www.eandis.be

Regulated information

Melle, 1 September 2017

HALF-YEARLY FINANCIAL REPORT OF THE EANDIS SYSTEM OPERATOR-GROUP[1]

AS PER 30 JUNE 2017[2]

HIGHLIGHTS

- Eandis System Operator and its peer Infrax have announced their plans for a far-reaching **integration** of both companies in the future.
- The start of the operational activities of both **Warmte@Vlaanderen** and **Fluvius** depend on the approval by the Belgian Competition Authority.
- Several **district heating** projects, commissioned by the distribution system operators, get underway. Eandis is also collaborating with VITO (Flemish Institute for Technological Research) on a project for geothermal heat.
- Flemish Government decides on the principles for the roll-out of **digital meters** in Flanders. Two pilot projects with **digital budget metering** are launched.
- Implementation of the roll-out plan 2016-2020 for **charging infrastructure for electric vehicles** kicks off.
- A 2nd rating for Eandis System Operator: **Creditreform Rating** awards an A+ stable rating.
- Eandis successfully issues a new **retail bond**.
- The decrease in Eandis System Operator's **headcount** is continuing.
- Eandis has again been awarded the **VOKA Charter Sustainable Business**, testifying of its wide array of sustainability initiatives.

[1] The Eandis-group comprises Eandis System Operator cvba and its consolidated subsidiaries De Stroomlijn cvba, Atrias cvba and Synductis cvba. As per 30 June 2017, the subsidiaries Warmte@Vlaanderen cvba and Fluvius cvba have not been consolidated.

[2] All comparisons are with the figures reported as per 30 June 2016, unless stated otherwise.

- **Operating revenue** for the Eandis Consolidated Group increased by 0,9 per cent, while its **operating costs** also increased by 0,9 per cent.
- **No profit or loss**, since all costs are fully passed on to the distribution system operators (abbreviated to DSOs) based on the 'transfer at cost' principle.

MANAGEMENT REPORT

The Flemish energy distribution sector is facing a **major restructuring**. On 10 May 2017, after having obtained their shareholders' approval, both DSO operating companies, Eandis System Operator and Infrax, announced their intention to fully integrate both companies into one single entity, Fluvius, in the future.

Thus Fluvius is set to become a best-in-class multi-utility operator for the entire Flemish Region. The end point of this integration trajectory is foreseen in 2020.

This move towards integration is inspired by the realisation that the logistical and financial challenges in the energy sector in the upcoming years are huge and that all relevant parties have more to gain than to lose from a closer collaboration and enhanced efficiency. An integration will undoubtedly allow for more economies of scale and efficiency gains for all partners involved, which will allow substantial savings on the expenses for operations and investments. The current age pyramid at both companies will facilitate a gradual reduction in headcount in a natural way.

The future integration of the operating companies does not directly impact the DSOs of both groups. Besides, both well-known brand names, Eandis and Infrax, will remain until further notice.

Another part of the major overhaul of the energy sector in Flanders is the envisaged **split-up of the financing associations**[3]. According to this plan, the DSOs would take over the public sector's participations in Elia (through Publi-T) and Fluxys (through Publigas). Its implementation and the impact on the Eandis Economic Group are being further investigated.

[3] The financing associations are intermunicipal entities closely related to the DSOs. Their main activity is the financing of the municipal participations in the energy sector (notably renewable energy projects and the participations in electricity transmission company Elia and gas transport company Fluxys). These associations are Finiwo, Finea, Fingem, Finilek, Figga, IBE/IBG and IKA.

The mandate for the company's statutory **auditor**, EY Bedrijfsrevisoren, has been renewed for a 3-year period by decision of Eandis System Operator's General Assembly. The new mandate will expire at the annual General Assembly in 2020.

Several **district heating** projects are progressing well. In Kuurne, the first houses have now been connected to the grid, albeit temporarily equipped with an oil-fired boiler. This project should ultimately lead to 700 houses being connected to this local heating grid, which makes use of the excess heat generated by a waste incinerator. In total, nine district heating project contracts have already been signed by Eandis System Operator on behalf and for the account of the respective DSOs. Besides, the potential for six other district heating projects is now being investigated.

Eandis System Operator is also involved in a joint project with VITO, the Flemish Institute for Technological Research, on **geothermal heat** in Mol/Dessel. And there are two pilot projects on energy storage, one of them in our central warehouse in Lokeren.

