and Gas (VREG). For more information, see note 'Operating in a regulated environment'.
The Group can also carry out other activities such as energy services to local authorities (ESLA). At the request of the local public authorities (municipalities, cities, …) Eandis System Operator offers support at cost price aiming at planning and implementing efficient measures and projects for energy saving and energy efficiency.

The DSOs are mission charged associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001, 25 April 2014 and 13 May 2016).

All companies of the Group are registered in Belgium.

In October 2011, Eandis 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 as a result of the non-execution of the merger of the seven DSOs in Eandis Assets and the discontinuation of the process to attract a private partner for this merged company. Despite the downgrade, Eandis remains a solid issuer with a rating that aligns with the rating of many of its European peers. See also the press releases of Eandis dated 14 December 2016 (Moody's downgrades Eandis rating to A3 stable) and 3 October 2016 (Announced merger will not take place) on www.eandis.be.

On 18 January 2017, Eandis System Operator obtained a second rating. The German credit rating agency Creditreform Rating AG granted Eandis an A+ rating with stable outlook. On 19 January 2018 this rating was reconfirmed.

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.

During 2017, several transactions were prepared that, when realized, will have a significant impact on the Flemish energy landscape in 2018.
Separation of the financing associations and the partial integration in their respective DSO
Following the dismantling of the federal structure Intermixt which is currently entrusted with the management of the public participations in the transmission of electricity and the transport of gas, a partial integration of the six intermunicipal financing associations (Figga, Finea, Fingem, Finilek, Finiwo and IKA) into the DSOs was investigated.
The purpose of the transaction is to better align the activities of the intermunicipal financing associations with the current organization of the energy market and to rationalize the Flemish intermunicipal structures.

As a result, the activities of the companies in environmentally friendly energy generation will be incorporated in Zefier cvba and the interest of the companies in the transmission system operators Publi-T and Publigas, the shares held in Telenet, some extinguishing and other activities will be integrated into the DSOs.
This split is subject to conditions precedent and a suspensive provision of time that must be approved - or renounced - by 31 December 2018 at the latest. The split will take effect on 1 April 2018 at the earliest.

Realization of the merger of Eandis System Operator cvba with Infrax cvba
The Boards of Directors of both companies approved the proposed merger as at 1 July 2018 on 4 (Eandis System Operator) and 5 (Infrax) October 2017 respectively. The management committees of both companies were instructed to take the necessary preparatory measures for the realization, including the procedure towards the Belgian Competition Authority. For the legal establishment of the integrated Fluvius a merger by acquisition of Infrax by Eandis System Operator was chosen, whereby Eandis System Operator cvba will change its name to Fluvius System Operator cvba. The existing joint venture of Eandis System Operator and Infrax, the cvba Fluvius that acted as a purely supporting and non-operational vehicle, will be dissolved with liquidation. The legal transaction chosen (merger by acquisition) offers the most advantages in the realization of the integration of the two operating companies in the areas of human resources, current financial obligations and legal aspects.

The evolutions mentioned above will also lead in 2018 to further amendments of the statutes of both Eandis System Operator and the DSOs, the end date of the mission charged associations and other shifts at the level of the DSOs.

This financial report for the financial year ended 31 December 2017 has been established by the Management Committee on 15 March 2018.

2 Summary of significant accounting policies

2.1 Statement of compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB) and endorsed by the European Union. The Group has not early adopted any new IFRS standard that is effective after 2017.

The consolidated financial statements were expressed in thousands of euro, which is the functional currency and presentation currency of the Group. They have been prepared with the assumption that business activities will be continued and under the historical cost convention method unless otherwise stated.

2.2 Principles of consolidation

The consolidated financial statements comprise all subsidiaries over which the Group has control. There is control when the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Such a form of control is supposed to exist if Eandis System Operator, directly or indirectly, holds more than half of the voting rights in the entity. The existence and impact of potential voting rights that were exercisable or convertible at that time, are being taken into consideration when judging whether the Group has the control to determine the financial and operating policies of another entity.
Subsidiaries are fully consolidated from the date on which the Group obtains control until the date on which control ends.

Investments in associates are companies in which a significant influence is exercised over the financial and operational policy, but for which there is no control. This is usually evidenced by the ownership of 20 % up to 50 % of the voting rights.
A joint venture is a joint arrangement whereby the Group has joint control of that arrangement.
These investments and joint ventures are accounted for in the consolidation using the equity method as from the date that significant influence or joint control is obtained until the date that the significant control or joint control ceases.

The financial reporting of the subsidiaries, investments in joint ventures and associates is prepared for the same reporting year as that of the parent company, using consistent accounting principles. All intercompany transactions, balances and unrealized gains and losses between group companies have been eliminated.

Non-controlling interest in the net assets of the consolidated subsidiaries has been individually reported in equity of the parent company. Non-controlling interest consists of the amount of that interest at the acquisition date and the non-controlling share in the equity changes since the date of the business combination. Losses relative to the minority higher than the non-controlling interests in the subsidiary's equity have been allocated to the Group's interests with the exception of those cases in which the minority has a binding obligation to make additional investments to compensate for the losses and is able to do so.

An overview of the subsidiaries, joint arrangements and associates of the Group is set out in note 'List of group entities included in the consolidation'.

2.3 Significant accounting policies

The applied accounting policies are consistent with last year's accounting principles.

a) Operating income

Goods sold and services rendered

Revenue from sale of goods has been recognized when all of the following conditions have been satisfied: the Group transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither the continuing managerial involvement nor effective control over the goods sold; the amount of revenue can be determined reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and costs incurred or to be incurred in respect of the transaction can be measured reliably.

On the basis of the previously mentioned principles the sale of goods and the rendering of services have been recognized at the moment of delivery of the goods to the customer, of the customer accepting the goods and of the collectability of the related amounts.

Distribution network remuneration (energy transport) – Social function (energy supply)

The distribution grid revenue (grid fee) is based on the actual billing of the grid fee of the DSOs in the relevant year.
The billing of grid fee to energy suppliers and other DSOs is based on the eligible tariffs that are published on the websites of the respective DSOs. The real grid fee invoice contains invoiced advances (for customers whose meter is recorded annually), settlement billing (from annually recorded, manual monthly recorded and remotely read access points) as well as rectification invoices recorded in the calendar year concerned.

Interest income is recorded as soon as acquired and for the period to which it relates (taking into account the asset's actual interest rate), unless there is doubt about its collectability.

Dividends received are recognized in the statement of profit or loss at the moment they are granted.

Government grants are recognized in the balance sheet as soon as it is reasonably certain that the grant will be received and that all of the conditions attached to it will be complied with.
Grants related to an asset are included on the balance sheet item ‘Government grants’ and will be recognized in the statement of profit or loss on a systematic basis over the expected useful life of the related asset.
Grants related to expenses are presented in the statement of profit or loss as ‘Other operating income’ in the same period in which the costs are included.

b) Expenses
Expenses are recognized in the statement of profit or loss in the year in which they occur.

The Group has the obligation to buy *certificates for green energy* that were offered by producers of renewable energy at a certain price. These certificates can be sold by the DSOs in an active market. The value of the certificates sold is lower than the purchase price. The resulting costs were included as an item in ‘Costs of trade goods’ under the heading ‘Certificates for green energy’ but also the revaluation cost to the fair value and the solidarity contribution on the certificates for green energy (see note ‘Trade and other receivables ').

The premiums for *Rational Energy Use (RUE)* paid to private individuals and companies are recognized as an expense in the statement of profit or loss.
These premiums are granted to individuals and companies that invest in energy-efficient applications such as installing insulation, high-efficiency glazing, solar water heater, and others. These premiums are evaluated every year in consultation with the Flemish government and can vary in size and application. An RUE action plan is agreed on per calendar year.

The finance costs include interests on loans, calculated using the effective interest rate method and bank charges. All interests and other costs incurred in connection with loans or other financial transactions such as hedging options are recognized as financial expenses when they occur.

The taxes on profit or loss for the financial year include the current and deferred taxes. The tax on profit of the year is recorded in the statement of profit or loss unless they relate to transactions that were directly recorded in equity. In this case, the taxes are directly charged to equity.
The current tax expenses are the expected current taxes payable on the taxable income for the year, based on tax rates in effect at the balance sheet date and any adjustment to current taxes payable from previous years. For the calculation of the income tax on the taxable income for the year, the current tax rate (that has been enacted or substantively enacted by the end of the reporting period) is used.
Deferred taxes are recognized for temporary differences between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes.
As from 2015 onwards, the DSOs will have to pay corporate income tax, as was the case for Eandis System Operator, its subsidiary, investments in joint ventures and associates.

c) Intangible assets
Intangible assets are measured at cost less any accumulated amortizations and possible impairment losses.

Costs relating to research, which is carried out with the purpose of obtaining new technical knowledge and insights, are recognized in the statement of profit or loss in the period in which they occur.
Costs relating to the development phase, in which knowledge obtained through research is applied in order to achieve a plan or design for the production of new or significantly improved products and processes, are included in the balance sheet if and only if the product or process was technically and commercially feasible, the entity has the necessary resources to complete the

development, it is probable that future economic benefits will flow into the Group and the cost can be measured reliably. The capitalised amount includes all costs that are directly attributable to the creation, production, and the preparation of the asset, so that it could operate in the same manner as intended by the management.

Until 2014, amortization is recognized in profit or loss on a straight-line basis as of the date of bringing the asset into use and over the estimated useful life of each component of an item of intangible assets.
As from 2015 the DSOs are subject to corporate income tax and the amortization is calculated, in accordance with the tax rules, on a pro rata temporis basis during the year in which the asset is brought into use. This means that amortization starts in the month after the month during which the asset is brought into use.
Another amortization method is only used if the expected pattern of consumption of the future economic benefits of the asset is better reflected.
Intangible assets are not revalued.
When the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The following amortization percentages are used in the calculation of depreciation:

Software	20,00 %
Cost for smart projects, clearing house and district heating	20,00 %

d) Property, plant and equipment
Property, plant and equipment are measured at historical cost less third party contributions, the accumulated depreciations and impairment losses. The historical cost comprises the initial purchase price plus other directly attributable costs.
The cost price of assets of own-production comprises the cost of material, direct labour cost and a reasonable part of indirect labour costs. These indirect labour costs comprise that part of general administrative and operational costs that cannot be directly attributed to investment expenses. These costs (for the largest part personnel costs) are added to the cost price of investment projects according to the internal billing system.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item can be depreciated separately.

The Group recognizes the cost of an expansion or replacement part of such asset when these costs have been incurred if it is probable that the future economic benefits associated to that asset will flow to the Group and the asset's cost can be measured reliably. All other costs are expensed as incurred.

As from 2015 the costs of the networks not yet completed are classified as 'Assets under construction'. The investments reported are not depreciated.

Until 2014, depreciation is recognized in profit or loss on a straight-line basis as of the date of bringing into use and over the estimated useful life of each component of an item of property, plant and equipment.
As from 2015 the DSOs are subject to corporate income tax and the depreciation is calculated, in accordance with the tax rules, on a pro rata temporis basis during the year in which the asset is brought into use. This means that depreciation starts in the month after the month during which the asset is brought into use.

Land is not depreciated. The applied depreciation percentages on the basis of the average useful life are as follows.

Construction and administrative buildings *	2,00 %
Networks and lines	2,00 %
Other distribution installations	3,00 %
Service pipes for heating	3,00 %
Technical installations buildings*	4,00 %
Heat stations, cathodic protection (heating)	5,00 %
Issuing station (heating)	6,67 %
Recycled equipment	6,67 %
Optical fibre	10,00 %
Electronic metering equipment	10,00 %
Office furniture and tools	10,00 %
Leasehold improvements*	10,00 %
Leasehold improvements – rented buildings*	11,12 %
Vehicles	20,00 %
Electronics in administrative buildings	20,00 %
Hardware	33,33 %
Test equipment EVA (Electric vehicles in action)	50,00 %

* The depreciation rates indicated with an asterisk were used from fiscal year 2014 for the newly acquired investments

In the opening balance sheet as per 1 January 2007 the Belgian GAAP carrying amount, as accepted by the CREG (Commissie voor de Regulering van de Elektriciteit en het Gas), was taken as the opening value for IFRS.

Repair and maintenance costs that do not increase the future economic benefits, are recognized in the statement of profit or loss as incurred.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is at its location and in the condition necessary for it to function in the manner intended by management.

Gains and losses on sale

Any gain or loss arising on a sale of property, plant and equipment is included in the statement of profit or loss. They are recognized when the significant risks and rewards of ownership have been transferred to the buyer, collectability of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the property, plant and equipment.

Leasing

Lease of assets under which all the risks and rewards incidental to ownership are substantially retained by the lessor, are classified as operating lease.

Lease payments based on operating leases are expensed on a straight-line basis, unless another systematic method is more representative of the time pattern of the benefits for the user.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

Impairment has been recognized if an asset's carrying amount exceeds the recoverable value. Impairment is charged directly to the statement of profit or loss.

e) Investments in joint ventures and associates

Investments are accounted for at trade date.

These investments are at initial recognition measured at fair value, unless the fair value cannot be reliably determined in which case they are measured at cost.

An impairment is recognized if the carrying amount exceeds the expected realizable value.

f) Other investments

All investments are accounted for at trade date.
Investments in equity instruments consist of interests in entities in which the Group does not have significant influence or control. This is the case in companies where the Group has less than 20% of the voting rights. Such investments are designated as financial assets available for sale and are at initial recognition measured at fair value unless the fair value cannot be reliably determined in which case they are measured at cost.

An impairment is recognized if the carrying amount exceeds the expected realizable value.

g) Inventories

Inventories have been measured at purchase cost. Their value has been determined using the moving weighted average method.
An impairment is carried out on inventories if, due to their obsolescence, they are no longer usable or if their carrying amount exceeds the estimated sales price. If items of inventory have not been used for more than one year, an impairment of 100 % is recorded.
This impairment loss is recognized as an expense in the statement of profit or loss.

h) Trade and other receivables

Trade and other receivables are measured at amortized cost.

