ECONOMIC GROUP FLUVIUS

Condensed Consolidated Interim IFRS Financial Statements

30 June 2019

Content

Interim Financial Statements

Condensed consolidated statement of profit or loss

(In thousands of EUR)	Notes	30 June 2019	30 June 2018
Operating revenue	**5**	**1.774.209**	**1.500.961**
Revenue from contracts with customers		1.540.382	1.326.487
Other operating income		45.633	32.655
Own construction, capitalized		188.194	141.819
Operating expenses		**−1.541.565**	**−1.234.126**
Cost of trade goods	6	−664.376	−520.759
Cost for services and other consumables	7	−223.873	−179.709
Employee benefit expenses	8	−330.326	−182.715
Depreciation, amortization, impairments and changes in provisions	9	−225.666	−182.022
Other operational expenses		−24.876	−24.112
Regulated transfers	10	−72.448	−144.809
Result from operations		**232.644**	**266.835**
Finance income	11	25.019	29.846
Finance costs	12	−101.578	−82.590
Profit before tax		**156.085**	**214.091**
Income tax expenses	13	−15.314	−73.177
Profit for the period		**140.771**	**140.914**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2019	30 June 2018
Profit for the period		**140.771**	**140.914**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	23	−273.919	−61.926
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	23	190.455	0
Fair value other investments	17	108.613	22.363
Deferred tax gains (losses)	13	26.313	24.482
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**51.462**	**−15.081**
Total comprehensive income for the period		**192.233**	**125.833**

The other comprehensive income of the period amounts to 51.462 k EUR. As the Economic Group Fluvius expanded during the period, other comprehensive income was included on initial recognition for the incorporation of the company ex-Integan in the consolidation (as from 1 April 2019) for an amount of 40 k EUR (see note 'Expansion of the Economic Group Fluvius).

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2019	31 December 2018
Non-current assets		**13.803.666**	**13.373.430**
Intangible assets	14	77.157	72.343
Property, plant and equipment	15	11.187.184	11.182.304
Right-of-use assets	15	45.276	0
Investment in joint ventures and associates	16	2.016	2.016
Other investments	17	1.485.104	1.372.860
Rights to reimbursement on post-employment employee benefits	23	433.889	255.491
Long-term receivables, other	18	573.040	488.416
Current assets		**1.175.511**	**971.213**
Inventories		76.510	68.088
Trade and other receivables	19, 29	937.044	800.684
Current tax assets	28	3.584	65.758
Other investments		0	14.989
Cash and cash equivalents	20, 29	158.373	21.694
TOTAL ASSETS		**14.979.177**	**14.344.643**
EQUITY	**21**	**6.092.653**	**5.918.671**
Total equity attributable to owners of the parent		**6.092.560**	**5.910.823**
Capital		2.566.717	2.545.877
Issue premiums		126.884	126.884
Reserves		1.721.735	1.687.856
Other comprehensive income		548.549	497.047
Retained earnings		1.128.675	1.053.159
Non-controlling interest		**93**	**7.848**
LIABILITIES		**8.886.524**	**8.425.972**
Non-current liabilities		**7.436.300**	**7.190.368**
Interest bearing loans and borrowings	22, 29	5.771.903	5.817.461
Lease liabilities	2	35.556	10.619
Employee benefit liabilities	23	880.373	566.234
Derivative financial instruments	24	91.725	80.538
Provisions	25	41.604	41.496
Deferred tax liability	13	352.470	434.455
Government grants	26	262.669	239.565
Current liabilities		**1.450.224**	**1.235.604**
Interest bearing loans and borrowings	22, 29	241.173	292.730
Lease liabilities	2	10.505	2.826
Trade payables and other current liabilities	27, 29	1.184.566	918.988
Current tax liabilities	28	13.980	21.060
TOTAL EQUITY AND LIABILITIES		**14.979.177**	**14.344.643**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Share Capital and Issue premiums	Reserves	Other compre-hensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2018	**1.262.948**	**820.345**	**−500.189**	**672.135**	**2.255.239**	**93**	**2.255.332**
Total comprehensive income for the period	0	0	−15.081	140.914	**125.833**	0	**125.833**
Repayment of equity	161.069	99.194	775.940	35.390	**1.071.593**	0	**1.071.593**
Share capital increase	2	0	0	0	**2**	0	**2**
Addition/decrease reserves	0	10.286	0	−10.286	**0**	0	**0**
Dividends paid	0	0	0	−17.289	**−17.289**	0	**−17.289**
Balance at 30 June 2018	**1.424.019**	**929.825**	**260.670**	**820.864**	**3.435.378**	**93**	**3.435.471**
Balance at 1 January 2019	**2.672.761**	**1.687.856**	**497.047**	**1.053.159**	**5.910.823**	**7.848**	**5.918.671**
Total comprehensive income for the period	0	0	51.462	140.771	**192.233**	0	**192.233**
Repayment of equity	−45.867	−5.863	0	−6.107	**−57.837**	0	**−57.837**
Incorporation ex-Infrax MEAs in the consolidation	66.707	30.104	40	11.180	**108.031**	0	**108.031**
Change in consolidation scope	0	0	0	0	**0**	−7.755	**−7.755**
Addition/decrease reserves	0	9.638	0	−9.638	**0**	0	**0**
Dividends paid	0	0	0	−60.690	**−60.690**	0	**−60.690**
Balance at 30 June 2019	**2.693.601**	**1.721.735**	**548.549**	**1.128.675**	**6.092.560**	**93**	**6.092.653**

The above information is disclosed in the note 'Equity' and as regards information on the comprehensive income, the note on ‘Tax expenses’ and ‘Employee benefit liabilities’ discloses the movements. Information on the incorporation of ex-Integan is disclosed in the note ‘Expansion of the Economic Group Fluvius’.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2019	30 June 2018
Profit for the period		140.771	140.914
Amortization of intangible assets	9	12.620	12.898
Depreciation on property, plant and equipment and right-of-use assets	9	207.632	144.108
Change in provisions (Reversal -; Recognition +)	9	35	25.259
Impairment current assets (Reversal -; Recognition +)		5.379	−243
Gains or losses on realization receivables		2.714	3.498
Net finance costs		67.719	78.698
Change in fair value of derivative financial instruments	12	11.187	−25.953
Gains or losses on sale of property, plant and equipment		18.031	18.384
Movement in government grants	26	−2.347	0
Income tax expense	13	15.314	73.177
Operating cash flow before change in working capital and provisions for employee benefits		**479.055**	**470.740**
Change in inventories		−6.051	919
Change in trade and other receivables		−118.763	190.214
Change in trade payables and other current liabilities		213.581	6.557
Change in employee benefits		14.482	−19.431
Net operating cash flow		**103.249**	**178.259**
Interest paid		−47.668	−53.427
Interest received		16.292	235
Financial discount on debts		198	228
Income tax paid (received)		−18.871	−36.990
Net cash flow from operating activities		**532.255**	**559.045**
Proceeds from sale of property, plant and equipment		67.565	3.658
Purchase of intangible assets	14	−17.434	−7.554
Purchase of property, plant and equipment	15	−299.658	−209.676
Acquisition of business combinations	2	17.002	−45.418
Receipt of a government grant		25.451	26
Net cash flow used in investing activities		**−207.074**	**−258.964**
Proceeds from issue of shares		0	2
Repayment of share capital	21	−57.837	0
Repayment of borrowings	22	−72.615	−56.457
Proceeds from borrowings	22	2.343	0
Payment of finance lease liabilities		−6.747	0
Change in current financial liabilities	22	−24.956	0
Change in short-term investments		14.989	−50.000
Repayment long-term loans		4.648	2.940
Dividends paid	21	−48.327	−17.289
Net cash flow from/used in financing activities		**−188.502**	**−120.804**
Net increase/decrease in cash	**20**	**136.679**	**179.277**
Cash and cash equivalents at the beginning of period	**20**	**21.694**	**31.405**
Cash and cash equivalents at the end of period	**20**	**158.373**	**210.682**

Selected explanatory notes

Basis of preparation

1 Corporate information

The condensed consolidated interim financial statements of the Economic Group Fluvius comprise apart from the accounts of the eleven mission entrusted associations (MEAs) Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, Fluvius Limburg (merger company of Inter-energa with Inter-aqua and Inter-media), Fluvius Antwerpen (merger company of Iveg with IMEA and the incorporated company Integan as per 1 April 2019 as well as some of the municipalities of Iveka), PBE (merger company of PBE with Intergas) and Riobra also the accounts of its subsidiaries being the operating company Fluvius System Operator and its subsidiaries, investments in joint ventures and associates.In addition, the accounts of the company Fluvius OV are also included in the Economic Group Fluvius.

The MEAs are being managed centrally by their operating company Fluvius System Operator cvba.

All companies of the Group are registered in the Flemish Region (Belgium). The aforementioned MEAs are mission entrusted associations according to the Flemish Decree on Local Government of 22 December 2017(as amended). A mission entrusted association is an intermunicipal legal entity which the participating municipalities have entrusted with the management of certain public utilities. The duration of the MEAs of the Economic Group Fluvius has been determined until 29 March 2037.
A distribution system operator (DSO) is recognized by the Flemish energy regulator as a system operator for electricity and/or gas (See note 'Operating in a regulated environment'). The company Riobra should be considered as a MEA, not as an energy DSO.