Eandis System Operator's subsidiary **Synductis** is a joint initiative involving nine Flemish utilities from different sectors with the shared objective of effectively reducing hindrance caused by infrastructure works in the public domain. The number of in-the-field projects in which Synductis demonstrates its added value has been rising steadily, also in the first half of 2017. Local authorities are more and more convinced of the advantages of a thorough and timely coordination of infrastructural works by separate utilities offered by Synductis. There are ongoing contacts with other parties with a view to enlarge the activity scope of Synductis.

The Flemish Government has recently taken some important steps in the creation of a legal framework for the **digital meter roll-out** in Flanders. According to a draft decree the independent data management would be entrusted to the DSOs, and thus indirectly to Eandis System Operator, with a clear responsibility for the enormous amount of data being generated by the future digital metering systems. In the meantime, Eandis has started its preparatory work for this roll-out, which is to start in 2019. Additionally, two **pilot projects with digital budget metering** (in Turnhout and Zele) have been initiated recently.

Sustainability, climate objectives and **energy poverty** remain at the forefront of Eandis System Operator's strategic preoccupations. To underline the close link between Corporate Social Responsibility in its broad sense and the company's strategy, the 2016 Annual Report integrates the Activity Report and the CSR Report into one single document.

As a consequence of a Flemish public service obligation and to facilitate the wide-scale breakthrough of electric mobility in Flanders, Eandis System Operator has started to install **charging stations for electric vehicles** on behalf of the DSOs. The 2017 target is 750 stations with two charging points each; there should be at least one such charging station in each Flemish municipality. This programme runs from 2016 until 2020 and involves the installation of 2.500 of such charging stations *(figure for Eandis System Operator and Infrax combined)*. Eandis will also install charging installations at its own sites and is actively promoting full electric, plug-in hybrid and CNG vehicles for its own fleet *(CNG = compressed natural gas)*.

For the third time in a row, Eandis has been awarded the **VOKA Charter for Sustainable Business**. This award underlines the many efforts that Eandis, working on the basis of its strategic vision, has put into ensuring that it carries out its tasks in a sustainable way and in close cooperation with all of its stakeholders.

Eandis System Operator has renewed its **partnership with BBL** *(Bond Beter Leefmilieu, or Association for a Better Environment)* for the period 2017-2020. The company will also take part in Flanders' **Green Deal Circular Procurement** and some other sustainability initiatives launched by public and semi-public bodies. A remarkable example is its involvement in the Gantoise eco-neighbourhood project (Ghent).

In 2016 Eandis started its **Eco Forest project**. This is linked to the objective to reduce the company's CO_2 emissions per employee with at least 20 per cent by 2020. The concrete results of Eandis's environmental efforts determine the exact area of new forest to be planted. This mechanism is an incentive for our employees in their sustainable mobility efforts and it supports the local authorities in their commitment towards their own climate objectives. On 19 February 2017, Eandis planted 1,3 hectare of new forest (or 3.000 native trees) in Duffel.

Planting trees for the eco forest in Duffel

On 30 June 2017, Eandis System Operator counted **3.890 employees** or 3.709,83 full-time equivalents (FTEs). This corresponds to a year-on-year decrease by 137 employees (minus 3,4 per cent). This decrease is in line with the trend which started back in 2013. On the same date, the entire Eandis group consisting of Eandis System Operator, De Stroomlijn and Atrias, had a headcount of 4.181 employees (3.974,68 FTEs). At this moment, there are no employees at Warmte@Vlaanderen and Fluvius.

The overall number of access points for which the DSOs – with Eandis System Operator as their operator - act as **social supplier** has decreased from 111.178 (end 2016) to 109.979 (or minus 1,1 per cent). For electricity this decrease was 0,9 percent, for gas it was 1,3 per cent.

There has been one change in the composition of the **governing bodies**. On proposal by the shareholding DSO Imewo, as of 19 May 2017 **Mr Paul Teerlinck** has replaced Mr Sven Taeldeman, who resigned on 20 February 2017, as a member of the Board of Directors. Mr Teerlinck has also replaced Mr Taeldeman in the Audit and HR Committees.

Since 18 January 2017, Eandis System Operator has a second corporate rating. **Creditreform Rating**, a Germany-based rating agency, has assigned an **A+ rating with a stable outlook** to the company.

Eandis's current corporate rating with Moody's Investors Service is A3 with a stable outlook (since 14 December 2016).

In June 2017, Eandis System Operator issued a **200 million EUR retail bond**, which was received very well by the investment community in Belgium. This new bond has an 8 year maturity (until 23 June 2025) with a 2,00 per cent fixed rate coupon. The proceeds of this new bond were primarily used for the refinancing of the 2010-2017 4,00 per cent 150 million EUR retail bond which matured and was repaid on 23 June 2017.