An allowance for doubtful debt is recognized if the collection of the receivable becomes doubtful and after comparison with the realizable value.
In the case of a bankruptcy or judicial reorganization the receivable is immediately impaired and the value-added tax recovered, on the basis of a certificate obtained from the curator or a publication of the closing of the bankruptcy in the annexes to the Belgian Official Gazette.
In the framework of the full liberalization of the energy market in Flanders as per 1 July 2003, an impairment loss was recognized for the total amount including VAT of all receivables as per 31 December 2003, older than 6 months. These provisions have been reversed in view of the collection of these receivables or they have been used whenever these receivables have been written off.
The receivable of the work carried out and delivered services, with the exception of, on the one hand, the damages handled by the legal department and, on the other hand, the receivables from the affiliated municipalities, which are overdue for more than 6 months are recognized as doubtful and therefore impaired at 100,00 % (excluding VAT).
A provision for bad debt related to receivables from energy supplies by the Distribution System Operators is calculated and recorded on the basis of the average collection degree stemming from statistical data of the payment history that was kept since the liberalisation of the energy market for the main client categories.
Receivables are permanently impaired (written off) using the provision for bad debts that was set up for this purpose as soon as certificates, provided by bailiffs, lawyers or debt collection agencies can demonstrate that there is no recoverability possible.
Also, when it can be revealed that the revenue associated with a possible recovery does not compensate (i.e. does not economically justify) the costs for this recovery, the receivable is completely impaired using the provision which was set up for this purpose.

i) Cash and cash equivalents

Cash and cash equivalents comprise the readily available cash resources, deposits that can be immediately withdrawn and other short-term, highly liquid investments (with a maximum maturity of three months), that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are stated at face value, which approximates their fair value. For the purpose of the cash flow statement, they are presented as cash and cash equivalents.

j) Share capital

The share capital is represented by shares A without nominal value.
The capital consists of a fixed part that is fully placed and fully paid up. The variable part of the capital varies as a result of the entry or exit (accompanied with a return of shares) of the participants, or as a result of a capital increase or a capital reduction. The capital is not indexed.

Each share A entitles to one vote.

The shares are called shares A, the profit certificates are called profit certificates C. The shares A and the certificates C are entitled to a dividend.
Dividends are recognized as a liability in the period in which they are approved.

If there are components of the results that are the consequence of elements originating in the captive period (before 1 July 2003) and that would have affected the outcome of the relevant period, then this part of the result is assigned to the participants according to the terms as were applicable with respect to the distribution of net profit realized in the years preceding the first effects of liberalization.

k) Loans and borrowings

Interest bearing loans are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost, in which any difference between the proceeds and the reimbursement is charged to the statement of profit or loss using the effective interest method over the maturity of the loans.

l) Employee benefit liability

Pension plans and other post-employment benefits

The contributions for defined contribution plans have been recognized as an expense at the moment when incurred. Up to 2015 these kinds of pension plans were valued by using the intrinsic value and any individual difference between the mathematical reserve and the minimum guaranteed amount was recorded as a liability in the financial statements.
The law was amended on 18 December 2015 and from 1 January 2016 the guaranteed yield was changed to a variable yield (see note 'Pensions and other post-employment benefit plans'). Hence, the provision for defined contribution pension plans is valued as from 2016 according to the ‘Projected Unit Credit’-method (PUC) without projection of the future premiums. The amount recognized in the balance sheet is the difference between this provision and the fair value of plan assets.

The Group’s liabilities for the defined benefit plans, as well as for the subsequent costs, have been valued on the basis of the ‘Projected Unit Credit’ method. The amount recognized in the balance sheet represents the present value of the pension liabilities (Defined Benefit Obligation) mentioned, less the fair value of plan assets.
Remeasurements comprise actuarial gains and losses, and the return on plan assets (excluding interest) which is reflected in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. They are included in the statement of comprehensive income, as items not to be reclassified to profit or loss in subsequent periods.
Past service costs are recognized in the statement of profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.
The amounts recognized in the statement of profit or loss comprise service costs (including current service costs, past service costs, gains and losses on other long-term employee benefits as well as curtailments and settlements), net interest expense or income and remeasurement.
The Group presents the first two components of the defined benefit costs in the statement of profit or loss on the line item Employee benefit expenses and Financial expenses.

Other long-term employee benefits contain provisions for retirement and jubilee bonuses.
These benefits are treated in the same manner as pension plans; however, past service costs and actuarial gains and losses have immediately been recognized in the statement of profit or loss.

m) Derivative financial instruments
The Group uses derivative financial instruments (Linear Constant Maturity Swap – LCMS; Interest Rate Swaps - IRS and other) to hedge the exposure to interest rate risks that arise from its financing activities. Derivative financial instruments are initially recognized at fair value. The gain or loss resulting from fluctuations in the fair value is immediately accounted for through the statement of profit or loss. The fair value of the interest rate swaps was the estimated amount the Group would receive or pay to end the swap at the balance sheet date, taking into account the actual interest rate and the creditworthiness of the counterparty.
The derivatives do not qualify for hedge accounting.

n) Provisions, other
Provisions are recognized in the balance sheet when the Group has a present (legal or constructive) obligation as a result of a past event, and when it is probable that an outflow of financial resources will be required to settle the obligation and the obligation's amount can be reliably estimated.
The amount recognized as provision is the best available estimate on the balance sheet date for the expenses needed to meet the existing liabilities, possibly discounted if the money's time value is relevant.

o) Trade and other liabilities
Trade and other liabilities have been measured at amortized cost.

p) Income tax expense
Current tax assets and liabilities are offset only if the entity has a legally enforceable right to set off the recognized amounts and has the intention to either settle the obligation on a net basis, or to realize the asset and settle the liability simultaneously.

The deferred tax assets and liabilities reflect the deductible or taxable temporary differences between the carrying amounts and the tax values.
The deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the claim will be realized or the obligation will be met, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.
The deferred tax assets are recorded when it is probable that taxable profits will be realized to settle the deferred tax.

2.4 Summary of changes in accounting policies applicable as from 2017

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

- Amendments to IAS 7 *Statement of Cash Flows* – Disclosure Initiative, applicable from 1 January 2017
  The amendments are part of the Disclosure Initiative of the IASB; they require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

- Amendments to IAS 12 *Income Taxes* – Recognition of Deferred Tax Assets for Unrealised Losses, applicable from 1 January 2017
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

- Annual Improvements Cycle - 2014-2016 (published in December 2016), applicable from 1 January 2017.
  The improvements relate to amendments of the scope of disclosure requirements in IFRS 12 and clarify that the disclosure requirements (other than those in paragraphs B10–B16) apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale.

2.5 Use of estimates and judgments

The preparation of the consolidated 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 estimates and the underlying assumptions have been based on past experience and several other factors that are believed to be reasonable given the circumstances. The results thereof form the basis for the judgment on the carrying amount of assets and liabilities that could not be deduced in a simple way from other sources. The actual results could differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or the period of the revision and future periods, if the revision affects both current and future periods.

Pensions and other post-employment benefit plans
The cost of the pension plans and other long-term employee benefits and the present value of the pension obligation are determined using actuarial valuations. This involves making various assumptions that may differ from actual developments in the future. Due to the complexity of the actuarial calculations and the long-term nature of the obligation, the defined benefit obligation is highly sensitive to changes in the assumptions. The major assumptions and the sensitivity analysis are disclosed in note 'Pensions and other post-employment benefit plans'.

Derivative financial instrument
Information about major items of uncertainty and critical judgment with regard to the recording of the derivative financial instruments is included in the note 'Financial instruments: risks and fair value'.

2.6 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

The Group runs a project to assess the impact of the new standards IFRS 9, IFRS 15 and IFRS 16 and to evaluate any system adjustments.

- 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

- 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, with early application permitted. The Group intends to apply the new standard on the required effective date and will not apply the standard early.
  The Group has carried out a preliminary impact analysis for all three aspects of IFRS 9:
  - Classification and valuation: the main financial assets of the Group include the regulatory assets and balances but also the receivables concerning the green energy certificates and cogeneration certificates. The certificates are held by the Group for trading purposes and, consequently, the current accounting treatment at fair value through profit or loss account can thus be continued under the new standard. The classification and valuation of the regulatory assets and balances is further described in the impact analysis of the IFRS 15.
  - Impairment: The Group claims receivables, resulting as from its ordinary operations as well as from its role as social supplier. The receivables resulting from the ordinary activities are short-term whereby an application of the expected credit losses calculation will have no impact. The current accounting rules for impairment may be maintained under the new standard. The receivables resulting from the Group's social role are described further in the summary of the IFRS 15 impact analysis.
  - Hedge accounting: the Group processed its derivatives at fair value through the profit or loss account. The new standard will have no impact on the current accounting treatment.

- Amendments to IFRS 9 *Financial Instruments* - Prepayment Features with Negative Compensation, effective 1 January 2019

- 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 shall apply to financial years beginning on or after 1 January

2018. The Group intends to retrospectively apply the new standard on the required effective date and will not apply the standard earlier.
The Group has carried out an impact analysis resulting in the following findings:

- Distribution and transmission grid fee (including regulatory assets and balances): there is currently no IFRS standard that should be applied in the European Union which prescribes how regulated revenue flows and the resulting regulatory asset and balances should be accounted for. In the past, the Group investigated how as to apply the appropriate accounting treatment. The Group is of the opinion that IFRS 15 will have no impact on the previous analysis and hence the current accounting treatment will be acceptable.
- Social supplier: the Group recorded a write-down on the 'Trade receivables social customers' of more than 50 % (2017: 64,9 %, 2016: 61,0 %) of the total amount outstanding from these social customers see note 'Trade and other receivables). As a result of the specific regulation in which the Group operates (see note 'Working in a regulated environment'), it is possible that, for the current regulatory period, the costs are recovered, on the basis of its share in the eligible income (as approved by the Regulator) following a corresponding real recovery.

  The advance payments received can still be recognized by the Group with application of article 15 of the standard. The remaining revenue recognition will be postponed until the moment of the annual review and when the actual energy consumption of the customers is known.

- IFRS 16 *Lease*, effective 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 profit or loss statement. 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.
  During 2018, the Group will continue to carry out its assessment of the possible impact of IFRS 16 on the consolidated financial statements.

- IFRS 17 *Insurance Contracts*, effective 1 January 2021

- Amendments to IAS 28 *Investments in Associates and Joint Ventures* – Long term Interests on Associates and Joint Ventures, effective 1 January 2019

- 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

- IFRIC 23 *Uncertainty over Income Tax Treatments,* effective 1 January 2019

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

- Annual Improvements Cycle – 2015-2017, effective 1 January 2019
- Amendments to IAS 19 *Amendments, Curtailment or Settlement*, effective 1 January 2019

Segment information

3 Segment information

The Management Committee, responsible for the day-to-day management and the operational functioning of Eandis System Operator (ESO), its subsidiary, investments in joint ventures and associates as well as the seven Flemish Distribution System Operators, reviews the financial data on the basis of a reporting in accordance with Belgian accounting standards.
This reporting is presented for the DSOs per energy component electricity and gas, as this is the best reflection of the nature and the financial profile of the activities. This segmentation also reflects the framework within which should be reported to the regulator VREG and also forms the basis for the calculation of the distribution network tariffs for the electricity and gas activities. As a result, they are distinguished from each other and each has its own cost drivers, specificities and risks.
The DSOs also report a segment 'Other' in which the non-regulated activities are included such as the activities which took place before the liberalisation of the energy market (2003); the activities for the energy services for local authorities (ESLA), the district heating activity (within the permitted legal framework) and other activities (the so-called spin-ins are projects in Consulting, Grids for Third Parties, Public Lighting, Telecom and Vertical Infrastructure).
The seven DSOs are organized by region and each applies separate network tariffs. The information per legal entity can be consulted, for the individual financial statements of the DSOs, at the Central Balance Sheet Office of the National Bank of Belgium.
The activities of the operating company Eandis System Operator and its subsidiary, investments in joint ventures and associates are reported separately and on a consolidated basis. However, no segmentation per energy component is reported. All costs of these companies are recharged at cost price to mainly the seven DSOs where a breakdown by activity is performed based on an allocation system. Therefore the financial results of the operating companies (ESO Group) are always 'null'.

In accordance with IFRS 8, the Group reported at 31 December 2017 and 31 December 2016 the following financial segmented information on the basis of the Belgian GAAP (BE-GAAP).
All transactions of the Group take place in Flanders, Belgium.

Statement of profit or loss 2017

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Turnover	1.869.946	444.547	20.416	1.049.331	3.384.240
Other income	82.878	24.692	21.163	69.532	198.265
Operating costs	−1.624.612	−299.702	−35.073	−1.105.068	−3.064.455
Operating profit (loss)	**328.212**	**169.537**	**6.506**	**13.795**	**518.050**
Financial income	320	8	66	107.918	108.312
Financial costs	−115.074	−54.768	32	−112.293	−282.103
Profit (loss) of the period before taxes	**213.458**	**114.777**	**6.604**	**9.420**	**344.259**
Transfer from/tranfer to deferred taxes	−1.775	0	3	0	−1.772
Transfer from/transfer to untaxed reserves	−3.448	0	0	0	−3.448
Income taxes	−74.752	−40.752	−1.951	−9.420	−126.875
Profit for the period	**133.483**	**74.025**	**4.656**	**0**	**212.164**

Statement of financial position 2017

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Tangible fixed assets	4.804.436	3.101.327	15.053	2.861	7.923.677
Financial fixed assets	642	365	0	1.223	2.230
FIXED ASSETS	**4.805.078**	**3.101.692**	**15.053**	**4.084**	**7.925.907**
Amounts receivable after more than one year	0	0	494	3.470.500	3.470.994
Stocks and contracts in progress	49.096	138	6.468	33.646	89.348
Amounts receivable within one year	440.625	65.593	10.463	266.166	782.847
Cash at bank and in hand	194.958	−132.679	34.151	32.132	128.562
Deferred charges and accrued income	579.667	110.361	4	254.112	944.144
CURRENT ASSETS	**1.264.346**	**43.413**	**51.580**	**4.056.556**	**5.415.895**
Total Assets	**6.069.424**	**3.145.105**	**66.633**	**4.060.640**	**13.341.802**
Capital	770.323	492.626	0	915	1.263.864
Equity premium	0	0	0	68	68
Revaluation surplus	490.669	311.597	0	0	802.266
Reserves	503.226	299.609	20.958	3	823.796
Retained earnings and result of the period	22.950	11.137	38.870	20	72.977
Government grants	0	0	2.208	0	2.208
EQUITY	**1.787.168**	**1.114.969**	**62.036**	**1.006**	**2.965.179**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**7.028**	**11.016**	**927**	**210.947**	**229.918**
Amounts payable after more than one year	3.583.256	1.673.319	0	3.449.329	8.705.904
Amounts payable within one year	447.654	218.856	3.670	343.952	1.014.132
Accrued charges and deferred income	244.318	126.945	0	55.313	426.576
AMOUNTS PAYABLE	**4.275.228**	**2.019.120**	**3.670**	**3.848.594**	**10.146.612**
Total Liabilities	**6.069.424**	**3.145.105**	**66.633**	**4.060.640**	**13.341.802**

The reconciliation of the financial data 2017 mentioned above based on Belgian GAAP to IFRS

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	3.384.240	2.651.860	−732.380
Profit (loss) of the period before taxes	344.259	423.323	79.064
Total Assets	13.341.802	8.938.201	−4.403.601
Total Liabilities	13.341.802	8.938.201	−4.403.601
Equity	2.965.180	2.255.332	−709.848

These differences can be explained as the result of:

- The elimination of all the transactions and balances between the members of the Economic Group Eandis as a result of the consolidation
- Reclassifications and adjustments/netting off
- The employee benefit liability is processed in the IFRS result
- The BE-GAAP deferred pension capitals are fully included in IFRS
- Adjustments for the provisions that do not meet the IFRS criteria are included, as well as adaptations to existing provisions
- The derivative financial instruments are recorded at fair value and an adjustment is recorded for the accrued interest
- Deferred taxes are recorded.