The statutory aim of the MEAs is the distribution system operation as understood by the Flemish Energy Decree with respect to the distribution of networks for electricity and gas, as well as the operations of (cable) distribution and installations in order to expand to an interactive electric fibre communication network, the treatment and purification of sewerage, carrying out peripheral activities such as public lighting and district heating. The Group can also carry out other activities such as energy services to local authorities. At the request of the local public authorities (municipalities, cities, …) an offer can be made for support at cost price aiming to support local energy policies.

Fluvius has chosen to obtain a rating from the rating agencies 'Moody's Investor Services Ltd.' ('Moody's') and 'Creditreform Rating AG' ('Creditreform'). On 1 July 2018, the rating received from Moody's was A3 (positive outlook) and on 25 July 2019 the outlook has changed to stable. On 15 October 2018, Creditreform granted to all Fluvius's bonds the rating A+ and confirmed this rating on 2 August 2019.

Fluvius System Operator cvba operates in all cities and municipalities in the Flemish Region (Belgium). The Group employed on average 5.737 persons during 2018.

To meet the requirements of the Flemish Government, changes were made as from 2018 onwards to the energy landscape.
The following transactions took place **during 2018** resulting in **an expansion** of the Fluvius Economic Group (see IFRS Consolidated Financial Statements as of 31 December 2018):

- On 1 July 2018, the realisation of the merger of the operating company Eandis System Operator cvba with Infrax cvba, leading to the extension of the Economic Group with the seven MEAs (shareholders) of ex-Infrax: Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra

- On 1 April 2018, the split of the intermunicipal financing associations (FIVs) Figga, Finea, Finiwo, Fingem and Finilek was implemented and the activities were partly subdivided into the respective MEAs Gaselwest, Imea, Imewo, Intergem and Iverlek.

During **the first half of 2019** the following transactions took place with consequences for:
• **Structure of the Group**
The Energy Decree requires MEAs to have by 1 January 2021 a geographically contiguous defined area and it requires municipalities to have the same distribution system operator for electricity and natural gas on their territory.
This twofold requirement results in rescheduling and mergers of the MEAs of the Group.

On 1 April 2019, the following changes occurred within the Fluvius Economic Group that also impacted the shareholding in Fluvius System Operator.
In the Antwerp region the company **Fluvius Antwerp** is the merger of Iveg with IMEA together with the acquired MEA Integan (see explanation 'Expansion Fluvius Economic Group') that is active in the management of cable infrastructure. Fluvius Antwerp, has activities in energy distribution (electricity and gas), sewerage and the management of cable infrastructure.
In the province of Limburg, the MEA Inter-energa (distribution of electricity and gas), Inter-aqua (sewerage) and Inter-media (cable infrastructure) merged into the MEA **Fluvius Limburg**.
Also on 1 April 2019, the MEA **PBE** merged with Intergas.

The growing differences between the regulation and legislation in the Flemish and Walloon Regions have led to a shift in which the Walloon municipalities, being part of the Flemish MEAs, have joined ORES Assets cvba per 1 January 2019, the Walloon distribution system operator. Because of this, a partial demerger in Gaselwest has taken place.

As provided by decree, the **province** of Limburg left the MEAs Inter-energa and Inter-media as from 1 January 2019.

• Personnel of the Group
The Energy Decree stipulates that every MEA/DSO can make use of only one operating company. All the MEAs/ DSOs of the Group have chosen Fluvius System Operator cvba, which can fulfill its tasks with its own personnel and can make use of secondment to statutory (permanently employed) personnel.
On 1 April 2019, the entire contractual staff of the former Infrax MEAs/DSOs and Integan were taken over by Fluvius System Operator cvba. To organize the secondment from a single company, all the statutory staff of the former Infrax MEAs/DSOs were boarded into Fluvius OV.
These changes have no financial consequences for the Group.

In the near future, voluntary and compulsory area exchanges will take place within the Group's MEAs and a further merger is being prepared between PBE, Iverlek and Riobra (to form Fluvius Zenne-Dijle). These transactions will not have a financial impact on the financial statements of the Group.

For more information, visit the website www.fluvius.be

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been established by the Management Committee on 19 September 2019 and were reviewed in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2 Significant accounting policies

2.1 Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 2019 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 IFRS financial statements of the Economic Group Fluvius for the year ended on 31 December 2018.

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 2018 except for the new standards or interpretations in force since 1 January 2019.

The new standards and interpretations that are applicable from 1 January 2019 and do **not affect** the condensed consolidated interim financial statements of the Group were the following:

- Amendments to IFRS 9 *Financial Instruments* - Prepayment Features with Negative Compensation
- Amendments to IAS 19 *Employee Benefits* - Plan Amendments, Curtailment or Settlement,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* - Long-term Interests on Associates and Joint Ventures
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements Cycle – 2015-2017

IFRS 16 *Lease*, applicable from 1 January 2019, has the following **changes in accounting policies**

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases*-Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard 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. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.
The Group adopted IFRS 16 using the *modified retrospective approach – option 2* with the date of initial application of 1 January 2019. Under this method, the cumulative effect is recognized at the start date of applying the standard, effecting the opening balance sheet by recognizing the right of use assets and similar lease obligation.
The Group elected to use the transition practical expedients for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of property, vehicles and other (IT) equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.
Upon adoption of IFRS 16, the Group is obliged to apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 have been applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of the interest rate (interest rate implicit in the contract or if not known, the incremental borrowing rate) at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

On 1 January 2019, the amounts for the balance sheet items are the following. They have been included in separate items in the condensed consolidated balance sheet:

(In thousands of EUR)	**1 January 2019**
Right-of-use assets	43.808
Lease liabilities	−43.808

Summary of new accounting policies
The new accounting policies of the Group applied upon adoption of IFRS 16 are the following:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial

direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease.The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases with a value below 5.000 euro.
Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Amounts recognised in the financial statements of the Group are set out below:

(In thousands of EUR)	**30 June 2019**
Buildings	19.320
Installations, machinery and equipment	1.994
Furniture and vehicles	23.962
Total	**45.276**

During the period until 30 June 2019, financial costs were recognized for 532 k euro and depreciation for 5.266 k euro, with a reduction in operating expenses (previously included under the item ‘Cost for services and other consumables’).

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

- Amendments to IFRS 3 *Business Combinations* – Definition of a business, effective 1 January 2020

- IFRS 17 *Insurance Contracts*, effective 1 January 2021
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of the term 'material', effective 1 January 2020

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 2018 and those as described for the recognition of the lease obligations under IFRS 16.

Modifications to the structure of the Economic Group Fluvius

3 Expansion of the Economic Group Fluvius

During 2018 various transactions took place resulting in **an expansion** of the Fluvius Economic Group. These transactions have been described in the consolidated financial statements IFRS as of 31 December 2018:

- On 1 July 2018, the merger of the operating company Eandis System Operator cvba was realised with Infrax cvba, leading to the extension of the Economic Group with the seven MEAs (shareholders) of ex-Infrax: Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra
- On 1 April 2018, the split of the intermunicipal financing associations (FIVs) Figga, Finea, Finiwo, Fingem and Finilek was implemented and their activities were partly subdivided into the respective MEAs Gaselwest, Imea, Imewo, Intergem and Iverlek.

During **the first half of 2019** the following transactions have taken place with consequences for the structure of the Group.
The Energy Decree requires MEAs to have by 1 January 2021 a geographically contiguous area and requires municipalities to have the same distribution system operator for the electricity and natural gas on their territory.
This requirement results in rescheduling of municipalities and mergers of the MEAs of the Group.

On 1 April 2019, the following changes occurred within the Fluvius Economic Group

- In the Antwerp region Iveg merged with IMEA together with the acquired Integan (Interkommunale voor Teledistributie van het Gewest Antwerpen), active in the management of cable infrastructure. Together, these three entities now form the **Fluvius Antwerp**, with activities in energy distribution (electricity and gas), sewerage and the management of cable infrastructure.
  This transaction is a merger through the acquisition of Integan and IMEA by Iveg. The entire assets of the companies Integan and IMEA were taken over by Iveg resulting in the dissolution without liquidation by IVEG. The merger of IMEA with Iveg did not have any financial impact.
  For the integration of Integan the exchange ratio for the shares was based on the share ratio as determined on the basis of the shareholders' equity (according to the BE-GAAP) on 31 December 2018. This exchange ratio was fixed, based on the figures of 31 March 2019. As a

result, the share capital of Iveg/Fluvius Antwerp increased by 192.777 k EUR, represented by 29.613.093 shares. The share capital of Integan was 66.707 k EUR represented 8.338.338 shares.