Chairman Piet Buyse rings the Euronext-bell at the occasion of the first listing of the new Eandis System Operator retail bond (23 June 2017)

The Flemish system for **green energy certificates**, both green power certificates and CHP certificates (Combined Heat and Power), is undergoing some major changes. Targeted measures taken by the Flemish authorities have revived the market for especially the green power certificates and, as a consequence, the DSOs have been able to reduce their unsold stock of green power certificates. Eandis is awaiting the impact of the annulment by the Belgian Constitutional Court of the Flemish Energy Levy, which is being used to fund the purchase of certificates held by the DSOs. However, the Court's ruling upheld the existing regime for the years 2016 and 2017.

Atrias, a common subsidiary of all Belgian distribution grid operators, will start its operational activities as the federal clearing house for the energy market in Belgium in 2018. As of that date, all data exchanges between market players will be based on the new MIG 6 protocol *(MIG: Message Implementation Guide)*.

RISK FACTORS

The risk factors as described in the Eandis System Operator 2016 Annual Report and the Prospectus dated 2 June 2017 are still valid for the first half of 2017.

MAJOR EVENTS AFTER REPORTING DATE

None.

OUTLOOK

Eandis System Operator expects the outcome of the notification procedure at the Belgian Competition Authority regarding the planned activities of Warmte@Vlaanderen in the course of the second half of 2017.

In July 2017, the federal government announced a reform of the corporate tax regime which should lead to a reduced tariff as of 2018.

Barring unforeseen economic or regulatory developments, Eandis System Operator expects that in the second half of the year 2017 there will be no substantial deviations from the defined financial and budgetary objectives. The company will continue to closely monitor all relevant financial, economic and regulatory developments.

Management expects to be able to continue to keep the Eandis Economic Group's manageable costs and its overall and company-specific risks strictly under control by making use of its extensive array of risk detection and risk management tools.

REPORTING STATUS

These condensed financial statements for the period ended 30 June 2017 were approved for publication by Eandis System Operator's Board of Directors on 30 August 2017.

On 30 August 2017 Eandis's statutory auditor EY Bedrijfsrevisoren, represented by Mr Paul Eelen, issued a report on the limited review of the consolidated half-year financial information for the six-month period ended 30 June 2017, stating that the interim financial information in all material aspects has been prepared in accordance with IAS 34, "Interim Financial Reporting" as approved for application within the European Union.

STATEMENT BY THE RESPONSIBLE PERSONS

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

- *the condensed interim financial statements of Eandis cvba and its subsidiaries as of 30 June 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS), and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and*

- *the interim management report gives a fair overview of the information required to be included herein.*

Melle, 1 September 2017,

Walter VAN DEN BOSSCHE, CEO

David TERMONT, CFO

PROFILE OF THE REPORTING ENTITY

The consolidated accounts of Eandis System Operator Group as per 30 June 2017 comprise the information of the company Eandis System Operator cvba and its subsidiaries and investments in joint ventures and associates (De Stroomlijn cvba, Atrias cvba, Synductis cvba, Warmte@Vlaanderen cvba[4] and Fluvius cvba[5]). Together they form the 'Eandis System Operator Group' or the 'Group'.

Eandis System Operator cvba is the independent company that carries out operational tasks and public service obligations for electricity and gas at cost price for 7 distribution system operators. These are: Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas.

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

ANNEX

Audit Report

Condensed consolidated interim IFRS financial statements for the six-month period ended 30 June 2017:

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

CONTACT

Eandis System Operator cvba, Brusselsesteenweg 199 – B-9090 Melle (Belgium)