For the electricity segment, one customer achieved 41 % of the turnover and for the gas segment there were three customers who together achieved 68 % of the turnover.

Statement of profit or loss 2016

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Turnover	1.907.275	450.033	45.002	1.053.040	3.455.350
Other income	69.099	26.823	−19.055	94.165	171.031
Operating costs	−1.640.625	−284.085	−27.470	−1.133.535	−3.085.716
Operating profit (loss)	**335.748**	**192.771**	**−1.523**	**13.670**	**540.666**
Financial income	599	148	123	109.107	109.977
Financial costs	−131.033	−64.412	13	−113.584	−309.016
Profit (loss) of the period before taxes	**205.314**	**128.506**	**−1.387**	**9.193**	**341.627**
Income taxes	−70.074	−42.812	695	−9.193	−121.384
Profit for the period	**135.240**	**85.694**	**−692**	**−0**	**220.243**

Statement of financial position 2016

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Tangible fixed assets	4.789.201	3.100.640	7.941	3.083	7.900.865
Financial fixed assets	642	365	0	1.252	2.259
FIXED ASSETS	**4.789.843**	**3.101.005**	**7.941**	**4.336**	**7.903.124**
Amounts receivable after more than one year	0	0	700	3.270.500	3.271.200
Stocks and contracts in progress	40.672	258	8.217	35.295	84.442
Amounts receivable within one year	860.020	64.222	12.316	737.261	1.673.819
Cash at bank and in hand	46	0	0	9.405	9.451
Deferred charges and accrued income	891.050	131.052	5	295.592	1.317.699
CURRENT ASSETS	**1.791.787**	**195.532**	**21.238**	**4.348.053**	**6.356.611**
Total Assets	**6.581.630**	**3.296.537**	**29.179**	**4.352.389**	**14.259.735**
Capital	770.323	492.625	0	915	1.263.863
Equity premium	0	0	0	68	68
Revaluation surplus	481.630	303.482	0	0	785.112
Reserves	480.772	309.911	20.958	4	811.644
Retained earnings and result of the period	22.950	11.137	33.848	20	67.955
Government grants	0	0	895	0	895
EQUITY	**1.755.674**	**1.117.156**	**55.701**	**1.007**	**2.929.538**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**5.633**	**12.035**	**461**	**259.363**	**277.491**
Amounts payable after more than one year	3.582.470	1.685.287	0	3.247.152	8.514.909
Amounts payable within one year	1.002.233	322.446	−32.274	799.473	2.091.878
Accrued charges and deferred income	235.620	159.613	5.292	45.302	445.826
AMOUNTS PAYABLE	**4.820.323**	**2.167.346**	**−26.983**	**4.091.926**	**11.052.613**
Total Liabilities	**6.581.630**	**3.296.537**	**29.179**	**4.352.389**	**14.259.735**

The reconciliation of the financial data 2016 mentioned above based on Belgian GAAP to IFRS

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	3.455.350	2.454.266	−1.001.084
Profit (loss) of the period before taxes	341.627	428.798	87.171
Total Assets	14.259.735	9.617.821	−4.641.914
Total Liabilities	14.259.735	9.617.821	−4.641.914
Equity	2.929.538	2.063.972	−865.566

Performance of the year

4 Operating revenue

(In thousands of EUR)	2017	2016
Distribution and transport grid revenue	2.517.314	2.319.115
Sale of energy	79.084	74.175
Construction works for third parties	55.462	60.976
Total revenue	**2.651.860**	**2.454.266**
Recuperations	51.825	41.648
Other	44.250	23.928
Other operating income	**96.075**	**65.576**
Own construction, capitalized	**271.099**	**268.925**
Total operating revenue	**3.019.034**	**2.788.767**

The Group has realized most of its revenue from the remuneration of the distribution and transport of electricity and gas via its networks. This revenue should be evaluated together with the regulatory transfers. The increase in distribution and transmission grid fee is due to the new tariff methodology of the VREG for the period 2015 to 2016 and 2017 to 2020 and the additional adjustments to these tariffs during the years 2016 and 2017 (see note 'Working in a regulated environment').
The sale of energy consists of the energy supplies to individuals who do not find an energy supplier on the market due to payment problems.
Sale of energy is mainly the delivery of energy to persons who experience payment difficulties and to whom commercial suppliers in the market do not supply energy.
The billing of construction works for third parties comprises the construction works carried out for ESLA as well as for public lighting.

The recuperations relate to fees charged for operating activities performed at customers, the reinvoicing of costs for RUE campaigns and the reimbursements of general expenses by contractors, insurance and various operational subsidies.
The other operating income mainly comprises allowances for damages and operations, connection works, works carried out in synergy, subsidies and gains on allowances recorded in previous period on trade receivables (229 k EUR in 2017 and 200 k EUR in 2016) and gains on the sale of property, plant and equipment (6.044 k EUR in 2017 and 9.948 k EUR in 2016).

All costs related to distribution activities have been registered as operational costs. Periodically, a settlement has been recorded and certain costs related to investments have been activated through the item ‘Own construction, capitalized’. As a result, this revenue cannot be considered as an operating income. This item also contains the contributions received from customers (101.573 k EUR in 2017 and 97.618 k EUR for 2016) which are also deducted as own construction, capitalized (-101.573 k EUR for 2017 and -97.618 k EUR for 2016).

5 Cost of trade goods

(In thousands of EUR)	2017	2016
Cost for transportation	499.218	475.044
Purchase of energy	21.107	30.316
Purchase of goods for resale	89.012	88.842
Purchase of grid losses	15.993	20.212
Certificates for green energy and cogeneration certificates	417.479	425.188
Total	**1.042.809**	**1.039.602**

Apart from the transmission cost of electricity invoiced by the Transmission System Operator (TSO – Elia) the cost for transportation contains the costs of the federal contribution for an amount of 80.900 k EUR in 2017 and 71.067 k EUR in 2016. This contribution is used to finance certain public service obligations, the obligations for denuclearization, the reduction of emissions of greenhouse gases (Kyoto) and the costs relating to the regulation and control of the energy market. The DSOs recharge these costs in their tariffs to the end users, through the suppliers i.e. in a cascade mechanism (see note 'Operating revenue').

The costs for green energy and cogeneration certificates mainly include the cost of the number of purchased certificates (4.695.892 in 2017 and 4.711.351 in 2016), the cost of the solidarisation between all Flemish distribution system operators and the possible incurred costs of sales (see note 'Trade and other receivables').

6 Cost for services and other consumables

(In thousands of EUR)	2017	2016
Cost of purchase network grids	72.126	72.629
Cost for direct purchases	26.082	28.727
Fee for usage of installations	50.903	49.780
Advertising, information, documentation, receptions a.o.	6.788	7.724
Subsidy for rational use of energy (RUE)	62.804	72.595
Contracts and administration costs	18.418	8.121
Consultancy and other services	51.204	42.373
Other	48.989	42.875
Total	**337.314**	**324.824**

The cost for services and other consumables increased with 12.490 k EUR from 324.824 k EUR in 2016 to 337.314 k EUR in 2017.

The costs for the rational use of energy (RUE) amount to 62.804 k EUR in 2017 and 72.595 k EUR in 2016. These costs reflect the payment of premiums for RUE requested by individuals and companies. For 2017, the Government of Flanders provided for the payment of the same RUE premiums as for 2016. The subsidy amounts are lower for certain applications in 2017 as well as stricter technical energy conditions apply.

The item ‘Other’ comprises the costs for rent, communication, transport, insurance and other.

7 Employee benefit expenses

(In thousands of EUR)	2017	2016
Remunerations	261.585	257.575
Social security contributions	67.326	70.644
Contributions to defined benefit plans and other insurances	16.610	14.850
Other personnel costs	21.700	17.927
Total	**367.221**	**360.996**

The employee benefit expenses amounted to 367.221 k EUR in 2017, an increase of 6.225 k EUR compared to 360.996 k EUR in 2016.

The average number of employees amounted to 4.262 persons in 2017.

8 Amortization, depreciation, impairments and changes in provisions

(In thousands of EUR)	2017	2016
Amortization of intangible assets	35.926	45.824
Depreciation of property, plant and equipment	280.924	282.676
Total amortization and depreciation	**316.850**	**328.500**
Impairment of inventories and trade receivables	9.062	492
Changes in provisions	−5.336	−3.091
Total	**320.576**	**325.901**

The amortization and depreciation amount to 325.901 k EUR at the end of 2016 and 320.576 k EUR at the end of 2017, or a decrease of 5.325 k EUR. This decrease is mainly a result of the increase of assets, recorded as in construction, on which no depreciation is calculated as well as the decrease of the amortization of intangible assets.

From 2015 onwards, the calculation of the provision for doubtful debts takes into account the principles of the Belgian fiscal rules and hence it is based on statistical data obtained from the payment pattern of this category of clients (social suppliers) as from the liberalisation of the energy market.

The changes in provisions mainly concern the provision for restoration costs which amounted to 5.336 k EUR in 2017 and 2.752 k EUR in 2016 (see note ‘Provisions, other’). The decrease of the provisions was due to the use (restoration and sale of land) and more specific elements which could reduce the provision of the restoration cost.

9 Other operational expenses

(In thousands of EUR)	2017	2016
Loss on disposal/retirement of fixed assets	59.967	38.092
Loss on realization receivables	4.183	7.078
Other	1.503	1.711
Total	**65.653**	**46.881**

The retirement of fixed assets not only includes property, plant and equipment in 2017, but also the retirement relating to the development of a new central database with customer and measurement data, included in the heading of intangible assets.

10 Regulated balances and transfers

Since 2011 the Group reports the additions, recoveries and regularisation for transfers in this separate section as ‘Operating expenses’, where previously they were reported as ‘Revenue'.
The Group believes that the balance between actual income and expenses and the budgeted income and expenses is not part of revenue, since the recovery through tariffs will occur in a subsequent period.

The revenue of the items ‘Addition and recuperation transfers’ relate to the additional revenue registration that is allowed as the difference between the actual income and expenses and the budgeted income and expenses as approved by the regulator. The result thus additionally reported will be recuperated through the tariffs of the following years (see note ‘Operating in a regulated environment’).

The regulated balances and transfers are as follows:

(In thousands of EUR)	2017	2016
Additional transfers	69.215	−62.846
Recuperation of transfers	244.728	134.602
Total	**313.943**	**71.756**

The additions of 2017 concern the regulatory balances and consist of -68.347 k EUR (2016: 27.058 k EUR) exogenous expenses that can be incorporated in the future tariffs, 2.868 k EUR (2016: 35.478 k EUR) non-exogenous costs (volume differences), 943 k EUR in corporate income tax and 4.445 k EUR related to the re-indexation of the budget as well as the federal contribution payable amounting to -7.303 k EUR (2016: 7.174 k EUR) and the regulatory balances for the Walloon municipalities (under the supervision of the Walloon regulator CWAPE).

11 Financial results

(In thousands of EUR)	2017	2016
Interest income, banks	6	2
Interest income, derivative financial instruments	28.607	14.648
Other financial income	788	1.263
Finance income	**29.401**	**15.913**
Interest expenses, non-current loans	168.868	192.876
Interest expenses, current loans and other borrowings	2.040	4.596
Other financial expenses	6.688	8.450
Finance costs	**177.596**	**205.922**

Financial income increases from 15.913 k EUR at end December 2016 to 29.401 k EUR at the end of December 2017. This increase is mainly due to the fair value adjustment of the derivative financial instruments.
The other financial income contains mainly financial discounts received from suppliers.

The interest expenses on non-current and current loans and borrowings decrease with 26.081 k EUR in comparison to 2016 as a result of lower interest rates on the financial markets resulting in refinancing at lower interest rates.
The other financial expenses amount to 6.688 k EUR at the end of December 2017 and contain the interest cost on the defined benefit pension plans, incurred issuance costs for loans and various bank costs.

12 Income taxes

(In thousands of EUR)	2017	2016
Current income tax expenses	−127.853	−124.271
Current income tax expenses on previous year result	978	2.888
Deferred income tax benefits (+) / expenses (-)	−60.686	−24.523
Total income tax expenses	**−187.561**	**−145.906**

Current income tax expense on the result
Based on the Programme Act of 19 December 2014, the DSOs are subject to the corporate income tax of 33,99 % as from accounting year 2015 and thus they are no longer subject to the legal entity tax (on the part of the dividend related to the gas activity paid out to the private partner).

(In thousands of EUR)	2017	2016
Profit before tax	339.039	341.627
Effect non-deductible expenses	40.695	40.095
Effect deductible expenses	−3.585	−16.112
Tax basis	**376.149**	**365.610**
Total current income tax expenses*	**−127.853**	**−124.271**

* Subject to the legal Belgian tax rate of 33,99 %

The profit (loss) before tax of 2017 includes the adjustments of deferred taxes and the transfer to untaxed reserves (see note 'Segment information').

Deferred taxes

Since the aforementioned law was ratified in 2014, deferred taxes for temporary differences were calculated between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes, in accordance with the application of IAS12 income tax.

During 2016 a ruling for the DSOs was requested from the Federal Public Service Finance to obtain its decision on the correct fiscal treatment of, amongst others, the revaluation of fixed assets, the notional interest deduction and the impairment losses of trade receivables.
Concerning the impairment losses of trade receivables, the deduction of the recorded provision for doubtful debts as at 31 December 2014 as deductible costs in the income tax declaration of the tax years 2016 up to 2019 was requested. It is based on the principle, as defined in the aforementioned Programme Act and amended on 10 August 2015, article 92, 4° that the provision for impairment losses, that is recorded during the period the company was subject to legal entity tax, is deductible as a professional cost to the extent that the conditions laid down in article 49 of the Code of the Income Tax of 1992 are fulfilled.
The total amount of impairment amounted to 77.109 k EUR at 31 December 2014 and was processed for the first time at 25,00 % in the tax assessment of the year 2016.
The ruling will be applicable until the year 2020.