According to IFRS, the MEA Integan was included in the consolidation as a business combination as from 1 April 2019. All items of the balance sheet were checked for their fair value and the validation at their net asset value was expressed in accordance with IFRS. As a result, an increase in equity was recognized but no goodwill.
The financial information of ex-Integan on 1 April 2019 and according to the IFRS is summarized below:

(In thousands of EUR)	**Opening balance**
Property, plant and equipment	1.576
Right-of-use assets	1.395
Investment in joint ventures and associates	6.320
Other investments	139
Long-term receivables, other	83.485
Inventories	2.371
Trade and other receivables	12.218
Cash and cash equivalents	17.002
Assets	**124.506**
Capital	66.707
Reserves	30.104
Other comprehensive income	40
Retained earnings	11.180
Lease liabilities, long and short term	1.395
Employee benefit liabilities	2.374
Provisions	73
Deferred tax liability	803
Trade payables and other current liabilities	9.653
Current tax liabilities	2.177
Liabilities	**124.506**
Total net at fair value	−17.002
Cash and cash equivalents received	17.002
Total acquisition of business combination	**0**

The various elements of the balance sheet have been included at their fair value.
Tangible fixed assets
In the BE-GAAP ‘investments under construction’ are included in this item which will be charged to Telenet. For the IFRS, these investments were recorded as long-term receivables.

Right of use of assets
According to standard IFRS 16, lease, the eligible lease obligations must be recognized as an asset and a corresponding short and long-term liability.

Other investments
The participation held in the company Cipal was recognized at fair value with recognition through other comprehensive income and recording of deferred taxes.

Provisions for employee benefits
On the date of acquisition, the employee benefits for staff employed by Integan (contractual staff) were calculated in accordance with IAS 19. These rewards include defined contribution plans and other long-term obligations. These were processed through retained earnings with a calculation of the effect on deferred taxes (asset).

Provision, other
This item includes provisions that meet the definition of provisions in accordance with IFRS. All other provisions have not been included and corrected via retained earnings.

Trade and other debts
In this item, mainly the debt related to dividends payable have been corrected. As these dividends have not yet been approved by the General Meeting of Shareholders, they have not been retained as debt for IFRS.

These consolidated interim IFRS financial statements on 30 June 2019 contain the figures of this transaction for three months after the incorporation at 1 April 2019. The result, according to Belgian accounting legislation, of this company for the first quarter of 2019 amounted to 5.989 k euros and was recognized in equity as retained earnings.

- In addition, other companies of the Group have also merged. These transactions did not impact these financial statements.
  In the province of Limburg, the MEA Inter-energa (distribution of electricity and gas), Inter-aqua (sewer management) and Inter-media (cable infrastructure) merged into the MEA **Fluvius Limburg**.
  On 1 April 2019 the MEA **PBE** also merged with Intergas.

The growing differences between the Flemish and Walloon Region have led to a shift in which the **Walloon municipalities**, currently being part of the Flemish MEAs, joined ORES Assets cvba per January 2019, the Walloon distribution system operator. Because of this, a partial demerger by acquisition of the activity electricity and gas of Gaselwest on the municipal territory of Celles, Comines-Warneton, Ellezelles and Mont-de-l'Enclus has taken place. The valuation and determination of the exchange ratio was calculated based on the figures per 30 June 2018. This exchange ratio was then finally applied to the financial figures per 31 December 2018.
The total assets transferred amounted to 40.024 k EUR. On 14 January 2019, an advance amount was received of 29.613 k EUR; the remainder of 10.410 k EUR is included in the item 'Trade and other receivable'.

As provided by decree, **the province** of Limburg left the MEA Inter-energa and Inter-media as from 1 January 2019. The effect of this exit is included in the note 'Equity'.

Segment information

4 Segment information

The Management Committee, responsible for the day-to-day management and the operational functioning of Fluvius System Operator (Fluvius SO), its subsidiaries, joint ventures and associates

and the Flemish MEAs, reviews the financial data on the basis of a reporting in accordance with Belgian accounting standards.
This reporting is presented for the MEAs **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 it also forms the basis for the calculation of the distribution network tariffs for the electricity and gas activities. As a result, these tariffs are distinguished from each other and each has its own cost drivers, specificities and risks. The MEAs 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, the district heating activity and other activities (the spin-ins are projects for consulting, third party grids, public lighting, telecom and vertical infrastructure). Since the incorporation, as from 1 April 2018, of the financing associations in the MEAs their activities as well as the activities of ex-Infrax concerning water and sewerage have been included into this segment.
Each of the MEAs operates in a separate territory (on the basis of the affiliated municipalities) and each applies separate network tariffs for its regulated activities. The information per legal entity can be consulted, for the individual financial statements of the MEAs, at the Central Balance Sheet Office of the National Bank of Belgium.
The activities of the operating company Fluvius System Operator and its subsidiaries, 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 MEAs where a breakdown by activity is performed based on an allocation system. Therefore the financial results of the operating companies (Fluvius System Operator Group) are always 'zero'.

In accordance with IFRS 8, the Group reported at 30 June 2019 the following financial segmented information on the basis of the Belgian GAAP.
The information of the operating company Fluvius SO and its subsidiaries, is shown below in the column Fluvius SO, consolidated.

Statement of profit or loss

(In thousands of EUR) - Belgian GAAP	**Electricity**	**Gas**	**Other**	**Fluvius SO consolidated**	**Aggregated total**
Turnover	1.122.706	285.753	111.165	803.308	2.322.932
Other income	38.426	8.984	34.211	74.229	155.850
Operating costs	−994.249	−191.759	−140.208	−871.090	−2.197.306
Operating profit (loss)	**166.883**	**102.978**	**5.168**	**6.447**	**281.476**
Financial income	1.458	−28	18.073	61.761	81.264
Financial costs	−59.137	−26.089	−4.955	−63.791	−153.972
Profit (loss) of the period before taxes	**109.204**	**76.861**	**18.286**	**4.417**	**208.768**
Transfer from/transfer to deferred taxes	0	0	166	0	166
Income taxes	−35.857	−25.491	−6.023	−4.417	−71.788
Profit for the period	**73.347**	**51.370**	**12.429**	**0**	**137.146**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Tangible and intangible fixed assets	6.058.443	3.738.481	1.493.356	10.070	11.300.350
Financial fixed assets	1.293	486	377.068	1.717	380.564
FIXED ASSETS	**6.059.736**	**3.738.967**	**1.870.424**	**11.787**	**11.680.914**
Amounts receivable after more than one year	7.399	7.062	413.497	3.945.528	4.373.486
Stocks and contracts in progress	50.736	47	15.182	76.510	142.475
Amounts receivable within one year	777.383	−100.664	−28.751	562.872	1.210.840
Cash at bank and in hand	362.279	−43.583	127.541	120.774	567.011
Deferred charges and accrued income	522.219	130.911	−68.660	387.556	972.026
CURRENT ASSETS	**1.720.016**	**−6.227**	**458.809**	**5.093.240**	**7.265.838**
Total Assets	**7.779.752**	**3.732.740**	**2.329.233**	**5.105.027**	**18.946.752**
Capital	939.265	622.395	1.029.615	1.284	2.592.559
Equity premium	109.127	0	17.772	127	127.026
Revaluation surplus	827.625	395.841	32.541	0	1.256.007
Reserves	853.768	416.577	469.296	86	1.739.727
Retained earnings and result of the period	92.215	59.026	72.991	20	224.252
Government grants	125	83	242.644	0	242.852
EQUITY	**2.822.125**	**1.493.922**	**1.864.859**	**1.517**	**6.182.423**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**14.955**	**13.527**	**39.613**	**319.317**	**387.412**
Amounts payable after more than one year	3.840.967	1.646.200	222.625	3.991.518	9.701.310
Amounts payable within one year	602.092	377.323	264.025	692.397	1.935.837
Accrued charges and deferred income	499.613	201.768	−61.889	100.185	739.677
AMOUNTS PAYABLE	**4.942.672**	**2.225.291**	**424.761**	**4.784.100**	**12.376.824**
Total Liabilities	**7.779.752**	**3.732.740**	**2.329.233**	**5.105.027**	**18.946.752**

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

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	2.322.932	1.540.382	−782.550
Profit (loss) of the period before taxes	208.768	156.085	−52.683
Total Assets	18.946.752	14.979.177	−3.967.575
Total Liabilities	18.946.752	14.979.177	−3.967.575
Equity	6.182.423	6.092.653	−89.770

These differences can be explained as the result of:

- The elimination of all the transactions and balances between the members of the Economic Group Fluvius 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 are made for provisions that do not meet the IFRS criteria, as well as adjustments to existing provisions
- The derivative financial instruments are recorded at fair value and an adjustment is recorded for the accrued interest
- Items on the Statement of the financial position are recognized at fair value
- Deferred taxes are recorded.

In accordance with IFRS 8, the Group reported at 30 June 2018 the following financial segmented information on the basis of the Belgian GAAP. This information includes the financial information from ex-Eandis DSOs only and its operating company Eandis SO and its subsidiaries, the latter is shown below in the column ESO consolidated.