VAT number: BE 0477.445.084

Press

Simon VAN WIJMEERSCH, tel. +32 9 263 45 54 - mail: simon.vanwijmeersch@eandis.be

Investor Relations

Koen SCHELKENS, tel. +32 9 263 45 04 - mail: investors@eandis.be

[4] See remark in 'Outlook', on page 6

[5] See remark in 'Outlook', on page 6

EANDIS SYSTEM OPERATOR GROUP

Condensed Consolidated Interim IFRS Financial Statements

30 June 2017

Content

Interim Financial Statements

Condensed consolidated statement of profit or loss

(In thousands of EUR)	Notes	30 June 2017	30 June 2016
Operating revenue		**516.510**	**515.030**
Revenue	3	506.430	504.816
Other operating income		10.080	10.214
Operating expenses		**-507.794**	**-505.460**
Cost of trade goods		-46.991	-42.530
Cost for services and other consumables	4	-258.770	-254.336
Employee benefit expenses	5	-203.124	-206.510
Depreciation, amortization, impairments and changes in provisions		1.438	-1.869
Other operational expenses		-347	-215
Result from operations		**8.716**	**9.570**
Finance income	6	54.021	54.196
Finance costs	7	-57.746	-59.520
Profit before tax		**4.991**	**4.246**
Income tax expenses	8	-4.991	-4.246
Profit for the period	**9**	**0**	**0**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2017	30 June 2016
Profit for the period		**0**	**0**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on longterm employee benefits	20	37.009	-43.530
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	14	-37.009	43.530
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**0**	**0**
Total comprehensive income for the period		**0**	**0**

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2017	31 December 2016
Non-current assets		**3.681.880**	**3.534.199**
Intangible assets	10	615	780
Property, plant and equipment	11	2.143	2.303
Investment in joint ventures and associates	12	30	30
Other investments	13	832	832
Rights to reimbursement on post-employment employee benefits	14	207.388	259.363
Longterm receivables, other	15	3.470.872	3.270.891
Current assets		**428.038**	**818.190**
Inventories		34.941	35.295
Shortterm receivables, other	15	0	150.000
Trade and other receivables	16	346.714	322.646
Receivables cash pool activities	17	43.751	307.587
Cash and cash equivalents		2.632	2.662
TOTAL ASSETS		**4.109.918**	**4.352.389**
EQUITY	**18**	**1.099**	**1.099**
Total equity attributable to owners of the parent		**1.006**	**1.006**
Share capital, reserves and retained earnings		1.006	1.006
Non-controlling interest		**93**	**93**
LIABILITIES		**4.108.819**	**4.351.290**
Non-current liabilities		**3.655.479**	**3.506.515**
Interest bearing loans and borrowings	19	3.448.091	3.247.152
Employee benefit liabilities	20	207.388	259.363
Current liabilities		**453.340**	**844.775**
Interest bearing loans and borrowings	19	17.070	561.321
Trade payables and other current liabilities	21	334.012	269.868
Liabilities cash pool activities	17	93.121	0
Current tax liabilities		9.137	13.586
TOTAL EQUITY AND LIABILITIES		**4.109.918**	**4.352.389**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2016	**18**	**2**	**0**	**20**	**1.079**	**1.099**
Change in consolidation scope	897	70	19	**986**	-986	**0**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**897**	**70**	**19**	**986**	**-986**	**0**
Balance at 30 June 2016	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Balance at 1 January 2017	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 30 June 2017	**915**	**72**	**19**	**1.006**	**93**	**1.099**

Further information is disclosed in the note ‘Equity’.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2017	30 June 2016
Profit for the period	9	0	0
Amortization of intangible assets		165	242
Depreciation on property, plant and equipment		447	488
Impairment current assets (Reversal -; Recognition +)		-2.050	1.140
Gains or losses on realization receivables		151	27
Net finance costs		3.725	5.324
Gains or losses on sale of property, plant and equipment		22	23
Income tax expense	8	4.991	4.246
Operating cash flow before change in working capital and provisions for employee benefits		**7.451**	**11.490**
Change in inventories		353	2.070
Change in trade and other receivables		2.739	-26.697
Change in trade payables and other current liabilities		39.080	65.114
Net operating cash flow		**42.172**	**40.487**
Interest paid		-31.492	-33.425
Interest received		28.943	28.961
Financial discount on debts		170	143
Income tax paid	8	-9.440	-1.500
Net cash flow from operating activities		**37.804**	**46.156**
Proceeds from sale of property, plant and equipment		2	10
Purchase of property, plant and equipment		-310	-17
Acquisition of companies and other investments		0	-9
Proceeds from sale of other investments		0	156
Net investments in longterm receivables		18	-143
Net cash flow used in investing activities		**-290**	**-3**
Repayment of borrowings	19	-150.000	0
Proceeds from bonds/borrowings	19	199.737	0
Change in current liabilities	19	-394.239	-113.918
Change in cash pool	17	356.958	67.098
Provide longterm loans	15	-200.000	0
Repayment provided longterm loans	15	150.000	0
Net cash flow from/used in financing activities		**-37.544**	**-46.820**
Net increase/decrease in cash		**-30**	**-667**
Cash and cash equivalents - at the beginning of period		**2.662**	**3.635**
Cash and cash equivalents - at the end of period		**2.632**	**2.968**