On 22 December 2017, the Federal Parliament approved the corporate income tax reform that will lead to a step-by-step reduction of the current tax rate of 33,99 % from 2018 onwards. The tax rate will be 29,58 % as from tax year 2019 (financial year 2018) and 25,00 % as from tax year 2021 (financial year 2020). Compensatory measures were also introduced as this reform had to be budget neutral.
This reform has a significant impact on deferred taxes and other comprehensive income. The effect of this is included below.

The deferred taxes are a result of the following items and trigger the following movements on the balance sheet, the income statement and equity:

(In thousands of EUR)	2017	2016
Property, plant & equipment	−393.968	−544.292
Derivative financial instruments	26.524	44.384
Employee benefit liabilities	94.134	140.545
Provisions, rehabilitation gas sites	−341	986
Provisions, other	1.378	1.914
Impairment on trade receivables	5.703	13.105
Government grants	−2.092	−461
Net deferred tax asset/(liability)	**−268.662**	**−343.819**

At end 2017

	Movements of the Period		Adjustments of tax percentage	
(In thousands of EUR)	Movements via P&L	Movements via OCI*	Movements via P&L	Movements via OCI
Property, plant & equipment	0	13.658	0	136.666
Derivative financial instruments	−9.721	0	−8.139	0
Employee benefit liabilities	−15.647	−1.749	−16.283	−12.732
Provisions, rehabilitation gas sites	−1.468	0	141	0
Provisions, other	−129	0	−407	0
Impairment on trade receivables	−6.552	0	−850	0
Other	−2.383	0	752	0
Deferred tax benefit/(expense)	**−35.900**	**11.909**	**−24.786**	**123.934**
Net movement during the year	**−23.991**		**99.148**	

*OCI = Other comprehensive Income

At the end of 2016

(In thousands of EUR)	Movements via P&L	Movements via OCI*
Property, plant & equipment	0	14.412
Derivative financial instruments	−4.980	0
Employee benefit liabilities	−31.299	1.152
Provisions, rehabilitation gas sites	−631	0
Provisions, other	−257	0
Impairment on trade receivables	13.105	0
Government grants	−461	0
Deferred tax benefit/(expense)	**−24.523**	**15.564**
Net movement during the year	**−8.959**	

*OCI = Other comprehensive Income

The main temporary differences relate to the revaluation of property, plant & equipment and the provisions for employee benefit liabilities. A deferred tax liability was recorded of 393.968 k EUR (544.292 k EUR in 2016) related to the revaluation of property, plant & equipment since, according to Belgian tax law, the costs are not deductible. Concerning the provisions for employee benefit liabilities, the costs will be deductible according to the Belgian tax law, and therefore a deferred tax asset was recorded of 94.134 k EUR (140.545 k EUR in 2016).

(In thousands of EUR)	2017	2016
Deferred tax asset	127.739	200.934
Deferred tax liability	−396.401	−544.753
Deferred tax liability, net	**−268.662**	**−343.819**

The movements in the item deferred tax liability are as follows:

(In thousands of EUR)	2017	2016
Total as at 1 January	**−343.819**	**−334.860**
Tax income/(expense) recognised in profit or loss	−60.686	−24.523
Tax income/(expense) recognised in OCI	135.843	15.564
Total at end of reporting period	**−268.662**	**−343.819**

Assets

13 Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2017	4.749	310.495	**315.244**
Acquisitions	19	17.518	**17.537**
Other	0	-22.417	**-22.417**
Acquisition value at 31 December 2017	**4.768**	**305.596**	**310.364**
Amortization and impairment at 1 January 2017	3.968	214.500	**218.468**
Amortization	331	35.595	**35.926**
Other	0	-8.635	**-8.635**
Amortization and impairment at 31 December 2017	**4.299**	**241.460**	**245.759**
Net book value at 31 December 2017	**469**	**64.136**	**64.605**

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2016	4.745	273.485	**278.230**
Acquisitions	4	37.010	**37.014**
Acquisition value at 31 December 2016	**4.749**	**310.495**	**315.244**
Amortization and impairment at 1 January 2016	3.540	169.104	**172.644**
Amortization	428	45.396	**45.824**
Amortization and impairment at 31 December 2016	**3.968**	**214.500**	**218.468**
Net book value at 31 December 2016	**781**	**95.995**	**96.776**

The investments for the projects smart metering, smart grids, smart users (as from 2012) and district heating (as from 2014) are recorded as ‘Development costs’.
For the projects 'smart metering' and 'smart grids', the development phase is completed (no new acquisitions for 2017, 5.780 k EUR for ‘smart metering’ during 2016) as the new technology will be implemented. As from 1 January 2019, the digital energy meter will be rolled out step by step and an innovative network management system has been built that, together with smart electronics in cabins, ensures that the network can be actively monitored and controlled.
During 2017, the amounts of a new central database with customer and measurement data were written off amounting to 13.819 k EUR. The costs for the adjustment of the systems and market processes in the context of the MIG6 (Market Implementation Guide) amount to 17.556 k EUR.
There were no intangible assets with an indefinite useful life.

14 Property, plant and equipment

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Assets under con-struction	Total
Acquisition value at 1 January 2017	276.243	12.896.642	187.247	18.793	271.866	**13.650.791**
Acquisitions	5.882	22.483	10.744	293	353.159	**392.561**
Sales and disposals	−25.021	−161.929	−4.376	−68	−5.786	**−197.180**
Transfer to others	2	282.760	0	0	−282.804	**−42**
Acquisition value at 31 December 2017	**257.106**	**13.039.956**	**193.615**	**19.018**	**336.435**	**13.846.130**
Depreciation and impairment at 1 January 2017	97.967	5.565.122	166.087	17.525	0	**5.846.701**
Depreciation	4.282	267.515	8.865	262	0	**280.924**
Sales and disposals	−15.352	−120.823	−4.320	−68	0	**−140.563**
Transfer to others	0	−4	0	0	0	**−4**
Depreciation and impairment at 31 December 2017	**86.897**	**5.711.810**	**170.632**	**17.719**	**0**	**5.987.058**
Net book value at 31 December 2017	**170.209**	**7.328.146**	**22.983**	**1.299**	**336.435**	**7.859.072**

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Assets under con-struction	Total
Acquisition value at 1 January 2016	270.961	12.861.877	185.232	19.085	161.044	**13.498.199**
Acquisitions	5.791	23.392	7.655	822	301.570	**339.230**
Sales and disposals	−1.105	−175.332	−5.640	−790	−3.765	**−186.632**
Transfer to others	596	186.705	0	−324	−186.983	**−6**
Acquisition value at 31 December 2016	**276.243**	**12.896.642**	**187.247**	**18.793**	**271.866**	**13.650.791**
Depreciation and impairment at 1 January 2016	94.454	5.422.764	161.968	18.428	0	**5.697.614**
Depreciation	4.394	268.385	9.720	177	0	**282.676**
Sales and disposals	−881	−126.354	−5.601	−753	0	**−133.589**
Transfer to others	0	327	0	−327	0	**0**
Depreciation and impairment at 31 December 2016	**97.967**	**5.565.122**	**166.087**	**17.525**	**0**	**5.846.701**

Net book value at 31 December 2016	178.276	7.331.520	21.160	1.268	271.866	7.804.090

The acquisitions reported in the item ‘Installations, machinery and equipment’ mainly relate to the investments in mid and low voltage electricity networks for a total value of 158.294 k EUR in 2017 and 136.637 k EUR in 2016 and investments in gas pipe lines and gas connections for a value of 103.006 k EUR in 2017 and 87.015 k EUR in 2016.

The commitments for the acquisition of property, plant and equipment at the end of 2017 amounted to 4.391 k EUR and 4.698 k EUR at the end of 2016. A commitment to sell property, plant and equipment existed at the end of 2017 for 1.250 k EUR and 8.442 k EUR at the end of 2016.

The net book value includes the assets paid by clients (third party intervention) and corresponds to the fair value of the Group’s network.

As per 31 December 2017 and 2016, there are no restrictions on title and property, plant and equipment serving as pledge for liabilities.

15 Investments in other companies

The investments in other companies amount to 30 k EUR at the end of 2017 and 30 k EUR at the end of 2016. These investments are held in Atrias cvba, Synductis cvba, Warmte@Vlaanderen cvba and Fluvius cvba.

On 9 May 2011, Atrias cvba was established as a joint initiative of Belgium's five largest distribution Eandis System Operator, Infrax, Ores, Sibelga and RESA.
Atrias is a central clearing house for the Distribution System Operators and charged with the development of a Message Implementation Guide (MIG), the development of a clearing house application, and the management and maintenance of this application. MIG describes how the communication flow between the various players of the energy market should happen.
The Group has acquired 25 % of the shares representing an amount of 5 k EUR.
Atrias is an unlisted company and has no official price quotation.

Synductis cvba was founded on 21 December 2012 and aims to coordinate the infrastructure works by various utility companies in the Flemish cities and municipalities and so reduce nuisance of the works.
Eandis System Operator participates in the 'implementation coordination' and 'planning coordination' sectors. The Group held an investment of 7 k EUR or 33,23 % of the shares during 2017 (2016: 33,24 %).
Synductis is an unlisted company and has no official price quotation.

The Group receives its share of the operating costs of Atrias and Synductis. But the Group also grants services and funding (see note ‘Related parties’).

During 2016, the Group participates for 50,00 % in the newly formed company Warmte@Vlaanderen cvba (amounting to 9 k EUR) and also for 50,00 % in the company Fluvius cvba (amounting to 9 k EUR). These companies are commonly owned by Eandis System Operator and Infrax (distribution operator for natural gas, electricity, cable television and sewerage in the Flemish region) but are not yet operational.

16 Other investments

The other investments comprise the participations still held by the Group in the business centres situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes and Waregem) and Imewo (business centres Bruges, Ghent, Meetjesland and Ostend). The other investments amount to 832 k EUR at the end of 2017 (2016: 832 k EUR).

17 Long-term receivables

This category consists almost exclusively of loans to local authorities at market conditions and amounted to 856 k EUR at the end of 2017 and 1.091 k EUR at the end of 2016.

18 Inventories

(In thousands of EUR)	2017	2016
Trade receivables - gross	39 526	41 207
Impairments on trade receivables	−5 880	−5 912
Total	**33 646**	**35 295**

The impairment losses (charge back) amounted to 32 k EUR in 2017 (2016: 5.247 k EUR netted write-back). These amounts were included in the profit or loss account.

19 Trade and other receivables

(In thousands of EUR)	2017	2016
Trade receivables - gross	604.176	503.356
Impairment	−85.115	−76.054
Total trade receivables - net	**519.061**	**427.302**
Other receivables	55.210	570.196
Other receivables - Transfers	373.484	679.502
Total other receivables	**428.694**	**1.249.698**
Total trade and other receivables	**947.755**	**1.677.000**

The information regarding outstanding balances with the associate, was included in the note ‘Related parties’.

The detail of the **trade receivables – net** is as follows.

(In thousands of EUR)	2017	2016
Trade receivables from distribution grid activities		
Outstanding debt	263.309	252.842
Impairment	0	0
Trade receivables social customers		
Outstanding debt	109.919	101.770
Impairment	−71.346	−62.115
Other trade receivables		
Outstanding debt	199.886	117.366
Construction works for third parties	28.190	25.756
Impairment	−13.770	−13.938
Trade receivables public authorities, state and country	**751**	**2.206**
Other	2.121	3.415
Total trade receivable - net	**519.061**	**427.302**

The trade receivables from distribution grid activities further increase with 10.467 k EUR and amount to 263.309 k EUR at the end of 2017.
The net amount of trade receivables from social customers remains at the same level and amounts to 38.573 k EUR in 2017 and 39.655 k EUR in 2016.
The 'Other trade receivables' include an amount of 21 k EUR for 2017 and 437k EUR for 2016 related to bad debts from the period before the energy market's liberalization, as well as receivables related to finished construction works and services rendered and costs still to be billed related to works for third parties. In 2017, an amount of 140.373 k EUR was recorded as 'Other trade receivables, outstanding debts' for the debt relating to the sale of green certificates (2016: 48.413 k EUR).

The trade receivables from distribution grid activities are payable within 18 calendar days following the dispatch of the invoice as provided in the Access Code.

The detail of the **other receivables** is as follows.

(In thousands of EUR)	2017	2016
VAT receivable	6	10
Receivables municipalities	34	8
Green energy and cogeneration certificates	24.810	546.107
Receivables options	742	6.743
Others	29.618	17.328
Other receivables	**55.210**	**570.196**
Transfer tariff	273.322	587.234
Complement to annual energy sales	55.757	56.673
Solidarity receivables related to the certificates for green energy and cogeneration certificates	19.500	16.892
Deferred charges	5.694	5.395
Accrued income	19.212	13.308
Other receivables - Transfers	**373.484**	**679.502**
Total other receivables	**428.694**	**1.249.698**

The decrease in other receivables from 1.249.698 k EUR at the end of 2016 to 428.694 k EUR at the end of 2017 was mainly due to the decrease of the items 'Green energy and cogeneration certificates (REC & CHPC)' with 521.297 k EUR and the item 'Transfer tariff' with 313.912 k EUR compared to the end of December 2016.

The RECs and CHPCs amount to 24.810 k EUR at the end of December 2017 compared to 546.107 k EUR at the end of December 2016.
The DSOs are required to buy renewable energy certificates, which are offered by the owners of solar panels and combined heat and power plants, at a certain amount (minimum support for solar panels between 450 euros and 90 euros; for cogeneration 27 euros and 31 euros). The electricity suppliers need to deliver a certain quantity of green electricity and combined heat and power certificates to the regulator which quantify in relation to a certain percentage of the delivered amount of energy. Hence, the DSOs can offer these certificates to the energy suppliers.
The sales price in this market, however, is significantly lower than the minimum paid out by the DSOs for the certificates. The value of the unsold certificates of the DSOs was 88 euros per certificate for the no guaranteed green energy certificates and 20 euros per certificate for the no guaranteed combined heat and power certificates. The resulting cost is included in the post 'Cost of trade goods'.
During 2016, the certificates were offered for sale on a quarterly basis. A total amount of 219.116 k EUR of RECs were sold in 2016 and for 1 k EUR CHPCs. The result from the sale (cost) amounts to 2.137 k EUR and has been included in the item 'Cost of trade goods'.
In 2016, a DAEB ('dienst van algemeen economisch belang') arrangement was entered into to decrease the large stock of green energy certificates with the DSOs. As a result, the RECs, submitted by the solar panels owned by families, could be sold by the DSOs for a maximum amount of 15.000 k EUR per DSO to VEA (Flemish Energy Agency). These certificates are then destroyed. This arrangement is valid for a period of 10 years until 2026. In total this transaction had a positive

effect of 104.506 k EUR in 2016. Since interest had already been levied on the outstanding amount of certificates, this financial income was deducted from the total receivable of 105.000 k EUR.