Statement of profit or loss

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Turnover	941.070	230.773	11.093	571.686	1.754.622
Other income	32.987	13.854	1.734	73.255	121.830
Operating costs	−818.550	−158.789	−13.006	−638.781	−1.629.126
Operating profit (loss)	**155.507**	**85.838**	**−179**	**6.160**	**247.326**
Financial income	281	−124	320	53.177	53.654
Financial costs	−56.395	−26.426	−383	−55.181	−138.385
Profit (loss) of the period before taxes	**99.393**	**59.288**	**−242**	**4.156**	**162.595**
Income taxes	−31.518	−18.630	313	−4.156	−53.991
Profit for the period	**67.875**	**40.658**	**71**	**0**	**108.604**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Tangible and intangible fixed assets	4.847.267	3.094.077	17.707	2.808	7.961.859
Financial fixed assets	642	365	244.044	1.223	246.274
FIXED ASSETS	**4.847.909**	**3.094.442**	**261.751**	**4.031**	**8.208.133**
Amounts receivable after more than one year	0	0	105.554	3.470.500	3.576.054
Stocks and contracts in progress	49.657	37	6.401	32.727	88.822
Amounts receivable within one year	208.254	28.051	47.758	279.907	563.970
Cash at bank and in hand	404.670	−112.167	20.046	269.263	581.812
Deferred charges and accrued income	633.825	125.935	280	339.233	1.099.273
CURRENT ASSETS	**1.296.406**	**41.856**	**180.039**	**4.391.630**	**5.909.931**
Total Assets	**6.144.315**	**3.136.298**	**441.790**	**4.395.661**	**14.118.064**
Capital	770.324	492.625	151.682	915	1.415.546
Equity premium	0	0	9.389	68	9.457
Revaluation surplus	484.378	307.603	0	0	791.981
Reserves	509.517	303.603	120.152	4	933.276
Retained earnings and result of the period	90.825	51.794	74.554	20	217.193
Government grants	0	0	2.208	0	2.208
EQUITY	**1.855.044**	**1.155.625**	**357.985**	**1.007**	**3.369.661**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**6.833**	**10.855**	**927**	**273.460**	**292.075**
Amounts payable after more than one year	3.548.766	1.649.121	41.584	3.450.547	8.690.018
Amounts payable within one year	435.065	188.518	41.045	543.995	1.208.623
Accrued charges and deferred income	298.607	132.179	249	126.559	557.594
AMOUNTS PAYABLE	**4.282.438**	**1.969.818**	**82.878**	**4.121.101**	**10.456.235**
Total Liabilities	**6.144.315**	**3.136.298**	**441.790**	**4.395.661**	**14.118.064**

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

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	1.754.622	1.326.487	−428.135
Profit (loss) of the period before taxes	162.596	214.091	51.495
Total Assets	14.118.064	10.202.547	−3.915.517
Total Liabilities	14.118.064	10.202.547	−3.915.517
Equity	3.369.660	3.435.471	65.811

For the electricity segment there are two customers to whom in total 57 % was invoiced; for the segment gas there are also two customers to whom in total 55 % was billed.

Performance of the period

The items of the statement of profit or loss account on 30 June 2019 contain the results of ex-Infrax Group as a result of the merger of Infrax with Eandis that took place on 1 July 2018. The statement of profit or loss for the period up to 30 June 2018 only contains the results of the former Economic Group Eandis.

5 Operating revenue

Revenue amounts to 1.540.382 k EUR on 30 June 2019 and to 1.326.487 k EUR on 30 June 2018, which equals an increase of 213.895 k EUR.
From 1 January 2018, the new tariff methodology of the VREG has been applied (see note 'Operating in a regulated environment'). The distribution and transport grid revenue amounts to 1.246.065 k EUR on 30 June 2018 and to 1.395.139 k EUR on 30 June 2019.
The other revenue includes sale of energy and construction works for third parties.
The own construction capitalized increases from 141.819 k EUR on 30 June 2018 to 188.194 k EUR on 30 June 2019.

6 Cost of trade goods

The cost of trade goods amount to 664.376 k EUR on 30 June 2019 and 520.759 k EUR on 30 June 2018, an increase of 143.617 k EUR.
The costs for the transmission grid fee (electricity to Elia) amount to 336.169 k EUR, the costs to purchase energy - electricity and gas - for the social customers amount to 23.462 k EUR and the costs to purchase the certificates (green power certificates and cogeneration certificates) reaching 200.061 k EUR on 30 June 2019 and 202.171 k EUR on 30 June 2018.

7 Cost for services and other consumables

The cost for services and other consumables amounts to 223.873 k EUR on 30 June 2019 and 179.709 k EUR on 30 June 2018, an increase of 44.164 k EUR.
The cost for the rational use of energy (RUE) increases from 25.849 k EUR on 30 June 2018 to 32.760 k EUR on 30 June 2019. All other costs increase: cost for subcontractors (+21.869 k EUR), reimbursements, advertising and cost for consultancy.

8 Employee benefit expenses

The employee benefit expenses amount to 330.326 k EUR on 30 June 2019 and 182.715 k EUR on 30 June 2018, an increase of 147.611 k EUR.
The increase is mainly the result of the cost for the acquired staff of the former Infrax companies and the movement of the 'Employee benefits liability' provisions.

The Energy Decree stipulates that every MEA/DSO can make use of only one operating company. All the MEAs/ DSOs of the Group have chosen Fluvius System Operator cvba, which can fulfill its tasks with its own personnel and can make use of secondment to statutory (permanently employed) personnel.
On 1 April 2019, the entire contractual staff of the former Infrax MEAs/DSOs and Integan were taken over by Fluvius System Operator cvba. To organize the secondment from a single company, all the statutory staff of the former Infrax MEAs/DSOs were boarded into Fluvius OV.

9 Amortization, depreciation, impairment and changes in provisions

The amortization of intangible assets and the depreciation of property, plant and equipment as well as the right-of-use assets amount to 220.252 k EUR at the end of 30 June 2019 and 157.006 k EUR at the end of 30 June 2018.
The impairment on trade receivables amounts to 5.379 k EUR (30 June 2018: −243 k EUR). The changes in provisions to 30 June 2019 relate to additions amounting to 200 k EUR and a write back of 165 k EUR related to costs for the remediation of polluted gas sites. On 30 June 2018 a provision was recorded for employee benefits amounting to 25.752 k EUR which are outside the scope for IAS 19 (see note 'Employee benefit liability').

10 Regulated transfers

Since 2011 the Group has been reporting 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.
In total, an amount of 72.448 k EUR was recorded as cost in the period up to 30 June 2019 (144.809 k EUR in the period up to 30 June 2018).
The detail of these movements is included in the note 'Working in a regulated environment'.

11 Financial income

The financial income amounts to 25.019 k EUR on 30 June 2019 and 29.846 k EUR on 30 June 2018, a decrease of 4.827 k EUR.
On 30 June 2018, an amount of 28.299 k EUR was recognized as a result of the positive fair value adjustment of the derivative financial instruments and on 30 June 2019 an amount of 3.193 k EUR (see note 'Financial costs'). The other financial income mainly includes financial discounts received from suppliers and interest income received or to be received from banks and amount to 1.532 k EUR on 30 June 2018. On 30 June 2019, this item contains also the allowances received from the telecommunication company Telenet and amounts in total to 19.049 k EUR.

12 Financial costs

The financial costs amounted to 101.578 k EUR on 30 June 2019 and 82.590 k EUR on 30 June 2018, an increase of 18.988 k EUR.
The interest charges on the long-term financing amount to 81.991 k EUR (30 June 2018: 73.810 k EUR); financial costs as a result of the negative fair value adjustment of the derivative financial instruments amount to 11.187 k EUR (30 June 2018: 2.346 k EUR).
Also interest costs on employee benefits, as well as the costs of debts and various bank charges have been included.

13 Tax expenses

The tax expenses amount to 15.314 k EUR on 30 June 2019 and 73.177 k EUR on 30 June 2018, a decrease of 57.863 k EUR. This tax expense comprises the current income tax expenses 71.788 k EUR (60.351 k EUR on 30 June 2018) and the deferred taxes -56.474 k EUR (12.826 k EUR on 30 June 2018).

Current income tax expenses

Based on the Programme Act of 19 December 2014, the DSOs are subject to the corporate income tax as from the accounting year 2015.
The total current income tax expense for the Group amounts to 71.788 k EUR at 30 June 2019 (60.351 k EUR at 30 June 2018).

Deferred income tax

The Group accounts for deferred taxes for temporary differences calculated on the difference between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes, in accordance with IAS12 income tax. They are recognized through the profit or loss account and through unrealized results.

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.

On 22 December 2017, the Federal Parliament approved the corporate income tax reform that will lead to a step-by-step reduction of the tax rate of 33,99 % from 2018 onwards. The tax rate amounts to 29,58 % as from tax year 2019 (financial year 2018) and 25,00 % as from tax year 2021 (financial year 2020). Compensatory measures have also been 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 was included in the IFRS statements of 31 December 2017.