Selected explanatory notes
Basis of preparation

1. Corporate information

Eandis System Operator, formerly Eandis, a limited liability partnership ('coöperatieve vennootschap met beperkte aansprakelijkheid'/'société coopérative à responsabilité limitée') under Belgian law, is registered in Belgium, at Brusselsesteenweg 199, 9090 Melle. It is registered under number 0477.445.084 in the central enterprise register of Ghent (section Ghent). The consolidated financial statements of Eandis for the period ended 30 June 2017 contain the information of the company, its subsidiaries, investment in joint ventures and associates - De Stroomlijn cvba, Atrias cvba, Synductis cvba, Warmte@Vlaanderen cvba (the company is currently the object of a notification procedure at the Belgian Competition Authority) and Fluvius cvba (this company is not yet operational) - and together they form the 'Group'.

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

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

Eandis System Operator cvba operates in 229 cities and municipalities in the Flemish Region (Belgium) but also in 4 municipalities of the Walloon region. The Group employed on average 4.210 persons during 2016. The company carries out its operational activities at cost price without charging any commercial margin to mainly the Distribution System Operators. This means that all costs incurred are passed through according to fixed allocation rules. Each month Eandis System Operator invoices each of the DSOs for the operational services rendered. The result of the Group is without profit or loss.

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

In October 2011, Eandis System Operator obtained an A1 rating (negative outlook) from the rating agency 'Moody's Investors Service Ltd.' (Moody's). On 14 December 2016 this rating was downgraded to A3 with a stable outlook 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 System Operator remains a solid issuer with a rating that aligns with many of its European peers. See also the press releases of Eandis System Operator dated 14 December 2016 and 3 October 2016 on www.eandis.be.

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. See also the corresponding press release on www.eandis.be.

On 27 March 2017, the press reported on some policy initiatives introduced by the Flemish Energy Minister Tommelein regarding the future structure of the Flemish energy distribution and of Eandis System Operator, and more particularly about an integration of the operating companies Eandis System Operator and Infrax. The Board of Directors of Eandis System Operator took note of this and ascertained that the ideas expressed by the Minister fit the vision of Eandis System Operator and the steps already taken to establish Fluvius, a joint company of Eandis System Operator and Infrax. Therefore, Eandis System Operator is looking forward to working on the future of the sector in consultation with the Flemish government.

Further information about the events during the reporting period are included in the management report.

These condensed consolidated interim financial statements for the six months ended 30 June 2017 were approved for publication by the Board of Directors on 30 August 2017 and have been audited.

2. Significant accounting policies

2.1. Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.
They do not contain all the necessary information for a full set of financial statements, and should therefore be read in conjunction with the financial statements of the Group for the year ended on 31 December 2016.

2.2. Summary of significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with the accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2016 except for the new standards or interpretations in force since 1 January 2017.

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

- 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 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 and 1 January 2018

The new and revised standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's 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.

- IFRS 9 *Financial Instruments*, applicable 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 loans, lent on to the DSOs and currently recorded at amortized cost. These loans are held to obtain contractual cash flows and it is expected to obtain cash flows that only consist of receipts of principal and interest. The Group has analyzed the characteristics of the contractual cash flows of each of these loans in detail and concluded that these instruments meet the criteria of IFRS 9 for valuation at amortized cost. Consequently, the current accounting treatment can be preserved under the new standard.
  - Impairments: all trade receivables of the Group are shortterm receivables whereby an application of the expected credit losses calculation will have no impact. The currently used depreciation principles may be maintained under the new standard.
  - Hedge accounting: the Group has no derivatives, hence hedge accounting does not apply.

  The preliminary analysis as described above, is based on the currently available information and can change as a result of further detailed analysis or additional information that is made available to the Group in the future.

- IFRS 15 *Revenue from Contracts with Customers*, applicable from 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 apply the new standard on the required effective date retrospectively and will not apply the standard earlier.

The Group has carried out a preliminary impact analysis. The main revenue stream of the Group results from passing on the costs of development, management and maintenance of the distribution networks to its shareholders, the seven DNBs. This process is based on allocation rules, convened between the parties. It is expected that IFRS 15 will not have an effect on the processing of these proceeds. Consequently, the current accounting treatment will be preserved under the new standard.

The preliminary analysis as described above, is based on the currently available information and can change as a result of further detailed analysis or additional information that is made available to the Group in the future.

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

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and shortterm 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.

  Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  The Group is working during 2017 to analyse the possible effects of this new standard on its consolidated financial statements.