The significant decrease in 2017 in the receivables from green energy and cogeneration certificates is due to the large sale of certificates to the energy suppliers and the sales to VEA as a result of the DAEB arrangement issued in 2016 and the adjustments hereto during 2017, which enabled additional sales to be realized.
During 2017, certificates were offered for sale on a quarterly basis on the market. A total amount of 387.374 k EUR green energy certificates and 17.980 k EUR cogeneration certificates were sold. The resulting result (cost) from the sale amounted to 276 k EUR and was also included in the item 'Cost of trade goods'.
At the beginning of August 2017, the Group received an amount of 105.000 k EUR as a result of a sale of green energy certificates to VEA on the basis of the DAEB arrangement issued in 2016. In December 2017, this arrangement was adjusted resulting in an additional sale to VEA of RECs & CHPCs for a total amount of 244.936 k EUR.

Transfer tariff amounts to 273.322 k EUR at the end of December 2017 and 587.234 k EUR at the end of December 2016 and relates to the revenue correction that is eligible for inclusion in the following tariff period (see note 'Working in a regulated environment – The billing mechanism').

The **complement to the annual energy sales** concerns the estimate of the energy supplied to social customers but not yet invoiced.

Solidarity contribution for RECs & CHPC
The cost of green power differs greatly for each distribution area in Flanders. In the Energy Decree, the distribution system operators are committed to a mutual settlement of the costs since 2010. (see note 'Operating in a regulated environment' regarding the removal of the ceiling).
Since the settlement can be both a receivable or a liability, this item must be read together with the item reported in the notes 'Trade and other payables'.

The **deferred charges and accrued income** mainly concern the amounts to be settled on the purchase of energy.

20 Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash. At the end of 2017 an amount of 31.405 k EUR was available and 2.708 k EUR at the end of 2016.
All resources are reported in euro.
As a result of the low (and even negative) interest on deposit accounts, the surplus of cash received from the sale of heat and power certificates, the green energy certificates and the intervention by the Flemish Energy Agency in particular of the sale of the aforementioned green energy certificates for the DSOs, is held as cash and cash equivalents

Liabilities

21 Issued capital and reserves

The various components of equity and the movements from 1 January 2016 to 31 December 2017 were reflected in the 'Statement of changes in equity'.

The **share capital** amounted to 1.262.948 k EUR at the end of 2017 and 1.262.948 k EUR at the end of December 2016.
The fixed part of the share capital is fully subscribed, fully paid up and amounts to 8.021.349,47 EUR. The variable part of the capital varies as a result of the entry or exit (accompanied with a return of shares) of participants, or as a result of a capital increase or a capital reduction.
Each participant must subscribe and pay at least one share A per joined activity.

The capital of the Group represents the sum of the capitals of the DSOs and evolves as follows:

Date	Transaction	Amount in thousands of EUR
1 January 2016		**1.278.688**
1 January 2016	Capital decrease - exit Frasnes-lez-Anvaing	−565
30 June 2016	Capital decrease - exit province East-Flanders and province Antwerp	−15.175
31 December 2016		**1.262.948**
28 December 2017	Capital decrease - exit Tussengemeentelijke Elektriciteitsvereniging van Kampenhout en Steenokkerzeel (TGEK)	0
31 December 2017		**1.262.948**

On 1 January 2016, one of the Walloon municipalities (Frasnes-lez-Anvaing) decided to exit the DSO Gaselwest and to switch to Ores, the Walloon network operator.

On 27 April 2016, the Flemish Parliament approved an adjustment to the Decree on Intermunicipal Cooperation whereby the provinces, shareholders of the DSOs, must exit no later than at the end of 2018. The provinces of Oost-Vlaanderen/East Flanders and Antwerp decided to exit on 30 June 2016 and the province of West-Vlaanderen/West-Flanders will withdraw by the end of 2018. The exits led to a decrease in equity of 38.429 k euro and the shares, previously held by these two provinces, were destroyed.

On 19 December 2017, a settlement agreement between Sibelgas, IVEG, T.G.E.K., the municipality of Steenokkerzeel and the municipality of Kampenhout was approved by decision of the Board of Directors of Sibelgas. This settlement applies to settlement of all accounts and results in the withdrawal of TGEK.

The table below shows the movements in the number of shares and profit certificates per category in the capital of each DSO at the end of 2017.

	Shares A and C		Profit certificates C		Total	
DSO	**Number**	**Share Capital (in €)**	**Number**	**Share Capital (in €)**	**Number**	**Share Capital (in €)**
Gaselwest	23.380.013	271.033.935,03	116	0,00	**23.380.129**	**271.033.935,03**
IMEA	13.397.899	126.070.700,07	12	0,00	**13.397.911**	**126.070.700,07**
Imewo	21.585.912	257.170.000,11	85	0,00	**21.585.997**	**257.170.000,11**
Intergem	11.120.262	97.527.148,81	46	0,00	**11.120.308**	**97.527.148,81**
Iveka	17.003.557	186.138.498,91	86	0,00	**17.003.643**	**186.138.498,91**
Iverlek	29.444.704	254.083.895,51	103	0,00	**29.444.807**	**254.083.895,51**
Sibelgas*	3.264.379	70.923.967,10	0	0,00	**3.264.379**	**70.923.967,10**
Total	**119.196.726**	**1.262.948.145,54**	**448**	**0,00**	**119.197.174**	**1.262.948.145,54**

* The shares in Sibelgas are shares C and 10.000 shares D, issued without representation in the share capital.

The table below shows the movements in the number of shares and profit certificates per category in the capital of each DSO at the end of 2016.

	Shares A and C		Profit certificates C		Total	
DSO	**Number**	**Share Capital (in €)**	**Number**	**Share Capital (in €)**	**Number**	**Share Capital (in €)**
Gaselwest	23.380.013	271.033.935,03	116	0,00	**23.380.129**	**271.033.935,03**
IMEA	13.397.899	126.070.700,07	12	0,00	**13.397.911**	**126.070.700,07**
Imewo	21.585.912	257.170.000,11	85	0,00	**21.585.997**	**257.170.000,11**
Intergem	11.120.262	97.527.148,81	46	0,00	**11.120.308**	**97.527.148,81**
Iveka	17.003.557	186.138.498,91	86	0,00	**17.003.643**	**186.138.498,91**
Iverlek	29.444.704	254.083.895,51	103	0,00	**29.444.807**	**254.083.895,51**
Sibelgas*	3.264.382	70.924.041,47	0	0,00	**3.264.382**	**70.924.041,47**
Total	**119.196.729**	**1.262.948.219,91**	**448**	**0,00**	**119.197.177**	**1.262.948.219,91**

* The shares in Sibelgas are shares C and 10.000 shares D, issued without representation in the share capital.

The overview of the **reserves** is as follows:

(In thousands of EUR)	Legal reserves	Unavailable reserves	Available reserves	Total
Total at 1st January 2016	1.052	39.288	719.208	**759.548**
Repayment of equity	0	0	−23.928	**−23.928**
Transfers to reserves	0	40.874	35.359	**76.233**
Transfers from reserves	0	0	−212	**−212**
Total at 31 December 2016	**1.052**	**80.162**	**730.427**	**811.641**
Transfers to reserves	0	20.634	33.175	**53.809**
Transfers from reserves	0	−37.789	−7.316	**−45.105**
Total at 31 December 2017	**1.052**	**63.007**	**756.286**	**820.345**

A *legal reserve* has been formed amounting to 1.052 k EUR.

Since 2008 amounts were included as unavailable reserve equal to the depreciation of the (RAB-added value) revaluation surplus value in accordance with the settlement with the CREG. From 2010 onwards, the costs of the surplus value of land, buildings and installations sold during the accounting year were taken into account. Furthermore, it was decided to transfer during 2014 the total of the unavailable reserves of 380.801 k EUR to the available reserves in order to balance the account at 1 January 2016. Since then, additions have again been recorded as an unavailable reserve. In 2017, a withdrawal from the reserves was also included in order to comply with the tax regulations that were obtained through a ruling.

The total available reserves at the end of 2017 amounted to 756.286 k EUR (2016: 730.427 k EUR). The increase in 2017 amounting to 33.175 k EUR (2016: 35.359 k EUR) stems from the result of the year.

The **other comprehensive income** is composed of the following:

(In thousand of EUR)	2017	2016
Related to employee benefit liabilities	−141.628	−146.775
Related to deferred tax liabilities	−358.561	−494.403
Total other comprehensive income	**−500.189**	**−641.178**

A **non-controlling interest** amounts to 93 k EUR at the end of December 2017 and is unchanged in comparison to the end of 2016.
The non-controlling interest includes the interest held by third parties in De Stroomlijn.

Dividend
During the accounting year 2017 dividends were paid for a total value of 185.3910 k EUR and 165.752 k EUR in 2016.

Below is an overview of the dividends paid per DSO for 2017 and 2016.

DSO (In thousands of EUR)	2017	2016
Gaselwest	44.950	37.816
IMEA	16.403	15.453
Imewo	39.230	35.732
Intergem	18.071	16.289
Iveka	24.902	22.335
Iverlek	37.102	33.629
Sibelgas	4.733	4.498
Total	**185.391**	**165.752**

After the balance sheet date the Board of Directors of each of the DSOs has formulated a dividend proposal. At their DSO's General Assembly, the shareholders have approved the payment of these dividend balances. According to IFRS these dividends are only reported in the year in which the dividends have been approved. The dividend balance for 2017 amounted to 17.289 k EUR and will be included in the 2018 accounts, the dividend balance for 2016 amounted to 21.397 k EUR and was included in the 2017 accounts.
The amounts mentioned are the net dividends before withholding tax.

The Group's **profit** comprises the capital cost remuneration (fair remuneration), as described in the note 'Operating in a regulated environment'.

22 Interest bearing loans and borrowings

(In thousands of EUR)	2017	2016
Long-term loans	**5.235.404**	**5.244.409**
Current portion of long-term loans	211.182	355.388
Short-term loans	0	411.309
Short-term loans	**211.182**	**766.697**
Total	**5.446.586**	**6.011.106**

At the balance sheet date of 2017, the total amount of loans and borrowings decreases with 564.520 k EUR from 6.011.106 k EUR in 2016 to 5.446.586 k EUR in 2017.

The retail bond loan of 150.000 k EUR repaid in 2017 was refinanced with a new issue of a retail bond loan of 200.000 k EUR. The successful sale by the Distribution System Operators of mainly green energy certificates and additionally, the purchase of green energy certificates and heat and power certificates by the Flemish Energy Agency resulted for Eandis System Operator to a full reduction of the short-term financing for the Distribution System Operators.

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

(In thousands of EUR)	2017		2016	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	6.011.106		6.161.189	
Movements on non-current loans (LT)				
Proceeds of non-current loans	199.737	0	400.000	0
Change in non-current loans	0	2.440	0	2.404
Transfer of short-term portion of LT loan to ST	0	−211.182	0	−355.388
Movements on current loans (ST)				
Proceeds of current loans	0	0	411.309	0
Transfer of short-term portion from LT loan to ST	0	211.182	0	355.388
Change in current loans	0	−12	0	0
Repayment of short-term portion of long-term loan	−355.376	0	−738.558	0
Repayment current loans	−411.309	0	−225.238	0
Total movements	**−566.948**	**2.428**	**−152.487**	**2.404**
Total at end of reporting period	**5.446.586**		**6.011.106**	

Long-term loans

Overview of the long-term loans by category
At the end of 2017

(In thousands of EUR)	2017	Initial amount	Current interest rate %	Maturity
Bond issue - retail	369.714	370.000	2,00 - 4,25	2020 - 2025
Bond issue - EMTN*	2.644.335	2.660.500	1,75 - 4,50	2021 - 2033
Bond issue - private**	435.280	440.000	2,60 - 3,55	2027 - 2044
Bank loans - fixed interest rate	1.362.860	1.950.000	0,92 - 4,76	2019 - 2036
Bank loans - with derivative instrument	634.397	1.270.000	2,97 - 4,56	2023 - 2027
Total	**5.446.586**	**6.690.500**		
Current portion of long-term debt	−211.182			
Total long-term loans	**5.235.404**	**6.690.500**		

At the end of 2016

(In thousands of EUR)	2016	Initial amount	Current interest rate %	Maturity
Bond issue - retail	319.958	320.000	4,00 - 4,25	2017-2020
Bond issue - EMTN*	2.642.164	2.660.500	1,75 - 4,50	2021-2033
Bond issue - private**	435.042	440.000	2,60 - 3,55	2027-2044
Bank loans - fixed interest rate	1.494.381	1.950.000	0,92 - 4,76	2019-2036
Bank loans - with derivative instrument	708.252	1.270.000	2,97 - 4,56	2023-2027
Total	**5.599.797**	**6.640.500**		
Current portion of long-term debt	−355.388	-150.000		
Total long-term loans	**5.244.409**	**6.490.500**		

* EMTN: Euro Medium Term Note (is a programme to provide to the Group the flexibility to issue bond loans with different maturities).
** Private: bond issues according to German law: Schuldschein and Namensschuldverschreibung as well as private issues to institutionals (stand alone).

For bank loans with a derivative instrument the Group subscribed to interest rate swaps in order to swap the variable interest rate to a fixed interest rate or some forward interest swaps were concluded (see note ‘Derivative financial instruments’).

For the bond loans issued by Eandis System Operator, each of the DSOs is guarantor on a non-joint and non-inclusive basis but limited to its proportional share in the capital of Eandis System Operator cvba.