The deferred taxes are a result of the following items and they trigger the following movements on the balance sheet:

(In thousands of EUR)	30 June 2019	31 December 2018
Property, plant & equipment	−494.710	−542.694
Derivative financial instruments	24.876	20.025
Employee benefit liabilities	148.400	117.032
Provisions, rehabilitation gas sites	−391	−402
Provisions, other	−11.702	−10.268
Government grants	−1.307	−1.306
Receivables	−21.239	−21.573
Other	3.603	4.731
Net deferred tax asset/(liability)	**−352.470**	**−434.455**

The movements in the profit or loss account and the equity for the periods up to 30 June 2019 are as follows:

(In thousands of EUR)	Movements via P&L	Movements via OCI*	Movements via retained earnings
Property, plant & equipment	39.543	8.441	0
Derivative financial instruments	4.851	0	0
Employee benefit liabilities	13.498	17.871	0
Provisions, rehabilitation gas sites	11	0	0
Provisions, other	−52	0	−1.382
Government grants	−1	0	0
Receivables	334	0	0
Other	−1.639	−13	524
	0	0	0
Deferred tax benefit/(expense)	**56.544**	**26.299**	**−858**
Net movement during the year	**81.985**		

The movements in the profit or loss account and the equity for the periods up to 30 June 2018 are as follows:

(In thousands of EUR)	Movements via P&L	Movements via OCI
Property, plant & equipment	0	6.165
Derivative financial instruments	−9.924	0
Employee benefit liabilities	−6.332	18.318
Provisions, rehabilitation gas sites	−98	0
Provisions, other	6.380	0
Impairment on trade receivables	−2.851	0
Government grants	−2	0
Deferred tax benefit/(expense)	**−12.827**	**24.483**
Net movement during the year	**11.656**	

*OCI= Other comprehensive income

The main temporary differences relate to the revaluation of property, plant and equipment and the provisions for pensions and other post-employment benefits. A deferred tax liability was recorded of 494.710 k EUR (387.803 k EUR on 30 June 2018) related to the revaluation of fixed assets since, according to Belgian tax law, the costs are not deductible. Concerning the pension provision, the costs will be deductible according to Belgian tax law, and therefore a deferred tax asset was recorded of 148.400 k EUR (106.120 k EUR on 30 June 2018).

The net deferred tax liability is composed as follows:

(In thousands of EUR)	30 June 2019	31 December 2018
Deferred tax asset	176.880	141.788
Deferred tax liability	−529.349	−576.243
Deferred tax liability, net	**−352.470**	**−434.455**

The movements of the deferred tax liability are as follows:

(In thousands of EUR)	30 June 2019	31 December 2018
Total as at 1 January	**−434.455**	**−268.662**
Tax income/(expense) recognised in profit or loss	56.544	−43.964
Tax income/(expense) recognised in OCI	26.299	30.865
Tax income/(expense) recognised in retained earnings	−858	−152.694
Total at end of reporting period	**−352.470**	**−434.455**

Assets

14 Intangible assets

The intangible assets amount to 77.157 k EUR on 30 June 2019 and 72.343 k EUR on 31 December 2018, an increase of 4.814 k EUR due to acquisitions and compensated by the amortization.

During the first six months of 2019, acquisitions were recorded for an amount of 17.434 k EUR and 7.554 k EUR during the first six months of 2018.

The acquisitions during the period up to June 2019 concern the investments for the "smart users" project, for adjustments to the existing systems and market processes in the context of MIG 6 (Market Implementation Guide). Investments have also been included for a project involving an investment in a public, neutral fibre-optic network, fibre-to-the-home (FTTH) and ICT costs have been included to transfer the ex-Eandis and ex-Infrax systems to one IT-platform (SAP). These "New Foundations" are being addressed in phases, with the rollout starting with a standard that will be optimized in stages. As a result, various IT-releases will take place in the future.

15 Property, plant and equipment

Property, plant and equipment amount to 11.187.184 k EUR on 30 June 2019 and 11.182.304 k EUR on 31 December 2018, an increase of 4.880 k EUR.

The acquisitions during the first six months of 2019 amount to 299.658 k EUR compared to 209.676 k EUR during the first six months of 2018.

This increase is the result of investments for the low and mid-voltage networks and public lighting.

16 Investments in associates and joint ventures

These investments amount to 2.016 k EUR at 30 June 2019 and 2.016 k EUR at 31 December 2018. These investments are held in Atrias cvba, Synductis cvba and S-Lim cvba.

17 Other investments

The other investments amount to 1.485.104 k EUR on 30 June 2019 and 1.372.860 k EUR on 31 December 2018.
The other investments include the participations in Publi-T (48,03%) and Publigas (30,36%). The recognition at fair value of these participations and the shares amount in total to 1.480.629 k EUR on 30 June 2019 and 1.369.418 k EUR on 31 December 2018.
In addition, the Group holds participations in business centres and other companies for a total fair value of 4.475 k EUR on 30 June 2019 and 3.442 k EUR on 31 December 2018.

18 Long-term receivable, other

The long-term receivables, other amount to 573.040 k EUR on 30 June 2019 and 488.416 k EUR on 31 December 2018, an increase of 84.624 k EUR.
These receivables mainly stem from the receivable from the telecommunication company Telenet (434.114 k EUR and on 31 December 2018: 344.993 k EUR); the receivable from municipalities and other related parties.

19 Trade and other receivables

Trade and other receivables amount to 916.954 k EUR on 30 June 2019 and 800.684 k EUR on 31 December 2018.
The increase of 136.060 k EUR is the result of the lower amount of outstanding trade receivables (135.591 k EUR), offset by the increase of the other receivables (271.950 k EUR).
The impairment on trade receivables amounts to 104.111 k EUR on 30 June 2019 and 98.738 k EUR at 31 December 2018.

The other receivables include the green energy certificates and cogeneration certificates for an amount of 173.118 k EUR on 30 June 2019 (115.093 k EUR on 31 December 2018).
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 fixed price. The DSOs can offer these certificates to the energy suppliers.

During the first half of 2019, 1.026.105 GEC and 784.989 CGC were sold for a total selling price of 117.744 k EUR. The GEC were sold at an average price of 94,20 EUR and the CGC at an average price of 26,86 EUR.
During the first half of 2018, 271.800 GEC and 345.925 CGC were sold for a total sales price of 32.036 k EUR. The GEC were sold at an average price of 91,04 EUR (for certificates valued at 88,00 EUR) and the CHP at an average price of 21,08 EUR (valued at 20,00 EUR).
The certificates held in stock by the DSOs were valued at 88 EUR per certificate for green energy certificates not guaranteed by banking and at 20 EUR per certificate for cogeneration certificates not guaranteed by banking. The resulting cost is included in the item "Trade goods, raw materials and consumables".
On 16 May 2019, the Flemish Government took the decision to adjust the purchase value (adjusted higher value) of the green energy and cogeneration certificates to market conditions. The Flemish Government has decided to value the green energy certificates at 93 EUR and the cogeneration certificates at 27 and 31 EUR (which is equal to the minimum financial support depending on the period to which they relate). This adoption results in an estimated annual decrease in the electricity tariff for the whole of Flanders of 18,2 million EUR for green energy certificates and 30,6 million EUR for combined heat and power certificates. The inventory was also revalued on 30 June 2019 (at 93 EUR for GEC and 27 EUR and 31 EUR for CGC, respectively), which resulted in a one-off decrease for the tariffs (less in costs) of 6.630 k EUR for green energy certificates and 17.086 k EUR for combined heat and power certificates.
The difference between the sale and the valuation has been included in the post 'Cost of trade goods'.

At the end of June 2018, a cash advance was paid to the municipalities for an amount of 25.056 k EUR (30 June 2019: 0 k EUR) from the Publi-T and Publigas segments as an advance on a year-end closure with profit and distribution thereof.

20 Cash and cash equivalents

The cash and cash equivalents held amounted to 158.373 k EUR on 30 June 2019 and 21.694 k EUR on 31 December 2018. Due to the continuing low (and even negative) interest on savings deposits, the cash surplus was held as liquid assets.

Liabilities

21 Total equity

Equity amounts to 6.092.653 k EUR on 30 June 2019 and 5.918.671 k EUR on 31 December 2018, an increase of 173.982 k EUR.
The various components of equity and the movements are reflected in the 'Statement of changes in equity'.

The **share capital** amounts to 2.566.717 k EUR at 30 June 2019 and 2.545.877 k EUR at 31 December 2018.
The increase of the share capital of 20.840 k EUR is the result of the transactions, as described below in the table:

Transaction	**Amount in thousands of EUR**
1 January 2018	**1.262.948**
Issue shares District Heating activity	2
Partial incorporation financing associations	151.680
Merger by incorporation of Infrax cvba	1.127.853
Capital decrease - exit of provinces	−3.245
Incorporation of unavailable reserves	164
Exit of Brussels communities	0
Contribution sewerage activity of Neerpelt	7.625
Capital decrease - transfer to sewerage fund	−1.150
31 December 2018	**2.545.877**
Capital decrease - exit of Walloon municipalities (Gaselwest-Zuid)	−7.515
Capital decrease - exit of province Limbourg	−38.358
Capital increase - Intergas	4
Capital increase - Fluvius Limburg	2
Merger by incorporation of Integan	66.707
30 June 2019	**2.566.717**

The table below gives an overview of the number of shares and profit certificates per category in the capital of each DSO at 30 June 2019.