2.3. Use of estimates and judgments

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

The actual results could differ from these estimates.

In preparing these condensed consolidated interim financial statements, evaluation by management on the application of the accounting policies of the company as well as the sources of uncertainty used, are the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

Performance of the year

3. Operating revenue

The operating revenue increases with 1.614 k EUR compared to the first six months of 2016 and amounts to 506.430 k EUR.

Revenue reflects the costs that are passed on mainly to the distribution system operators, shareholders.

Hereunder the detail of the total invoicing to the clients:

Company	30 June 2017 Revenue in k EUR	% Revenue	30 June 2016 Revenue in k EUR	% Revenue
Gaselwest	98.127	19,3%	93.093	18,4%
IMEA	51.458	10,2%	51.121	10,1%
Imewo	117.822	23,3%	113.702	22,5%
Iveka	70.449	13,9%	74.254	14,7%
Iverlek	101.218	20,0%	103.140	20,4%
Other	67.356	13,3%	69.506	13,8%
Total	**506.430**	**100,0%**	**504.816**	**100,0%**

4. Cost for services and other consumables

The cost for services and other consumables amounts to 258.770 k EUR on 30 June 2017 and 254.336 k EUR at the end of June 2016.
The increase of 4.434 k EUR is mainly due to the increase in the cost for contractors, contributions and the costs of consultancy.
The cost for the rational use of energy (RUE) decreases from 39.764 k EUR on 30 June 2016 to 32.409 k EUR on 30 June 2017.

5. Employee benefit expenses

For the first half of 2017, the employee benefit expenses amount to 203.124 k EUR and 206.510 k EUR at 30 June 2016.
This small decrease is due to the decrease of the fair value correction on the pension liabilities.

6. Financial income

Financial income amounts to 54.021 k EUR at 30 June 2017 and 54.196 k EUR at 30 June 2016. This item contains the interest to be received on loans granted to the distribution system operators (2017: 53.277 k EUR; 2016: 53.927 k EUR).
During 2016, a financial income of 69 k EUR was registered as a result of the sale of a participation in one of the business centres.

7. Financial costs

The financial costs amount to 57.746 k EUR at 30 June 2017 and 59.520 k EUR at 30 June 2016. These costs contain the interest payable on the bond loans (2017: 53.722 k EUR; 2016: 53.927 k EUR), interest paid on other financial obligations with banks and cash pool activities with the DSOs.
The other financial costs comprise various bank costs, the issuance and maintenance fee on the EMTN programme (see note 'Loans on long and shortterm'), interest costs on renting and pension liabilities.

8. Income tax expenses

The income tax expenses amount 4.991 k EUR at 30 June 2017 and 4.246 k EUR at 30 June 2016.

This increase is the result of higher disallowed expenses, basis for the calculation of the taxes. During the period up to 30 June 2017, an amount of 4.085 k EUR was prepaid to the tax authorities concerning the accounting year 2017 and also 5.355 k EUR was paid relating to the accounting year 2015 (2016: 1.500 k EUR was prepaid to the tax authorities).

9. The **result** is always without any profit or loss

Assets

10. Intangible assets

The Group reports intangible assets for 615 k EUR at the end of June 2017, a decrease of 165 k EUR compared to 31 December 2016.
This decrease is the result of the amortisation. The intangible assets contain merely software licenses.

11. Property, plant and equipment

Property, plant and equipment decrease from 2.303 k EUR at the end of December 2016 to 2.143 k EUR at the end of June 2017 mainly due to depreciation.

12. Investments in joint ventures and associates

These investments amount to 30 k EUR at the end of June 2017 and also at 31 December 2016.
These investments are held in Atrias cvba, Synductis cvba, Warmte@Vlaanderen cvba and Fluvius cvba. Until further notice, no activities are being carried out in the latter two companies.

13. Other investments

The other investments amount to 832 k EUR at 30 June 2017, which is unchanged compared to 31 December 2016.
The other investments comprise the participations still held by the Group in the business centres situated in the distribution area of Gaselwest and Imewo.

14. Rights to reimbursement on post-employment employee benefits

The rights to reimbursement on post-employment employee benefits decrease from 259.363 k EUR at the end of December 2016 to 207.388 k EUR at the end of June 2017. This decrease of 51.975 k EUR is the result of the decrease in the employee benefit liability with the same amount (see note ‘Employee benefit liabilities’).

15. Short and longterm receivables, other

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

The long-term receivables increase from 3.270.500 k EUR at 31 December 2016 to 3.470.500 k EUR at 30 June 2017 because of the issuance of a retail bond loan of 200.000 k EUR issued in June 2017, that was lent on to the Distribution System Operators.