Overview of the long-term loans issued and borrowings during 2017 and 2016

(In thousands of EUR)	2017	2016	Initial amount	Interest rate %	Maturity
Bond issue - retail	199.754	0	200.000	2,00	2025
Total 2017	**199.754**	**0**	**200.000**		
Bank loans (fixed interest rate)	143.434	150.000	150.000	0,92	2026
Bank loans (fixed interest rate)	95.704	100.000	100.000	1,57	2036
Bank loans (fixed interest rate)	135.609	150.000	150.000	1,38	2036
Total 2016	**374.747**	**400.000**	**400.000**		

Short-term loans
The loans on short-term contain the portion of the long-term loans which are repayable within one year (0 k EUR at year end 2017, 411.309 k EUR at year end 2016) and the loans drawn with financial institutions as reported below:

(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 31 December 2017		**1.022.000**	**0**	**1.022.000**	
Commercial paper	(1)	522.000	355.000	167.000	0,06%
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	Daily	200.000	56.309	143.691	0,50%
Fixed loans	NA	100.000	0	100.000	NA
Total on 31 December 2016		**1.022.000**	**411.309**	**610.691**	

(1) 50.000 k€ at 13/1/2017, 50.000 k€ at 31/1/2017, 155.000 k€ at 7/2/2017 and 100.000 k€ at 13/2/2017
* The average interest rate of the used amounts at the end of the period
NA Not Applicable

All short-term loans are subscribed by Eandis System Operator in the name and on behalf of the Distribution System Operators that stand surety for their part and act as joint co-debtor except for the bank overdrafts.

23 Employee benefit liability

Defined contribution plans
Employees hired after 1 January 2002 and the executive staff hired after 1 May 1999 are entitled to defined contribution plans: these pension plans provide in a lump sum on retirement resulting from the contributions paid and the return granted by the pension institutions, as well as a lump sum and orphan interests in case of decease before retirement. The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (Powerbel and Enerbel) and group insurances.
The assets are managed within a Luxembourg Fund (Esperides), divided in 4 investment zones, each representing a different risk profile (low risk, medium risk, high risk and dynamic asset allocation). The risk level also has to be managed taking into account the age of the members. This is why the trustees of Powerbel have proposed to the members a new option (2015) to manage their assets. This option, called 'Life-Cycle', offers an evolution of the risk exposure from growth to more defensive throughout the member's career. Each year the participant has the opportunity to change his investment strategy, for the future allowances of the employer or for the totality of the accumulated sums in his account.

Due to the declining level of the interest rates of the bonds, pension institutions managing the DC-plans, faced the challenge to continue to cover the level of the guaranteed interest rates. A reform

was imposed and was announced with the publication on 24 December 2015 of the Act of 18 December 2015 guaranteeing the sustainability and the social character of supplementary pensions and strengthening the complementary nature with respect to the retirement pension plans. This law entered into force on 1 January 2016.
The amendment implies that the DC pension plans are to be valued as from 1 January 2016 according to the Projected Unit Credit (PUC) method without projection of future contributions. Until 2015 the intrinsic valuation method was applied.
The guaranteed interest will now be variable and each year aligned to the average return over the last 24 months of linear bonds of the Belgian State (OLOs) with a duration of 10 years (at least 1,75 % and maximum 3,75 %).
The new interest rate for 2017 and 2016 is 1,75 % and is applied, according to the vertical method, for all contributions paid to the pension funds and in the insurance company (products of TAK 21 with interest guarantee).

The pension funds are not subject to the Solvency II regulation of insurance companies and can obtain better expected returns by diversification of their investments. Hence, the reserves and a compensation of the group insurance was transferred during 2016 to a pension fund (OFP Powerbel/OFP Enerbel) as a cash-balance plan with a minimum guaranteed return of 3,25 % (see table Classification of the plan investments on the balance sheet date).

Defined benefit plans
The Collective Labour Agreement of 2 May 1952 stipulated an additional pension equal to 75 % of the last annual salary after deduction of the legal pension at the end of a complete career, as well as a survival pension and an orphan allowance. This defined benefit plan has been fully paid up by the employer and the pensions have been paid out directly to the beneficiaries. The remaining subsequent obligations are for the largest part related to current pensions.

The majority of the employees hired before 1 January 2002 and the executive staff hired before 1 May 1999 are entitled to defined benefit plans which provide in the payment of a lump sum on retirement, and a lump sum and orphan interest in case of decease before retirement. These benefits are calculated taking into account the last annual salary and past service. The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (OFP Elgabel and OFP Pensiobel) and group insurances.

Due to changes to the pension regulation in Belgium, the members of the pension plan Pensiobel were offered the opportunity to move as from 1 January 2015 to the defined contribution plan Powerbel. The accumulated and improved acquired rights (in Pensiobel) are capitalized at market returns but with a minimum return equal to 3,25 % (cash-balance Best-off plan).

The Group also grants **post-retirement allowances** being reimbursement of healthcare costs and tariff benefits.
The **other long-term employee benefits** contain provisions for retirement and jubilee bonuses.

The current defined benefit plans are financed through pension funds in which the assets, dedicated to specific plans, are identified. The Belgian legislation and the pension regulations provide that the dedicated assets should only finance the relevant benefits. This results for 2017 in determining an **asset ceiling** for two pension plans. The determination of the asset ceiling takes into consideration the projected total benefit payable under the assumptions and as per the pension plan rules.

Actuarial risks
The defined benefit plans expose the Group to various actuarial risks:

Investment risk
The present value of the defined benefit plan liability is calculated using a discount rate determined to high quality corporate bond yields. If the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment which is reported in the table below 'Classification of the plan investments on the balance sheet date'.

Due to the long-term nature of the plan liabilities, the pension fund's board considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the funds.

Interest rate risk
A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
From 2015 onwards, new prospective mortality tables are used as proposed by the Institute of Actuaries in Belgium (IA|BE).

Salary risk
The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The major actuarial assumptions used at balance sheet date to determine the provision for employee benefits and other allowances:

	2017	**2016**
Discount rate - pensions DB	1,01%	1,28%
Discount rate - pensions DC	1,66%	1,28%
Discount rate - others	1,55%	1,77%
Expected average salary increase (inflation excluded)	0,85%	0,85%
Expected inflation	1,75%	1,65%
Expected increase of health benefits (inflation included)	2,75%	2,65%
Expected increase of tariff advantages	1,75%	0,25%
Average assumed retirement age	63	63
Mortality table used	IA|BE Prospective Tables	IA|BE Prospective Tables
Turnover	0% to 3,18%	0,00%
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	20	20
- Female	24	24
For a Person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

Amounts recognized in comprehensive income

(In thousands of EUR)	2017	2016
Service cost		
Current service cost	−26.790	−34.741
Cost of early retirement	−133	−26
Actuarial gains/(losses) on other long-term benefits	4.404	−8.069
Net interest on the net defined benefit liability/(asset)		
Interest cost on defined benefit obligation	−12.120	−16.851
Interest income on plan assets	8.623	11.229
Defined benefit costs recognized in profit or loss	**−26.016**	**−48.457**
Actuarial gains/(losses) on defined benefit obligation arising from		
i) changes in demographic assumptions	7.342	26.827
ii) changes in financial assumptions	7.484	−81.571
iii) changes from experience adjustments	26.279	−40.669
Return on plan assets (excluding interest income)	8.220	90.102
Change in the effect of the asset ceiling	−44.178	0
Remeasurements of net defined benefit liability/(asset) recognized in Other Comprehensive Income (OCI)	**5.147**	**−5.311**
Total	**−20.869**	**−53.769**

Amounts recognized in the balance sheet

(In thousands of EUR)	Present value of funded defined benefit obligation	Fair value of plan assets	Funded status
Pensions - funded status	622.763	−645.527	**−22.764**
Pensions - unfunded status	25.547	0	**25.547**
Healthcare costs, tariff benefits - unfunded status	160.828	0	**160.828**
Other long-term employee benefits - funded status	62.525	−15.189	**47.336**
Total defined benefit obligation and long-term employee benefits at 31 December 2017	**871.663**	**−660.716**	**210.947**
Pensions - funded status	670.981	−657.662	**13.319**
Pensions - unfunded status	25.134	0	**25.134**
Healthcare costs, tariff benefits - unfunded status	165.464	0	**165.464**
Other long-term employee benefits - funded status	69.304	−13.858	**55.446**
Total defined benefit obligation and long-term employee benefits at 31 December 2016	**930.883**	**−671.520**	**259.363**

Changes in the present value of the obligation

(In thousands of EUR)	2017	2016
At the beginning of the period	930.883	842.791
Current service cost	24.396	30.960
Interest cost/income	12.120	16.851
Contributions from plan participants	2.394	3.781
Cost of early retirement	133	26
Remeasurement (gains)/losses in Other Comprehensive Income (OCI) arising from		
i) changes in demographic assumptions	−18.009	−23.827
ii) changes in financial assumptions	−3.155	87.769
iii) changes from experience adjustments	−25.266	39.391
Taxes on contributions paid	−1.321	−2.087
Payments from the plan	−50.512	−64.772
At the end of the period	**871.663**	**930.883**

Changes in the fair value of the plan assets

(In thousands of EUR)	2017	2016
Total at 1 January	−671.520	−511.541
Interest income	−8.623	−11.229
Return on plan assets (excluding amounts included in net interest expense)	−7.300	−89.953
Effect of the asset ceiling	44.178	0
Contributions from employer	−65.569	−119.787
Contributions from plan participants	−2.394	−3.781
Benefit payments	50.512	64.771
Total at 31 December	**−660.716**	**−671.520**
Actual return on plan assets	**−15.923**	**−101.182**

Classification of the plan investments on the balance sheet date

The classification of the plan investments in function of the major category at the end of 2017

Category	Currency	Elgabel %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
Investments quoted in an active market		**79,70**	**80,16**	**77,28**	**86,55**	**80,42**
Shares	Eurozone	15,88	17,45	6,62	13,16	**15,79**
Shares	Outside eurozone	21,55	21,14	0	25,16	**21,11**
Government bonds	Eurozone	4,16	4,08	20,47	5,34	**4,75**
Other bonds	Eurozone	29,80	29,32	50,19	33,04	**30,61**
Other bonds	Outside eurozone	8,31	8,17	0	9,85	**8,17**
Unquoted investments		**20,30**	**19,84**	**22,72**	**13,45**	**19,58**
Property		3,72	3,65	7,08	3,25	**3,76**
Cash and cash equivalents		1,08	0,99	2,22	0,17	**1,00**
Other		15,49	15,20	13,42	10,03	**14,82**
Total in %		**100,00**	**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)		**411.153**	**205.790**	**21.451**	**66.500**	**704.894**

The classification of the plan investments in function of the major category at the end of 2016.

Category	Currency	Elgabel %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
Investments quoted in an active market		**88,80**	**88,80**	**74,88**	**88,80**	**87,99**
Shares	Eurozone	21,52	21,52	4,34	21,52	**20,52**
Shares	Outside eurozone	26,68	26,68	2,71	26,68	**25,29**
Government bonds	Eurozone	0	0	23,74	0	**1,38**
Other bonds	Eurozone	20,30	20,30	44,09	20,30	**21,68**
Other bonds	Outside eurozone	20,30	20,30	0	20,30	**19,12**
Unquoted investments		**11,20**	**11,20**	**25,12**	**11,20**	**12,01**
Property		4,70	4,70	4,57	4,70	**4,69**
Qualifying insurance contracts		0	0	3,11	0	**0,18**
Cash and cash equivalents		0	0	1,94	0	**0,11**
Other		6,50	6,50	15,50	6,50	**7,03**
Total in %		**100,00**	**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)		**380.111**	**177.779**	**38.988**	**74.642**	**671.520**

Breakdown of the defined benefit obligation by type of plan participants and by type of benefits

(In thousands of EUR)	2017	2016
Breakdown of defined benefit obligation by type of plan participants	**871.663**	**930.883**
Active plan participants	619.633	640.459
Terminated plan participants with deferred benefit entitlements	29.000	53.219
Retired plan participants and beneficiaries	223.030	237.205
	0	0
Breakdown of defined benefit obligation by type of benefits	**871.663**	**930.883**
Retirement and death benefits	648.310	696.115
Other post-employment benefits (medical and tariff reductions)	160.828	165.464
Jubilee bonuses (Seniority payments)	62.525	69.304

The results of the **sensitivity analysis** are included below to explain the impact of the assumptions.

(In thousands of EUR)	Effect: increase (+) / decrease (-)
Increase of discount rate (0,5%)	−39.786
Average salary increase - excluding inflation (0,5%)	30.791
Increase of inflation (0,25% movement)	13.741
Increase of healthcare benefits (1,0%)	16.918
Increase of tariff advantages (0,5% movement)	4.980
Increase of life expectancy of male pensioners (1 year)	4.794
Increase of life expectancy of female pensioners (1 year)	9.675

The annual balance of the defined benefit lump sum is financed by the Group through a recurrent allocation expressed as a percentage of the total payroll. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing is used to smooth out future costs over the remaining period of the plan. The costs are estimated on projected bases (salary growth and inflation taken into account).
The assumptions related to salary increase, inflation, employee turnover and age-term are defined on the basis of historical statistics of the Group. The mortality tables used are the ones corresponding to the observed experience within the financing vehicle. The discount rate is set up with regard to the investment strategy of the company.
These assumptions are challenged on a regular basis.
Exceptional events (such as modification of the plan, change of assumptions, too short degree of coverage...) can eventually lead to additional payments by the Group.

The **average duration** of the defined benefit obligation at 31 December 2017 is 9 years (2016: 9 years).

The Group estimates to contribute 39.836 k EUR to the defined benefit pension plans in 2017 and 11.113 k EUR to the defined contribution plans.

24 Derivative financial instruments

The Group has entered into interest rate swaps in order to convert the variable interest rate on long-term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 102.460 k EUR in 2017 and 131.067 k EUR in 2016.

The changes in the fair value are recognized in the income statement (see note 'Financial results').

The fair value of derivative financial instruments entered into for hedging the interest rate risk is calculated on the basis of the discounted expected future cash flows taking into account current market interest rates and the yield curve for the instrument's remaining maturity.

Overview of the derivative financial instruments
A Linear Constant Maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 years concluded in June 2003 entered into force in June 2013.
A Linear Constant Maturity swap within the framework of the original 220 million EUR loan with a maturity of 20 years concluded in December 2004 entered into force in December 2014.
A Linear Constant Maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 year concluded in December 2004 entered into force in December 2009.
A Bonus Range Accrual within the framework of the original 250 million EUR loan with a maturity of 20 year loan concluded in December 2006 entered into force in December 2011.
A Varifix within the framework of the original 250 million EUR loan with a maturity of 20 year concluded in December 2007 entered into force in October 2010.
A forward fixing IRS swap was concluded in July 2013 within the framework of a loan subscribed to in December 2013 for an amount of EUR 150 million over 10 years.

25 Provisions, other

(In thousands of EUR)	Site restoration	Other	Total
Total at 1 January 2016	17.688	339	**18.027**
Used	−2.752	−339	**−3.091**
Total at 31 December 2016	**14.936**	**0**	**14.936**
Used	−5.336	0	**−5.336**
Total at 31 December 2017	**9.600**	**0**	**9.600**

The provisions comprise the obligations recognized for the restoration of the former gas factory grounds. The DSOs own several gas factory grounds on which soil and groundwater have been polluted in the past. Tackling this pollution has already started on a voluntary basis and a framework agreement with OVAM was concluded in 2001. Meanwhile, the number of such grounds has been reduced. In a new agreement with OVAM, it will be determined what the spread in time, the budget, the order of priority and the modalities of execution of the works for rehabilitating the soil, and possibly other measures, will be.
In 2017 and 2016 an amount of 11.349 k EUR was pledged to OVAM.