MEA	Shares Number	Shares Share Capital (in €)	Profit certificates C Number	Profit certificates C Share Capital (in €)	Total Number	Total Share Capital (in €)
Gaselwest	31.493.921	326.938.634,12	223	0,00	**31.494.144**	**326.938.634,12**
Imewo	30.339.155	301.569.915,37	162	0,00	**30.339.317**	**301.569.915,37**
Intergem	16.246.949	107.038.840,52	122	0,00	**16.247.071**	**107.038.840,52**
Iveka	12.192.069	133.948.525,46	76	0,00	**12.192.145**	**133.948.525,46**
Iverlek	40.065.931	254.123.045,51	217	0,00	**40.066.148**	**254.123.045,51**
Sibelgas*	3.264.362	70.923.545,67	0	0,00	**3.264.362**	**70.923.545,67**
Fluvius OV	984	24.393,36	0	0,00	**984**	**24.393,36**
Infrax West	9.510.872	237.771.800,00	0	0,00	**9.510.872**	**237.771.800,00**
Fluvius Limburg	29.353.896	604.199.859,76	0	0,00	**29.353.896**	**604.199.859,76**
Fluvius Antwerpen	43.977.222	376.988.502,10	120	0,00	**43.977.342**	**376.988.502,10**
PBE	6.353	58.816,30	0	0,00	**6.353**	**58.816,30**
Riobra	6.177.140	153.131.300,60	0	0,00	**6.177.140**	**153.131.300,60**
Total	**222.628.854**	**2.566.717.178,77**	**920**	**0,00**	**222.629.774**	**2.566.717.178,77**

(*) In Sibelgas 10.000 shares D are issued without representation in the share capital

The table below gives an overview of the number of shares and profit certificates per category in the capital of each MEA on 31 December 2018

MEA	Shares Number	Shares Share Capital (in €)	Profit certificates C Number	Profit certificates C Share Capital (in €)	Total Number	Total Share Capital (in €)
Gaselwest	32.111.012	334.454.012,61	237	0,00	**32.111.249**	**334.454.012,61**
IMEA	21.904.342	160.381.073,95	27	0,00	**21.904.369**	**160.381.073,95**
Imewo	30.339.155	301.569.915,37	176	0,00	**30.339.331**	**301.569.915,37**
Intergem	16.246.949	107.038.840,52	122	0,00	**16.247.071**	**107.038.840,52**
Iveka	17.003.580	186.139.073,91	109	0,00	**17.003.689**	**186.139.073,91**
Iverlek	40.065.931	254.123.045,51	222	0,00	**40.066.153**	**254.123.045,51**
Sibelgas*	3.264.362	70.923.545,67	0	0,00	**3.264.362**	**70.923.545,67**
Fluvius OV	907	22.484,53	0	0,00	**907**	**22.484,53**
Infrax West	9.510.872	237.771.800,00	0	0,00	**9.510.872**	**237.771.800,00**
Inter-aqua	15.589.597	389.739.925,00	0	0,00	**15.589.597**	**389.739.925,00**
Inter-energa	8.505.817	223.838.410,59	0	0,00	**8.505.817**	**223.838.410,59**
Inter-media	1.170.059	28.978.344,89	0	0,00	**1.170.059**	**28.978.344,89**
Iveg	39.091	97.710.175,00	0	0,00	**39.091**	**97.710.175,00**
PBE	6.353	54.848,30	0	0,00	**6.353**	**54.848,30**
Riobra	6.177.140	153.131.300,60	0	0,00	**6.177.140**	**153.131.300,60**
Total	**201.935.167**	**2.545.876.796,45**	**893**	**0,00**	**201.936.060**	**2.545.876.796,45**

(*) In Sibelgas 10.000 shares D are issued without representation in the share capital

Reserves

The reserves amount to 1.721.735 k EUR on 30 June 2019 and 1.687.856 k EUR on 31 December 2018, an increase of 33.879 k EUR.

This increase stems from the inclusion of the reserves from ex-Integan amounting to 30.104 k EUR, the periodic allocation to reserves for 9.638 k EUR and reduced by 5.863 k EUR as the province Limburg and Gaselwest-Zuid have withdrawn.

The **dividend balance** for 2018, paid out during 2019 amounted to 48.327 k EUR and the dividend balance for 2017, paid out during 2018 amounted to 17.289 k EUR.

MEA (In thousands of EUR)	**30 June 2019**	**30 June 2018**
Gaselwest	4.599	3.439
IMEA	0	1.530
Imewo	4.147	3.269
Intergem	1.991	1.489
Iveka	4.070	2.047
Iverlek	5.093	3.078
Sibelgas	4.500	2.437
Infrax West	110	0
Fluvius Limburg	12.574	0
PBE	598	0
Fluvius Antwerpen	10.242	0
Intergas	403	0
Total	**48.327**	**17.289**

Detail of **other comprehensive income:**

(In thousands of EUR)	**30 June 2019**	**31 December 2018**
Related to employee benefit liabilities	−474.110	−200.191
Related to rights to reimbursement on post-employment employee benefits	186.034	−4.421
Related to fair value other investments	1.138.546	1.029.355
Related to deferred tax liabilities	−301.921	−327.696
Total other comprehensive income	**548.549**	**497.047**

The **non-controlling interest** amounts to 93 k EUR at 30 June 2019 and 7.848 k EUR at 31 December 2018. It comprises the participation held by Farys/TMVW in 'De Stroomlijn cvba'and by third parties in Synductis cvba. The decrease of 7.755 k EUR results from the incorporation of ex-Integan into the consolidated financial statements whereby the non-controlling interest of Integan in Interkabel ceased.

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

(In thousands of EUR)	30 June 2019	31 December 2018
Long-term loans	**5.771.903**	**5.817.461**
Current portion of long-term loans	241.173	267.774
Short-term loans	0	24.956
Short-term loans	**241.173**	**292.730**
Total	**6.013.076**	**6.110.191**

The long-term and short-term loans have decreased with 97.115 k EUR in comparison to 31 December 2018 from 6.110.191 k EUR to 6.013.076 k EUR. This decrease is the result of the repayment of short-term loans during the first quarter of 2019 and the repayment of 45.558 k EUR on a bank loan. The current portion of the long-term loans that is repayable within one year decreased with an amount of 26.601 k EUR.

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

(In thousands of EUR)	30 June 2019		31 December 2018	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	6.110.191		5.446.586	
Movements on non-current loans (LT)				
Incorporation of long-term loans Infrax cvba	0	0	0	91.841
Incorporation of long-term loans ex-Infrax MEAs	0	0	0	679.366
Incorporation of long-term loans FIVs	0	0	0	41.595
Proceeds of non-current loans	2.343	0	0	0
Change in non-current loans	0	1.306	0	26.389
Transfer of short-term portion of LT loan to ST	0	−49.207	0	−257.134
Movements on current loans (ST)				
Proceeds of current loans	0	0	24.956	0
Incorporation of short-term loans Infrax cvba	0	0	0	40.846
Incorporation of short-term loans ex-Infrax MEAs	0	0	0	3.500
Incorporation of short-term loans FIVs	0	0	0	699
Transfer of short-term portion from LT loan to ST	0	49.207	0	257.135
Change in current loans	0	−3.193	0	−3.559
Repayment of short-term portion of long-term loan	−72.615	0	−242.029	0
Repayment current loans	−24.956	0	0	0
Total movements	**−95.228**	**−1.887**	**−217.073**	**880.678**
Total at end of reporting period	**6.013.076**		**6.110.191**	

Long-term loans
This item contains bank loans, bonds and since 2010 the bond loans and private placements.
The decrease of −45.558 k EUR compared to 31 December 2018 is the result of the interim repayment of long-term bank loans, the recognition of a number of bank loans, the recording of the agio/disagio spread over the term of the bond loan and to the transfer of the short-term portion of the long-term loans to short-term.

All outstanding loans are denominated in euro.

The Group was granted a rating by Moody's and Creditreform Rating AG.
On 1 July 2018, the rating at Moody’s was A3 with a positive outlook. On 25 July 2019, the outlook was changed to stable.
On 15 October 2018, the rating at Creditreform was A+ with a stable outlook. On 2 August 2019, this rating was confirmed.

Eandis System Operator successfully issued bonds in the framework of its 5.000.000 k EUR Euro Medium Term Note (EMTN) programme launched in 2011 and which runs through 2021. At 30 June 2019, an amount of 2.660.500 k EUR or 53,21% was issued. Since year end 2014 no more bonds have been issued under this programme.
Infrax issued bonds in the framework of its 500.000 k EUR EMTN programme launched in 2013. A first part was issued for 250.000 k EUR in 2013 (to mature in 2023) and a second part of 250.000 k EUR was launched in 2014 (to mature in 2029).

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.