On the other hand, the shortterm receivables decrease with 150.000 k EUR to 0 k EUR at 30 June 2017 since a retail bond loan was refundable by the DSOs to Eandis System Operator that had to pay it back to the bondholders.

16. Trade and other receivables

The trade and other receivables amount to 346.714 k EUR at the end of June 2017 and 322.646 k EUR at the end of December 2016.
The trade receivables amount to 227.197 k EUR at the end of June 2017 which represents an increase of 15.944 k EUR in comparison with 31 December 2016. This increase is due to the outstanding amount with the DSOs (2017: 191.347 k EUR; 2016: 176.564 k EUR) and the decrease in impairment on trade receivables (2017: 4.391 k EUR; 2016: 6.440 k EUR).
The other receivables amount to 119.517 k EUR at the end of June 2017 and 111.393 k EUR at 31 December 2016. These receivables mainly contain accrued interests on the loans to the DSOs (2017: 56.426 k EUR; 2016: 31.617 k EUR) and a receivable from the VAT-unit (2017: 35.558 k EUR; 2016: 52.942 k EUR).

17. Receivables and liabilities cash pool activities

The receivable on the distribution system operators amounts to 43.751 k EUR at 30 June 2017 (307.587 k EUR at year end 2016) and the payable amounts to 93.121 k EUR at 30 June 2017 (0 k EUR at year end 2016).

Liabilities

18. Equity

Shareholders' equity remained unchanged at 1.099 k EUR compared to 31 December 2016.

A **non-controlling interest** amounts to 93 k EUR at 30 June 2017 and is equal to the amount at 31 December 2016. It comprises the participation held by third parties in ‘De Stroomlijn cvba’.

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

(In thousands of EUR)	30 June 2017	31 December 2016
Loans, non-current	**3.448.091**	**3.247.152**
Current portion of longterm loans	0	150.012
Shortterm loans	17.070	411.309
Loans, current	**17.070**	**561.321**
Total	**3.465.161**	**3.808.473**

The loans on long and shortterm decrease with 343.312 k EUR compared to 31 December 2016 and amount to 3.465.161 k euro. This decrease is due to, on the one hand, the repayment of a retail bond loan of 150.000 k EUR, the decline in shortterm loans and, on the other hand, the increase of longterm loans as a retail bond loan of 200.000 k euro (nominal value) was issued.

The **movements of the long and shortterm loans** can be analyzed as follows:

(In thousands of EUR)	**30 June 2017**		**31 December 2016**	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Total as at 1 January	**3.808.473**		**3.619.998**	
Movements on non-current loans (LT)				
Proceeds of non-current loans	199.737	0	0	0
Change in non-current loans	0	1.202	0	2.404
Transfer of shortterm portion of LT loan to ST	0	0	0	-150.012
Movements on current loans (ST)				
Proceeds of current loans	17.070	0	411.309	0
Transfer of shortterm portion from LT loan to ST	0	0	0	150.012
Change in current loans	0	-12	0	0
Repayment of shortterm portion of longterm loan	-150.000	0	0	0
Repayment current loans	-411.309	0	-225.238	0
Total movements	**-344.502**	**1.190**	**186.071**	**2.404**
Total	**3.465.161**		**3.808.473**	

Longterm loans

This item contains private placements and bond loans issued since 2010.
The increase of 200.939 k EUR compared to 31 December 2016 is due to the issuance of a retail bond of 199.738 k EUR (see also further) and the recording of the agio/disagio spread over the term of the bond loans.

In October 2011, Moody's granted Eandis System Operator an ‘A1’ credit rating with a ‘negative outlook’. 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 during 2016 and so the process for 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.

Eandis System Operator successfully issued bonds in the framework of its € 5 billion Euro Medium Term Note (EMTN) programme launched in 2011. There has always been a large interest from European investors for its bond issuances and also interest from private investors to whom several bond loans were issued.
In the framework of the € 5 billion EMTN programme an amount of 2.660.500 k EUR or 53,21 % had been issued at 30 June 2017. Since year end 2014 no bonds were issued under this programme.

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

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

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

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

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

During the first half of 2017 the Group issued an additional retail bond loan of 200.000 k EUR (nominal value), an annual coupon of 2,00 % earning a net return of 1,153 % and for a period of 8 years up to 23 June 2025. It replaces the retail bond loan issued in 2010 that became repayable at 23 June 2017 which had a coupon of 4,00 %

The capital of the debenture is repayable at maturity.