The Group is working on possible sales of certain contaminated sites. In this context, several grounds were already sold and letters of intent were entered into with potential buyers.
On certain grounds already sold, restoration duties still remain for an amount of 710 k EUR in 2017 and 860 k EUR in 2016 (see note 'Contingencies').

The decrease to the provision for site restoration was due to the use of (remediation) and more concrete elements for the estimation of the clean-up costs. No amounts were reversed nor were any amounts added to the provisions during 2017 and 2016.

The provision 'Other' relates to expenses for litigations with third parties and other provisions based upon management's best possible estimate of the expenses that the Group might incur. During 2016 arrangements were entered into to settle these costs.

26 Government grants

(In thousand of EUR)	2017	2016
Total at 1 January	1.356	0
Received during the year	1.790	1.357
Released to the income statement	−10	−1
Total at 31 December	**3.136**	**1.356**

The Flemish region (Vlaams Gewest) and the Flemish Energy Agency (Vlaams Energieagentschap) have granted capital subsidies to the DSOs for various projects that need to be implemented. These support measures are part of the projects ' green energy '.

27 Trade payables and other liabilities

(In thousands of EUR)	2017	2016
Trade debts	222.259	213.868
VAT and other taxes payable	38.653	26.571
Remuneration and social security	70.791	76.483
Advances Soclev clients and other	36.490	35.205
Solidarity payables related to the certificates for green energy and cogeneration certificates	75.819	71.416
Other current liabilities	164.810	166.393
Total	**608.822**	**589.936**

The items related to trade payables and other liabilities increase with 18.886 k EUR from 589.936 k EUR at the end of 2016 to 608.822 k EUR at the end of 2017.

The major items related to the 'Other current liabilities' comprise the reserved amounts concerning the Bonus 2014 and 2013 amounting to 64.244 k EUR (2016: 64.244 k EUR) and also charges to be allocated related to among others the interest expenses and costs on bond loans for an amount of 44.777 k EUR (2016: 40.502 k EUR).

Since the settlement of the solidarity related to the certificates for green energy can be both a receivable or a liability, this item must be read together with the item reported in the notes 'Trade and other receivables'.

The terms and the conditions for the debts are as follows:
For the standard trade debts the average payment term amounted to 39 days and for contractors 30 days after invoice date.
Debts for VAT and withholding tax are paid respectively 20 and 15 days after the end of the month.
All debts are paid by the maturity date.

28 Current tax liabilities

(In thousands of EUR)	2017	2016
Current income tax expenses	127.853	124.271
Advances paid	−102.785	−26.555
Deductible witholding tax	-2	-14
Tax expense current year	**25.066**	**97.702**
Tax expenses on previous years	**7.590**	**104.564**
Current tax liabilities	**32.656**	**202.266**

In 2017, all taxes related to 2015 have been paid (103.962 k EUR), taxes on 2016 (89.735 k EUR) and prepayments on taxes for 2017 (102.787 k EUR) so that in total 296.484 k EUR was paid.

Financial instruments

29 Financial instruments: Risks and fair value

Risks
It is the Group's intention to understand all risks separately, as well as their mutual connections, and to define strategies in order to manage the economic impact on the Group's results. The Audit Committee is responsible for reviewing the risk analysis, for the approval of the recommended risk management strategies, and for compliance with the guidelines on risk management and reporting.

Equity structure
The Group's equity structure consists of equity and the financial liabilities.
Apart from the legally (Belgian) required minimum levels for equity that are applicable, the mission charged associations are also subject to the Flemish Decree on Intermunicipal Cooperation. This decree stipulates that by the end of 2018 at the latest no Private Partner / shareholder can participate in the share capital of mission charged associations (the principle of mixed mission charged associations companies will disappear). As from the amendment during 2016, this is once again allowed for the sectors of energy and waste, provided that certain conditions are met. For the ex IGAO municipalities (in IMEA, Intergem and Iveka), Iveka and Intergem this date is earlier, being 31 December 2014, 31 December 2016 and 14 September 2018 respectively.
During 2016, the provinces of Oost-Vlaanderen/East Flanders and Antwerp decided to resign and the province of West-Flanders will exit by the end of 2018

The purpose of the Group is to maintain a strong balance sheet structure and to ensure that the Group can retain a 'good' credit rating from the credit rating offices.

As the Group works within a regulated environment with a guaranteed remuneration (fair remuneration/profit and a guaranteed return/dividend), the risk is rather limited.
During 2017 and 2016 the Group fulfilled all 'expected' obligations.

The Group has called upon long and short-term funding to support its capital structure.
The Group monitors its solvency. Solvency means the degree to which the Group, in case of liquidation, can meet its financial obligations towards the providers of debt capital.

Credit risk
The credit risk comprises the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group pursues a credit policy whereby the credit risk is scrutinized and diversification of counterparties is necessary.
The maximum credit risk is each financial asset's balance sheet value.

Trade debtors
Ageing analysis of trade receivables past due, but not impaired

(In thousands of EUR)	2017	2016
1 - 60 days	17.031	7.939
61 - 90 days	3.356	3.804
91 - 180 days	9.185	10.423
181 - 365 days	19.105	16.094
>365 days	10.757	18.817
Total trade receivable - net	**59.434**	**57.077**

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2017	2016
Balance at 1 January	−76.054	−75.761
Charge of impaired receivables	−19.986	−7.643
Write-back of impaired receivables	10.924	7.350
Balance at end of the period	**−85.116**	**−76.054**

Currency risk
The Group is not substantially exposed to currency risks since transactions in currencies other than the euro are limited.

Liquidity risk
The liquidity risk implies the risk that the Group will encounter difficulties in meeting its obligations associated with financial liabilities. The Group limits this risk by continually scrutinizing cash flows and by taking care that a sufficient number of credit facilities are available.

The Group can call upon several banks to attract resources on short term. It has the possibility to issue commercial paper within the framework of a treasury bill programme, to draw upon fixed advances with a maturity of one week up to twelve months and to take up straight loans with a maturity between one day up to one year. All loans have fixed interest rates except for the bank overdraft that has a variable interest rate.

The Group borrows on a long-term basis mainly to finance its ongoing investments in the distribution grid for electricity and gas, and to refinance loans and pay interest.
During 2014 the collected cash of these debentures was also used to pay the exit fee relating to Electrabel’s exit from the DSOs’ equity.
In 2010 the first bond loans were issued for private investors in Belgium and the Grand Duchy of Luxembourg.

To diversify and broaden its funding resources, so that a safe, reliable, efficient and innovative distribution of energy to the customers can be assured, Eandis System Operator has requested a rating from ‘Moody's Investors Service Ltd.’ (Moody’s).

In October 2011, Moody's granted Eandis System Operator an ‘A1’ credit rating ‘with a negative outlook’. This rating was reconfirmed by Moody's on 5 July 2016. On 14 December 2016, however, Moody's downgraded the rating to A3 (stable outlook) as the merger of the seven DSOs in Eandis Assets was not accomplished and so attracting a private partner for this merged company had to be stopped.
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. On 19 January 2018 this rating was reconfirmed.

Eandis System Operator successfully issued bonds in the framework of its € 5 billion Euro Medium Term Note (EMTN) programme launched in 2011 and which runs through 2021. There has always been a large interest from European investors for the 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 € 2.660,5 million or 53,21 % was issued at the end of 2017. Since year end 2014 no more bonds were issued under this programme.

An overview of the loans is included in the note ‘Interest bearing loans and borrowings’.

The following schedule shows the maturity schedule of the different loans.
At the end of 2017

(In thousands of EUR)	2017	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	369.714	0	169.960	0	199.754
Bond issue - EMTN	2.644.335	0	0	996.093	1.648.242
Bond issue - private	435.280	0	0	0	435.280
Bank loans - fixed interest rate	1.362.860	134.950	249.732	214.391	763.787
Bank loans - with derivative instrument	634.397	76.232	159.796	169.991	228.378
Total	**5.446.586**	**211.182**	**579.488**	**1.380.475**	**3.275.441**
Total bullet payment	**3.449.329**	**0**	**169.959**	**996.093**	**2.283.277**
Total excluded bullet payment	**1.997.257**	**211.182**	**409.529**	**384.382**	**992.164**

At the end of 2016

(In thousands of EUR)	2016	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	319.958	150.012	0	169.946	0
Bond issue - EMTN	2.642.164	0	0	498.821	2.143.343
Bond issue - private	435.042	0	0	0	435.042
Bank loans - fixed interest rate	1.494.381	131.521	273.457	218.749	870.654
Bank loans - with derivative instrument	708.252	73.855	154.895	164.829	314.673
Total	**5.599.797**	**355.388**	**428.353**	**1.052.345**	**3.763.711**
Total bullet payment	**3.397.164**	**150.012**	**0**	**668.767**	**2.578.385**
Total excluded bullet payment	**2.202.633**	**205.376**	**428.353**	**383.578**	**1.185.326**

Interest rate risk

The Group has entered into long-term loans with a fixed and variable interest rate.
Loans with variable interest were swapped to a fixed interest rate (see note 'Derivative financial instruments'). For certain loans, forward swap contracts, were concluded. All other loans were initially at a fixed interest rate.

The interest payment for the following years, calculated on the basis of the current interest rate, is as follows:

(In thousands of EUR)	2017	2016
In 2017	0	161.412
In 2018	167.583	163.583
In 2019	153.726	149.726
In 2020	146.913	142.913
In 2021	133.907	129.907
In 2022	105.664	101.664
In 2023 and beyond	572.696	560.998
Total	**1.280.489**	**1.410.204**

Other

More information about the risks of the Group and its shareholders is included in the prospectus of the Eandis System Operator group (Eandis System Operator cvba and its subsidiaries) dated 2 June 2017 concerning the issue of a bond loan (retail) and the investor presentation of 1 September 2017. These documents can be consulted on the website www.eandis.be.

Fair value

The fair value 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 Group uses the following fair value hierarchy classification to determine and classify the fair value of the financial instruments by a valuation technique:

Level 1: valuation is based on quoted (unadjusted) prices in an active market for identical assets or liabilities

Level 2: other techniques for which all input with a significant impact on the recorded fair value can be observed either directly or indirectly

Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables (net of impairment), trade payables and other current liabilities approximate the carrying amounts as to the short-term maturity of these instruments.

The fair value of the unquoted other investments is based on the latest available financial information.

The fair value of the certificates for green energy and cogeneration certificates are the guaranteed amount, as stipulated in the decision of the Flemish Government amending the Energy Decree.

The fair value of the quoted bond loans is based on the price quotations at the reporting date.

The derivative financial instruments are interest rate swaps. The valuation techniques are swap models that use value calculations. The models include various kinds of input including forward prices, yield curves that are obtained on the basis of market interest rates and derivatives from market prices of various financial products that are requested with various market participants.

The fair value was obtained on the basis of the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. On the reporting date it delivers world economic news, quotes for stock futures, stocks and other).

The fair value of the quoted bonds, issued for a total amount of 2.980,5 million EUR varies according to the market interest rate. The fair value at 31 December 2017 amounts to 3.441,0 million EUR and differs from the amount that will be reimbursed and the carrying value

(In thousands of EUR)	**Fair value Level 1**	**Level 2**	**Book value**
Other investments	984	0	832
Green energy and cogeneration certificates (GEC & CGC)	24.810	0	24.810
Trade and other receivables excluding GEC and CGC	922.945	0	922.945
Cash and cash equivalents	31.405	0	31.405
Total	**980.144**	**0**	**979.992**
Bond loans (included short-term part)	3.847.603	0	3.449.329
Loans on long-term (included short-term part)	1.997.257	0	1.997.257
Derivative financial instruments	0	102.460	102.460
Oher financial instruments	641.478	0	641.478
Total	**6.486.338**	**102.460**	**6.190.524**

Other information

30 Related parties

Transactions between the DSOs and their subsidiaries (the associated parties) have been eliminated in the consolidation process and are therefore not included in this note.

The remunerations paid to the directors are attendance fees and transport fees for an amount of 410.291 EUR in 2017 and 460.718,98 EUR in 2016.
The total remunerations paid to the management committee and the directors for 2017 amounted to 3.698.619 EUR and 3.318.972 EUR for 2016. The post-employment benefits included in the total remuneration mentioned amounted to 697.823 EUR for 2017 and 624.971,31 EUR for 2016. There are no other benefits in kind, share options, credits or advances in favour of the directors.

Transactions of the Group with companies with a non-controlling interest (Farys/TMVW) were as follows:

(In thousands of EUR)	2017	2016
Amount of the transactions		
Recharge of costs to non-controlling interest companies	4.471	4.804
Recharge of costs from non-controlling interest companies	454	116
Amount of outstanding balances		
Trade receivables	569	605
Trade payables	10	3

Transactions of the Group with other companies (Atrias and Synductis) were as follows:

(In thousands of EUR)	2017	2016
Amount of the transactions		
Recharge of costs to associates	2 026	2 330
Recharge of costs from associates	11 475	7 654
Amount of outstanding balances		
Trade receivables	18 830	16 478
Trade payables	1 847	2 745

Membership of professional organisations
Eandis System Operator is a member of Synergrid vzw, which is the Belgian common interest federation of the electricity and gas transport and distribution grid operators.
Eandis System Operator is a member of the European Distribution System Operators for Smart Grids (EDSO for Smart Grids).

During 2017 the parent companies, DSOs, paid fees of 60 k EUR to the statutory auditor and an amount of 87 k EUR for other assignments.
The fee for other assignments was approved by the Audit Committee.

31 Contingencies

(In thousand of EUR)	2017	2016
Rent deposits, buildings	1.463	1.463
Other bank guarantees	300	484
Pledge trade receivables	11.349	11.349
Total guarantees given	**13.112**	**13.296**
Guarantees obtained from contractors and suppliers	52.177	51.562
Goods held by third parties in their own name but at risk for the Group	56	49
Obligation to purchase property, plant and equipment	4.391	4.698
Obligation to sell property, plant and equipment	1.250	8.442
Obligation to rehabilitation	710	860

Outstanding orders in 2017 amounted to 16.311 k EUR (2016: 21.132 k EUR).