For all the bond loans the principle applies that, each of the MEAs is aguarantor on a several but non-joint basis, but limited to its proportional share in the capital of its former working company. The portion in the share capital was set at the moment of issuance and remains fixed over the remaining term of the bond loans. Only the MEAs of ex-Infrax are guarantering with respect to the acquired EMTN bond loans registered on the name of Infrax cvba. The same methodology applies to the other bond loans registered on the name of Eandis System Operator cvba.

All funds from the bond loans, except for 50.000 k EUR, have been fully lent on to the MEAs at the same conditions as the bond loans.

The capital of the bond loans is payable on the maturity date. The bank loans have periodic due dates, usually on an annual basis but a few on a monthly basis.

The MEAs are using these funds primarily to fund their ongoing investments in their networks and for refinancing purposes.

Derivative contracts have been concluded for loans with a variable interest rate to swap the variable interest rate to a fixed rate.

During the first six months of 2019 the Group did not need any additional loans, but only incorporated outstanding loans for an amount of 2.343 k EUR.

Loans, current
This item contains the current portion of long-term loans (241.173 k EUR at 30 June 2019; 267.774 k EUR at 31 December 2018) and the bank loans on short-term (0 k EUR at 30 June 2019; 24.956 k EUR at 31 December 2018).In 2019, the Group did not need to subscribe any bank loan nor any commercial paper up to 30 June 2019 (24.956 k EUR on 31 December 2018).

The Group can call on the following credit facilities:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
Commercial paper	NA	500.000	0	500.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	NA	200.000	0	200.000	NA
Fixed loans	NA	50.000	0	50.000	NA
Total on 30 June 2019		**950.000**	**0**	**950.000**	
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	(1)	200.000	24.956	175.044	0,60%
Fixed loans	NA	50.000	0	50.000	NA
Total on 31 December 2018		**972.000**	**24.956**	**947.044**	

(*) The average interest rate of the used amounts at the end of the period
(1) Financing of the cashpool via credit facilities (=bank loans) or straightloans (=fixed loans) can in total not exceed 200.000 k EUR
NA Not applicable

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

23 Employee benefit liabilities

The employee benefit liabilities amount to 880.373 k EUR on 30 June 2019 and 566.234 k EUR on 31 December 2018.
This increase of 314.139 k EUR is mainly the result of the adjustments to the assumptions: the discount rate and the return on the plan assets imply an increase of the provision.
The increase amounting to 314.139 k EUR was accounted for as a cost in the statement of profit or loss for a total of 37.846 k EUR, 273.919 k EUR via the unrealized results and 2.374 k EUR via retained earnings.

In the context of working longer, certain benefits granted for early retirement can no longer be recognized as a provision for employee benefits. Notwithstanding the fact that the Group is working on a 'renewed' pension plan, the timing of implementation cannot yet be stated with certainty. As a result and from 2018 onwards, an amount (unchanged) of 32.143 k EUR was no longer included as a provision for employee benefits but this same amount was recorded as a liability on the balance sheet item' Provisions, other'.

Furthermore, an amount of 433.889k EUR on 30 June 2019 (255.491 k EUR on 31 December 2018) was recorded as a reimbursement right since it can be recovered through the future tariffs. The increase was recorded similar to the increase in the provision: in the statement of profit or loss, via the unrealized results and via retained earnings.

24 Derivative financial instruments

The fair value of the derivative financial instruments amounts to 91.725 k EUR on 30 June 2019 and 80.538 k EUR at 31 December 2018, an increase of 11.187 k EUR mainly driven by the fluctuations of the intrest rates on the financial markets.

25 Provisions

These provisions amount to 41.604 k EUR on 30 June 2019 and 41.496 k EUR on 31 December 2018, an increase of 108 k EUR.
The provision mainly comprises an amount of 32.143 k EUR which relates to employee benefits (see note 'employee benefit liabilities') and an amount for the rehabilitation of various polluted gas factory sites for 9.389 k EUR.

26 Government grants

The government grants amount to 262.669 k EUR on 30 June 2019 and 239.565 k EUR on 31 December 2018.
The increase in capital grants of 23.104 k euro can be mainly explained by the receipts for 25.451 k EUR and the processing (use) of 2.347 k EUR.

27 Trade payables and other current liabilities

The trade payables and other current liabilities amount to 1.184.566 k EUR on 30 June 2019 and 918.988 k EUR on 31 December 2018.
This increase amounts to 265.578 k EUR and is mainly due to an increase of the trade debts with 56.190 k EUR, transfer tariff with 67.308 k EUR (see note 'Operating in a regulated environment') and other current liabilities with 176.679 k EUR compensated by the decrease of the items 'VAT and other taxes payable' and 'Remuneration and social security'.

The item 'Other current liabilities' mainly contains the provisions for interest payable on the bond loans, the provisions for transportation cost (Elia), the provisions for personnel costs and the employee benefit expenses.
At the end of June, a cash advance was received from Publi-T and Publigas for dividends to be received (30 June 2019: 36.696 k EUR; 30 June 2018: 30.206 k EUR). Pending approval by the relevant general meetings of shareholders, this item was recognized as a debt.

28 Current tax liabilities

The net tax liability on 30 June 2019 amounts to 10.396 k EUR (of which 3.584 k EUR tax asset and 13.980 k EUR tax liabilities) compared to a net tax liability of 44.698 k EUR on 30 June 2018.

This item represents the outstanding income taxes payable related to previous financial periods and the estimated tax liability of the current financial year for the different companies of the Group.

Financial instruments

29 Financial instruments: risks and fair value

Risks

Fluvius 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 MEAs 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 2018, the prospectus of 2 June 2017 concerning the 'notification in respect of the public offer of bonds' and the Investor Presentation of April 2019. These documents can be consulted on the website of Fluvius System Operator www.fluvius.be

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

Fair value hierarchy
The 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 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 inputs are unobservable inputs for the asset or liability

The fair value of the quoted bonds, issued for a total amount of 3.530.500 k EUR, varies according to the market interest rate. The fair value at 30 June 2019 amounts to 3.988.100 k EUR and differs both 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).

As of 30 June 2019 the fair values are:

(In thousands of EUR)	Fair value Level 1	Level 2	Level 3	Book value
Other investments	23.301	1.457.328	4.475	1.485.104
Long-term receivables, other	573.040	0	0	573.040
Green energy and cogeneration certificates (GEC & CGC)	173.118	0	0	173.118
Trade and other receivables excluding GEC and CGC	763.926	0	0	763.926
Cash and cash equivalents	158.373	0	0	158.373
Total	**1.691.758**	**1.457.328**	**4.475**	**3.153.561**
Loans on short-term	241.173	0	0	241.173
Bond loans (included short-term part)	4.449.073	0	0	3.991.518
Loans on long-term (included short-term part)	1.780.385	0	0	1.780.385
Derivative financial instruments	0	91.725	0	91.725
Total current liabilities, other	1.209.051	0	0	1.209.051
Total	**7.679.682**	**91.725**	**0**	**7.313.852**

As of 31 December 2018 the fair values are:

(In thousands of EUR)	Fair value Level 1	Level 2	Level 3	Book value
Other investments	23.301	1.346.118	3.441	1.372.860
Long-term receivables, other	488.416	0	0	488.416
Green energy and cogeneration certificates (GEC & CGC)	115.093	0	0	115.093
Trade and other receivables excluding GEC and CGC	685.591	0	0	685.591
Short-term deposits	14.989	0	0	14.989
Cash and cash equivalents	21.694	0	0	21.694
Total	**1.349.084**	**1.346.118**	**3.441**	**2.698.643**
Loans on short-term	292.730	0	0	292.730
Bond loans (included short-term part)	4.412.435	0	0	3.991.963
Loans on long-term (included short-term part)	1.825.498	0	0	1.825.498
Derivative financial instruments	0	80.538	0	80.538
Total current liabilities, other	942.874	0	0	942.874
Total	**7.473.537**	**80.538**	**0**	**7.133.603**

Other information

30 Related parties

The nature of the transactions with the Management Committee, the directors and other related parties during the first half of 2019 does not substantially differ from the transactions included in the annual report of 2018.

31 Events after the reporting date

On **25 July 2019**, the rating agency Moody's confirmed the A3 rating, but the outlook was changed from positive to stable. This change in the outlook is prompted by Moody's expectations about the evolution up to the end of 2020 of free cash flow and planned investments, especially for the digital meters and the energy transition.

On **2 August 2019**, the rating agency Creditreform confirmed the A+ rating with a stable outlook.

On **29 August 2019**, the VREG approved the regulatory balances for electricity and gas concerning the 2018 financial year.

On **6 September 2019,** the MEA Pidpa (drinking water company in the province of Antwerp) joined Synductis cvba. This participation will have a limited impact on the number of shares hold by the Group.

The MEAs Fluvius Antwerp, Fluvius Limburg, Gaselwest, Imewo, Infrax West, Intergem, Iverlek and PBE together hold 48,03% of the share capital of **Publi-T**, the reference shareholder in the Belgian electricity transmission manager Elia. Elia implemented a capital increase in June 2019 for a total amount of 435 million EUR. Publi-T subscribed to this capital **increase** for 195,11 million

EUR; the Board of Directors of Publi-T intends to finance this operation mainly through its own capital increase of 165 million EUR. For the time being, this was funded through a bridge credit. The shareholders of Publi-T will determine their position during the third quarter of 2019. If all the MEAs involved decide to approve the intended capital increase of Publi-T, this would mean a joint investment of 79,25 million EUR to be paid up by the MEAs of the Fluvius Economic Group by 29 January 2020 at the latest.