Loans, current

This item contains the current portion of the longterm loans (0 k EUR at 30 June 2017; 150.025 k EUR at 31 December 2016), the bank loans and the commercial papers on short term (17.070 k EUR at 30 June 2017; 411.309 k EUR at 31 December 2016).

The Group can call on the following credit facilities:

(In thousands of EUR)	Maturity	Available amount	Amounts used	Amounts not used	Average interest rate
Commercial paper		522.000	0	522.000	N/A
Fixed advances		200.000	0	200.000	N/A
Fixed loans / Bank overdraft (1)	Daily	200.000	17.070	182.930	0,40%
Fixed loans		100.000	0	100.000	N/A
Total at 30 June 2017		**1.022.000**	**17.070**	**1.004.930**	
Commercial paper	(2)	522.000	355.000	167.000	0,06%
Fixed advances		200.000	0	200.000	N/A
Fixed loans / Bank overdraft (1)	Daily	200.000	56.309	143.691	0,50%
Fixed loans		100.000	0	100.000	N/A
Total at 31 December 2016		**1.022.000**	**411.309**	**610.691**	

(1) The average interest rate of the used amounts at the end of the period
(2) 50.000 k EUR at 13/1/2017; 50.000 k EUR at 31/1/2017, 155.000 k EUR at 7/2/2017 and 100.000 k EUR at 13/2/2017

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

20. Employee benefit liabilities

The employee benefit liabilities decrease from 259.363 k EUR at the end of December 2016 to 207.388 k EUR at 30 June 2017. This decrease is mainly explained by the ongoing deposits in the pension funds and the adoption of the assumptions: the discount rate and the positive return on the plan assets. The decrease in the provision by 51.975 k EUR is processed as profit via the profit or loss account for 14.966 k EUR and for 37.009 k EUR in other comprehensive income.

21. Trade payables and other current liabilities

The trade payables and other current liabilities amount to 334.012 k EUR at the end of June 2017 and 269.868 k EUR at the end of December 2016.
The increase of 64.144 k EUR is on the one hand due to an increase in trade payables (43.809 k EUR) and on the other hand due to an increase in other payables as additional provisions for employee benefit expenses (2017: 34.402 k EUR; 2016: 0 k EUR) and accrued interest on the bond loans (2017: 56.573 k EUR; 2016: 31.518 k EUR).

Financial instruments

22. Financial instruments: risks and fair value

Risks

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

More detailed information about the risks of the Group and its shareholders is included in the IFRS consolidated financial statements of 31 December 2016, the prospectus of 2 June 2017 concerning the ‘notification in respect of the public offer of bonds’. These documents can be consulted on the website of Eandis system Operator www.eandis.be.

Fair value

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

	30 June 2017		31 December 2016	
(In thousands of EUR)	**Fair value**	**Book value**	**Fair value**	**Book value**
Other investments	998	832	987	832
Cash and cash equivalents	2.632	2.632	2.662	2.662
Total	**3.630**	**832**	**3.649**	**3.494**
Loans on longterm	3.851.839	3.448.091	3.728.065	3.247.152
Loans on shortterm	17.070	17.070	564.219	561.321
Total	**3.868.909**	**3.465.161**	**4.292.284**	**3.808.473**

Fair value hierarchy
The fair value of the loans is disclosed at level 1. This means that the valuation is based on quoted prices in an active market. The fair value of the unquoted loans (private placements) is their nominal value.

The fair value of the quoted bonds, issued for a total amount of 3.030.500 k EUR, varies according to the market interest rate. The fair value at 30 June 2017 amounts to 3.411.839 k EUR and differs from the amount that will be reimbursed and from the carrying value. The fair value was obtained based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other).

There were no transfers between the levels during the period.

Other information

23. Related parties

The nature of the transactions with the Management Committee, the directors and other related parties during the first half of 2017 do not substantially differ from the transactions included in the annual report of 2016.

24. Events after the reporting date

There were no events after the reporting date that may have a significant impact on these interim consolidated financial statements of the Group as of 30 June 2017.

EY
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

Report of the statutory auditor to the shareholders of Eandis System Operator CVBA on the review of the interim condensed consolidated financial statements as of 30 June 2017 and for the 6 month period then ended

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Eandis System Operator CVBA (the "Company"), and its subsidiaries as at 30 June 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 4.109.918 thousand and a net result for the six month period then ended of € 0. The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

Building a better
working world

Conclusion

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

Ghent, 30 August 2017

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

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

Ref: 18PE0050