The Group has rented several buildings and adjoining parking lots for a total value of 6.090 k EUR in 2017 and 6.016 k EUR in 2016, as well as cars for a total value of 4.690 k EUR in 2017 and 4.798 k EUR in 2016.
The future rent obligations (operational rent obligations) concern buildings, vehicles and other materials.
The contracts relating to buildings contain renewal clauses and have an average term of two years.

The future minimum lease payments under non-cancellable finance leases are as follows:

(in thousands EUR)	2017
In 2018	9.834
In 2019 and 2020	11.633
In 2021 and 2022	3.170
In 2023 and later	180
Total	**24.817**

The Group's budgeted investments for 2018 were estimated at 416.131 k EUR (446.481 k EUR in 2017).

Furthermore, there is also a legal dispute pending between the DSOs and Essent concerning free distribution of green electricity (3.533 k EUR for 2017 and 2016), with Infrabel and the Flemish Region on grid displacements (93 k EUR in 2017 and 5.526 k EUR in 2016) and disputes with various parties (for a total of 6.914 k EUR in 2017 and 9.281 k EUR in 2016).

The Group is involved in legal disputes for which the risk of loss is possible but not likely and for which, as a result, no provisions have been set up. Currently, the possible timing of the settlements cannot be estimated reliably.

32 Events after the reporting date

Integration Eandis System Operator and Infrax in Fluvius System Operator
At the end of 2017 there were still some reservations regarding the proposed merger of Eandis System Operator cvba and Infrax cvba into the integrated entity Fluvius System Operator cvba. The reason for this was a possible decision by the Belgian Competition Authority (BMA). At the beginning of 2018, however, it became clear that this reservation was no longer valid. This is an important step towards the actual realization of one integrated operating company for the whole of Flanders, from 1 July 2018.
As a result of the application of the concept 'control' in the IFRS standards, the IFRS consolidated financial statements will only be prepared as an integrated operating company as at 31 December 2018. The half-yearly figures as at 30 June 2018 will therefore be prepared at the level of the operating company Eandis System Operator cvba (non-integrated).

Furthermore, various transactions were prepared during 2017 that will have a significant impact on the Flemish energy landscape during 2018 (see note 'Corporate information').

33 List of group entities included in the consolidation

Subsidiary	Registered office	Number of shares owned	voting rights
Distribution System Operators *			
Gaselwest	President Kennedypark 12, B-8500 Kortrijk		
IMEA	Merksemsesteenweg 233, B-2100 Deurne		
Imewo	Brusselsesteenweg 199, B-9090 Melle		
Intergem	Administratief Centrum (AC), Franz Courtensstraat 11, B-9200 Dendermonde		
Iveka	Koningin Elisabethlei 38, B-2300 Turnhout		
Iverlek	Aarschotsesteenweg 58, B-3012 Wilsele-Leuven		
Sibelgas	Gemeentehuis St. Joost-Ten-Node, Sterrenkundelaan 12, B-1210 Brussel		
Subsidiaries			
Eandis System Operator cvba	Brusselsesteenweg 199, B-9090 Melle	100,00	100,00
De Stroomlijn cvba	Brusselsesteenweg 199, B-9090 Melle	64,03	64,03
Investment in joint ventures and associates			
Atrias cvba	Ravensteingalerij 4 bus 2, B-1000 Brussel	25,00	25,00
Synductis cvba	Brusselsesteenweg 199, B-9090 Melle	33,23	32,31
Warmte@Vlaanderen cvba	Boombekelaan 14, B-2660 Hoboken	50,00	50,00
Fluvius cvba	Koning Albert II laan 37, B-1030 Brussel	50,00	50,00

* Address of contact: Brusselsesteenweg 199, B-9090 Melle

The subsidiaries Warmte@Vlaanderen and Fluvius were established during 2016 but do not contain any activity. They were registered in the consolidation as 'Investments in other companies'.

On 7 February 2018, the Board of Directors of Warmte@Vlaanderen cvba decided to liquidate the company as soon as possible. As a consequence, this means that the company Warmte@Vlaanderen cvba is currently in discontinuation.
Since the company does not contain any activities, IFRS 5 *Non-current assets held for sale and discontinued operations* is not applicable.

On 17 March 2018, the Board of Directors of Fluvius cvba decided to liquidate the company as soon as possible. This means that this company is currently in discontinuation.

The company Eandis System Operator cvba together with its subsidiaries De Stroomlijn, Atrias, Synductis, Warmte@Vlaanderen and Fluvius form the (legal) 'Eandis System Operator group'. This group reports its IFRS results, which can be consulted on the website www.eandis.be.

Operating in a regulated environment

34 Operating in a regulated environment

Renewal of permission to call on the operating company
The Flemish energy regulator VREG has by its decision of 24 February 2015 granted the permission to the DSOs to call on the services of Eandis System Operator cvba as operating company for electricity. This authorisation applies as from 5 September 2014 and is valid for a period of twelve years.

Recognition of the distribution system operators
The Flemish energy regulator VREG reported, by letter of 6 February 2015, its decision of 3 February 2015 to renew the recognition of the 7 DSOs as electricity distribution system operators. This designation is valid for a period of 12 years starting from 5 September 2014.
On 29 September 2015 the VREG decided to renew the term for the 7 DSOs for gas distribution for a period of 12 years beginning on 14 October 2015. At the same time, the permission to operate with Eandis System Operator cvba as operating company for gas was granted.

Regulated tariff methodology
The Group operates in a regulated environment whereby the Energy Decree establishes the guidelines. As a result of the Sixth State Reform the VREG – Flemish Regulator of the electricity and gas markets – has, as from 1 July 2014, retrieved the competence of the federal regulator CREG to determine the tariff methodology for distribution in the Flemish region.
The distribution system operators must submit their tariff proposals within this framework. Every year, the regulator sets the eligible income that the DSO can derive from the distribution grid tariffs. This fixed income is then converted by the DSO into tariff proposals.
The regulator supervises the correct application.

Tariff methodology 2015-2016
On 30 September 2014 the VREG determined a new tariff rate methodology for electricity and gas for the DSOs active in the Flemish region for the regulatory period 2015-2016.
In building the new tariff method the following elements were taken into account: promoting efficient operations, information asymmetry, stability, transparency, administrative efficiency and avoiding rate volatility. This method should be an incentive for the DSOs to work in a cost-efficient and sustainable manner.

Tariffs for 2016
On 14 December 2015 the VREG published the distribution tariffs for electricity and gas.
The main changes concern the provisional recharge of 20 % of the accumulated deficit (regulatory transfer) from the period 2010-2014, the abolishment of the 100 kWh free electricity and the full globalization in Flanders of the cost of green energy by also removing the ceiling that was used in the past for the settlement.

The accumulated balances related to the Federal contribution - charges to finance funds held by the CREG - must be recorded on the balance sheet and will be settled as soon as a decision is taken by the CREG (federal matter).

On 28 June 2016 the VREG reviewed the existing tariff methodology 2015-2016 as a result of the introduction of the public service obligation of the distribution system operators to stimulate the infrastructure for electric vehicles. This tariff methodology does not affect the distribution tariffs. The costs and benefits of the operation will be followed up during 10 years and then settled.

Tariff methodology 2017-2020

On 24 August 2016, the VREG published the tariff methodology for the Flemish electricity and natural gas distribution system operators for the period 2017-2020.

The tariff methodology includes among others

- Adjustments to the parameters for the remuneration for cost of capital to obtain in average a net working capital is compensated to the corrected WACC before corporate income tax (5,00 %) with equity to 5,24 % (before tax 7,94 %), the cost of debt capital to 3,04 % and a gearing of 60,00 % (ratio equity/liabilities 40/60).
- Further recuperation of the regulatory assets/liabilities for the period 2010-2014 over 5 years (until 2020)
- the new regulatory balances can be recuperated according to an annual percentage of cumulated balance: exogenous costs (60 %), volume differences 75 % (electricity) and 40 % (gas), corporate income tax (for the part via endogenous costs), indexation of endogenous cost 50 %
- There will be reports on the quality of service (Q-factor): for example power cuts and intervention time for connectivity. The financial settlement will take place via a bonus or malus starting from the next regulatory period. During this tariff period the DSOs only need to report to the regulator.

Eligible income 2017

On 7 October 2016, the VREG established the eligible income for the natural gas and electricity distribution system operators for 2017. The distribution rates were determined on the basis of the tariff methodology 2017-2020. For both gas and electricity, there is an increase compared to 2016 mainly due to the increasing costs for the GEC (electricity) and the processing of the regulatory balances.

Tariffs for 2017

On 20 December 2016, the VREG approved the distribution tariffs for electricity and gas for the year 2017. The rates for electricity rise because of the increased costs on which the distribution system operator does not have any impact (GEC and RUE contributions).

On 1 March 2017, the tariffs to families and small businesses increased as a result of the slight increase in tariffs applied by Elia for the transmission network. Elia's tariffs have been approved by the CREG.

Tariffs 2018

On 9 October 2017, the VREG announced the eligible incomes for electricity and gas for the period 2018, which were determined on the basis of the tariff methodology for the period 2017-2020.

For electricity (including transmission) the income is 3,4 % lower than the income of 2017 and for gas the income is 1,9 % higher than in 2017.

On 12 December 2017, the VREG approved the distribution tariffs for electricity and natural gas for 2018 in Flanders.

Accounting treatment

The regulatory transfers are booked on specific balance sheet accounts and are called 'regulatory balances' since the tariff methodology is determined by the VREG, in contrast to the differences that arose during previous tariff methodologies, determined by the CREG, which were called 'regulatory assets / liabilities'. The movements of these accounts (additions, recoveries and regularisations) constitute the regulatory transfers.

Overview of the assets and liabilities of the settlement mechanism (see note ‘Trade and other receivables’ and ‘Trade and other short-term liabilities’).

(In thousands of EUR)	2017	2016
Transfers 2008 - 2009	−2.038	−2.006
Transfers 2010 - 2014	187.953	266.551
Total regulatory assets *	**185.915**	**264.545**
Balances from 2015	102.436	268.275
Balances from 2016	54.003	54.414
Total regulatory balances	**87.407**	**322.689**
Total amount recoverable	**273.322**	**587.234**
of which reported as Current assets	273.322	587.234

* Transfers were grouped according to their recuperation in the tariffs with 50,00 % take back of the transfers recorded in 2008 and 2009 to recuperate during 2015 and 2016 (with the exception of the transfer for the Walloon municipalities) and 20 % of the transfers recorded in 2010 up to and including 2014 to recuperate during 2016 and 2017 (with the exception of the scheme for the Walloon municipalities and separate treatment of the federal contribution amounting to 70.719 k EUR (2016: 63.417 k EUR).

Reconciliation of the settlement mechanism.

(In thousands of EUR)	2017	2016
Assets at 1 January	587.234	658.965
Recovered transfers from 2008 - 2009	−32	−55.894
Recovered transfers from 2010 - 2014	−78.629	−78.821
Transfer to third parties	0	113
Total movements regulatory assets (*)	**−78.661**	**−134.602**
Additional transfer from 2015	228	8.432
Additional transfer from 2016	−411	54.414
Additional transfer from 2017	−69.032	0
Recoverd transfer from 2015	−166.067	0
Total movements regulatory balances	**−235.282**	**62.846**
Total movements	**−313.943**	**−71.756**
of which - movement through the income statement	−313.943	−71.756
of which - transfer to a third parties	31	25
Regulatory assets at the end of the reporting period	**273.322**	**587.234**

With regard to the transfers, being the differences between the actual and the budgeted costs and revenues and the settlement mechanism, the regulatory assets and the related calculations still need to obtain approval by the CREG/VREG, notwithstanding the control of the reporting for the year 2014. This uncertainty means that the control by the regulator can give rise to additional differences that need to be processed as an adjustment to the regulatory assets/liabilities or via the result in the following financial year.
Until now, Eandis System Operator has not yet received a final decision from the regulator on the reporting of the results of 2010 up to 2015. The VREG meanwhile has started the control on the balances of 2010-2014 and it is expected to deliver its decision during 2018. In the meantime, already 20 % of the regulatory transfers in relation to the period 2010-2014 was recovered in 2016 and 2017.
The regulatory balances for the period 2015 and 2016 were confirmed by the regulator VREG and they should be recovered (according to a percentage of the cumulative balances).

At the moment there are no specific IFRS guidelines as to the accounting treatment of the settlement mechanism in a regulated environment.
On 30 January 2014 the IASB published a new standard IFRS14 Regulatory Deferral Accounts. This new standard is applicable for "first time adopters" and allows the recording of regulated assets and liabilities as separate items of the balance sheet and profit and loss account. This standard was not endorsed by the EU and is awaiting the final standard.

Building a better working world

Ernst & Young
Bedrijfsrevisoren
Reviseurs d'Entreprises
Moutstraat 54
B - 9000 Gent

Tel: +32 (0)9 242 51 11
Fax: +32 (0)9 242 51 51
ey.com

Free translation from the Dutch original

Report of the independent auditor to the shareholders of the Flemish distribution net owners on the consolidated financial statements of the Economical Group Eandis as of and for the year ended 31 December 2017

We report to you as independent auditor on the consolidated financial statements of the Economical Group Eandis. This report includes our opinion on the consolidated statement of the financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable. The consolidated financial statements of the Economical Group Eandis consists of seven Flemish Distribution System Operators (DSOs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas who have joint control over Eandis System Operator CVBA and its subsidiaries (De Stroomlijn CVBA, Synductis CVBA, Atrias CVBA, Fluvius CVBA and Warmte@Vlaanderen CVBA).

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of the Economical Group Eandis, which consists of the consolidated statement of the financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2017 and the disclosures, which show a consolidated balance sheet total of € 8.938.201 thousands and of which the consolidated income statement shows a result of the year of € 235.762 thousands.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2017, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

We have obtained from the Board of Directors (the management committee) and the officials of the Companies the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph

Without qualifying our opinion, we wish to draw the attention to the information, included in note 34 of the Consolidated Financial Statements related to operating in a regulated environment, which clarifies the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the financial balances resulting from tariff settlement mechanisms which are still to be approved by the VREG.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium. This responsibility includes: designing, implementing and maintaining internal control which the Board of Directors determines to be necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Companies their ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Companies or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Companies or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

Report on other legal and regulatory requirements

Independence matters

Our auditor's office and our network has not performed any services that are not compatible with the statutory audit of the Consolidated Financial Statements and has remained independent of the Companies during the course of our mandate.

The fees related to additional services which are compatible with the statutory audit of the Consolidated Financial Statements as referred to in article 134 of the Belgian Companies Code were duly itemized and valued in the notes to the Annual Accounts.

Ghent, 28 March 2018

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
Represented by

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

18PE0140