Operating in a regulated environment

32 Operating in a regulated environment

32.1 Electricity and gas

The Group operates in a regulated environment and, hence, revenue is based on tariff rates approved by the regulator.
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 distribution tariff methodology for the Flemish region.

- **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 the cost of capital (a remuneration for the investments made by the shareholders): equity to 5,24 % (pre-tax 7,94 %), the cost of debt capital to 3,04 % and a gearing of 60,00 % (the ratio equity/debt is 40/60). In total the weighted average capital cost is 5,00 %. The WACC has been changed to 4,9 % as a result of the change of the tax rate as from accounting year 2018 onwards.
- 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), indexing of endogenous cost 50 %
- In the future, 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 the current tariff period the DSOs only need to report to the regulator.

Tariffs for 2018

On 9 October 2017, the VREG announced the allowed income for electricity and gas for the period 2018, which was determined on the basis of the tariff methodology applicable for the period 2017-2020.
For electricity (including transmission) the income is 3,4% lower than the income of 2017 and for natural gas the income is 1,9% higher than in 2017.

Tariffs for 2019

On 4 October 2018, the VREG decided on the determination of the eligible income for the electricity and natural gas distribution system operators from their 2019 periodic distribution system tariffs in accordance with the 2017-2020 tariff methodology. The eligible income, which serves as the basis for determining the tariffs, decreases with 7,95% for electricity and 6,63% for natural gas. The reason of this decrease is mainly because of the decision by the VREG regarding the allocation of

the manageable balances, which must be returned. This causes a significant decrease in distribution network tariffs.
On 14 December 2018, the VREG approved the distribution tariffs for electricity and natural gas for Flanders for the period from 1 January 2019 up to and including 31 December 2019.

As a result of the structural changes of the MEAs/DSOs, no adjustments were made to the distribution tariffs. The VREG decided that the distribution tariffs of the MEAs/DSOs prior to the demerger/merger will continue to apply during the regulatory period (up to and including 31 December 2020).

The VREG decided to change the tariff methodology for the distribution of electricity and natural gas for the 2017-2020 regulatory period concerning the 'Prosumers with a reversing meter'. It was determined which tariffs can be charged for the 'prosumers' who switch from a reversing meter to a digital meter. The decision applies as from 1 July 2019.

- **<u>Additional information</u>**

In April 2018, the VREG formulated a proposal to allocate for the first time the balances of the manageable costs for the period 2010-2014 to the tariffs (customers). The distribution system operators have formulated a counterproposal whereby the transfers from 2010 up to 2012 would be to the benefit of the shareholders of the DSOs and for the transfers of 2013-2014 the average of the bonuses relating to 2009-2012 will be returned to the tariffs. This counterproposal was submitted to the VREG.
At the end of August 2018, the VREG, following a public consultation, decided about the size and destination of the regulatory balances for the period 2010-2014.
The Board of Directors could not, however, agree with the proposed treatment of the balances of the controllable costs. In September 2018, it was decided to appeal for annulment of the decisions by the VREG annulled.
On 27 February 2019, the Brussels Court of Appeal declared the DSOs demand to annul the VREG decision of August 2018 on the size and destination of the regulatory 2010-2014 admissible but unfounded.
Pursuing the latter, these balances were included as cost processed in the regulatory balances. The annual result of 2018 was significantly affected in a negative way by this decision.

On July 6 2018, the VREG took a first decision to change the tariff methodology for electricity and natural gas distribution during the regulatory period 2017-2020. This change mainly focused on a reduction in the distribution network tariffs for electricity and natural gas in order to take into account efficiency gains as a result of the merger of the operating companies (so-called x'-factor). In its second decision of 20 September 2018, the total annual net savings for the years 2019 and 2020 were calculated that have to be cleared in the so-called x'-factor.
Fluvius has objected and asked the VREG whether they were willing to review the decision in the short term. In order to protect itself against the decision of the VREG, an appeal was filed at the Court of Appeal in Brussels.
At the hearing of 10 April 2019, the Court of Appeal declared the claim by Fluvius admissible but unfounded and the decision of the VREG was thus confirmed.

Settlement of the federal contribution electricity in 2018 and 2019

The distribution system operators, together with the CREG and VREG, have agreed on the repayment of an amount of the federal contribution. The repayment will start from 1 July 2018 and run over a period of one and a half years. The repayment is done partly in the form of a settlement via the current tariffs for the federal contribution for electricity and partly through a settlement via the CREG.

- **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 including the federal contribution (additions, recoveries and regularisations) constitute the regulatory transfers.

Overview of the assets and liabilities of the settlement mechanism.

(In thousands of EUR)	30 June 2019	31 December 2018
Transfers 2008 - 2009	0	64
Transfers 2010 - 2014	−2.327	−3.818
Total regulatory assets	**−2.327**	**−3.754**
Transfers 2009 - 2017	−28.272	−56.544
Transfers 2018 (CREG)	−17.485	−17.485
Transfers 2018 (VREG)	−473	−473
Transfers 2019	−7.158	0
Total federal contribution	**−53.388**	**−74.502**
Balances from 2015	8.845	15.799
Balances from 2016	21.382	33.696
Balances from 2017	−42.803	−69.638
Balances from 2018	−160.833	−159.960
Balances from 2019	−96.543	0
Total regulatory balances	**−269.952**	**−180.103**
Total amount recoverable	**−325.667**	**−258.359**
of which reported as Current assets/(liabilities)	**−325.667**	**−258.359**

Reconciliation of the settlement mechanism.

(In thousands of EUR)	30 June 2019	31 December 2018
Assets at 1 January	**−258.359**	**273.322**
Incorporation ex-Infrax MEAs in the consolidation	0	133.336
Decision VREG 28 August 2018	0	−267.162
Recovered transfers from 2008 - 2009	0	−27
Recovered transfers from 2010 - 2014	1.517	−104.969
Transfer to third parties	−90	−1.567
Total movements regulatory assets	**1.427**	**−240.389**
Incorporation ex-Infrax MEAs in the consolidation	0	−19.706
Recovered transfers from 2009 - 2017	28.272	33.880
Additional transfers from 2018 (CREG)	0	−17.485
Additional transfers from 2018 (VREG)	0	−473
Additional transfers from 2019	−7.158	0
Total movements federal contribution	**21.114**	**−3.784**
Incorporation ex-Infrax MEAs in the consolidation	0	−102.876
Additional transfer from 2015	0	119
Additional transfer from 2017	0	−1.925
Additional transfer from 2018	0	−88.427
Additional transfer from 2019	−96.543	0
Recovered transfer from 2015	−8.850	−80.085
Recovered transfer from 2016	−13.672	−13.333
Recovered transfer from 2017	25.198	−2.488
Recovered transfer from 2018	−1.212	0
Transfer to third parties	5.230	1.507
Total movements regulatory balances	**−89.849**	**−287.508**
Total movements	**−67.308**	**−531.681**
of which - movement through the income statement	−72.448	−542.375
of which - transfer with third parties	5.140	10.694
Regulatory assets/(liabilities) at the end of the reporting period	**−325.667**	**−258.359**

On August 29 2019, the VREG approved the regulatory balances for electricity and gas concerning the 2018 financial year.

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 IFRS 14 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.

32.2 Sewerage

The operation and regulation of the sewerage activity has been described in the IFRS Consolidated Financial Statements of this Group for 2018. It can be consulted on the website www.fluvius.be

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Report of the statutory auditor to the shareholders of the Flemish distribution net owners on the review of the interim condensed consolidated financial statements of the Economic Group Fluvius[1] as of 30 June 2019 and for the 6 month period then ended

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Economic Group Fluvius (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss, 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 statement of financial position total of € 14.979.177 thousand and a consolidated profit for the 6 month period then ended of € 140.771 thousand. Management 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* ("IAS 34") as adopted for use in 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 with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" applicable to review engagements. 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the entity as at 30 June 2019, and of its financial performance and its cash flows for the six month period in accordance with IAS 34.

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Emphasis of matter

Without qualifying our opinion, we wish to draw the attention to the information in note 32.1 to the Interim Condensed Consolidated Financial Statements relating to operating in a regulated environment, which describes 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 responsible regulators.

Ghent, 25 September 2019

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

Marnix Van Dooren
Partner*
*Acting on behalf of a BVBA/SPRL

Ref.: 20MVD0008

[1] Economic Group Fluvius consists of 11 Mission Entrusted Associations: Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Fluvius Antwerpen, Fluvius Limburg, PBE, Infrax West and Riobra which exercise joint control over Fluvius System Operator CVBA and its subsidiaries (De Stroomlijn CVBA, Atrias CVBA and Synductis CVBA), of Interkabel Vlaanderen and of Fluvius OV.