www.fluvius.be

Regulated information *Melle, 25 September 2019*

HALF-YEARLY FINANCIAL REPORT OF THE FLUVIUS-GROUP[1] AS PER 30 JUNE 2019[2]

HIGHLIGHTS

- Fluvius has gotten off to a good start to realise the **cost savings** put forward at the Eandis/Infrax merger.
- A last successful field test for **digital metering** before the roll-out's kick-off on 1 July 2019.
- Renewal of the **governance bodies** (6-year cycle) – Piet Buyse confirmed as chairman – Ilse Van Belle new director HR & Communication.
- Shifts within **Fluvius Economic Group**: Fluvius Antwerpen and Fluvius Limburg since 1 April 2019.
- **Public lighting**: towards the switch to full LED technology by 2030.
- Fluvius sets up a few **Fibre-to-the-Home (FttH) pilot projects.**
- **Sustainability**: strongly embedded in corporate strategy and put into practice.
- Fluvius has **5.360 employees** (5.105.38 full-time equivalents)[3].
- The **operating revenue** for the Fluvius Group increases by 44% to EUR 816.7 million.

[1] The Fluvius-group comprises Fluvius System Operator cvba and its subsidiaries, joint ventures and associated companies De Stroomlijn cvba, Atrias cvba and Synductis cvba. The Fluvius Economic Group consists of the consolidated Fluvius Group in combination with its 11 shareholding intermunicipal utility companies.

[2] All comparisons are with the figures reported as per 30 June 2018 for Eandis System Operator cvba, unless stated otherwise.

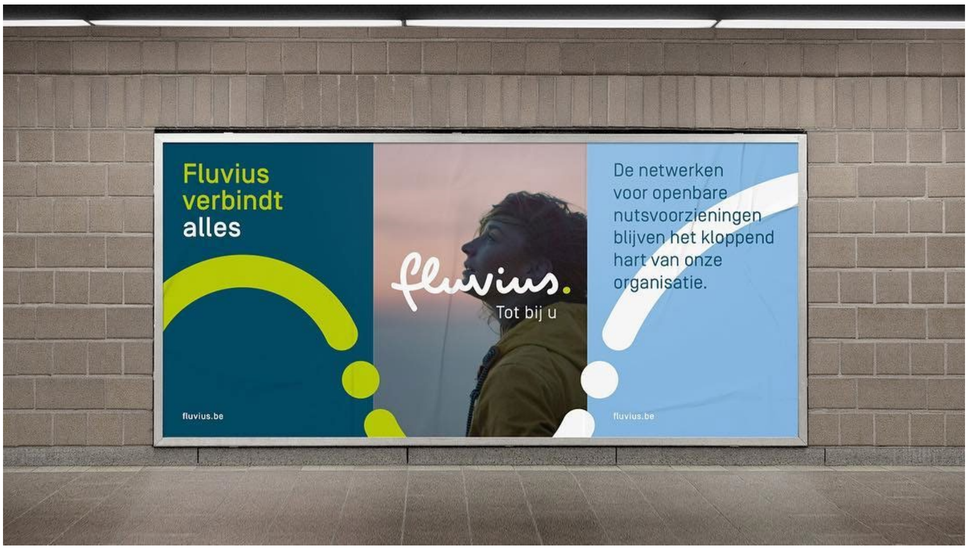
[3] The numbers of staff members reported are the aggregate figures for Fluvius System Operator cvba and Fluvius Opdrachthoudende Vereniging ('Fluvius OV'). The latter is a separate entity created as the employer for the statutory employees of the former entities of the Infrax Economic Group who – due to Belgian labour legislation – could not be transferred to Fluvius System Operator. All employees of Fluvius OV are fully integrated within the organization chart of Fluvius. Fluvius OV has been included in the IFRS reporting related to the Fluvius Economic Group.

- There is **no profit or loss**, since all costs are fully passed on to the company's shareholding intermunicipalities as a result of the '*operating at cost price*' principle.

MANAGEMENT REPORT

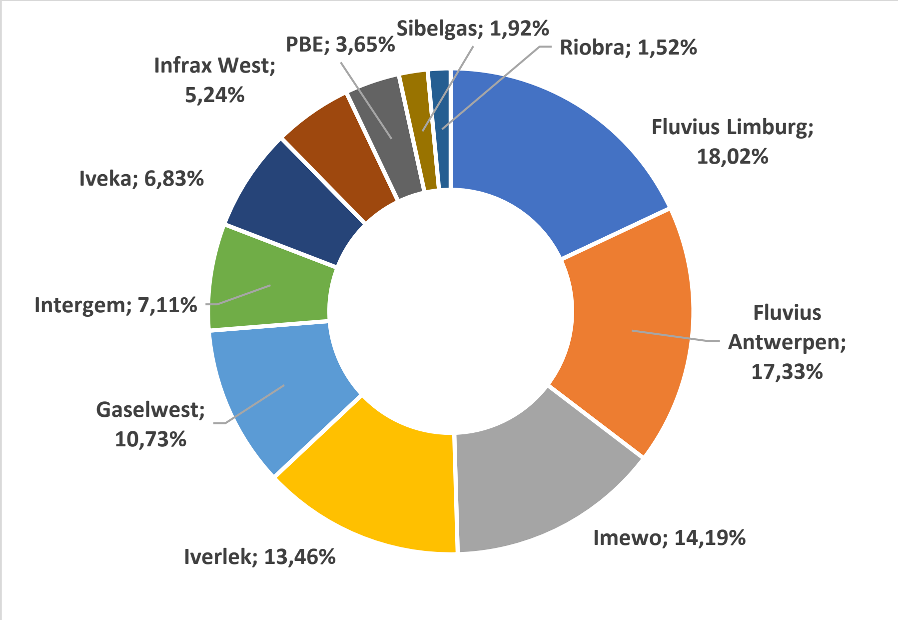
Fluvius integration process on track

The legal starting date for Fluvius System Operator goes back to 1 July 2018, when a merger by absorption between the peer companies Eandis System Operator and Infrax was executed. The commercial launch for the wider public, however, took place on 7 February 2019. The new company name and logo were introduced to the market with a media campaign.



When this merger into Fluvius was announced, a substantial cost savings programme was put forward. The objective is to save a recurring amount of EUR 110 million per annum by the end of the year 2022, mostly in operational expenditures but also in capital expenses. One year into this trajectory, the integration benefits are largely on course. At the end of Q1 2019, several initiatives have already been realized for an amount of approx. EUR 25 million, thanks to readily available cost saving measures.

On 1 April 2019, a number of reorganisations within the Fluvius Economic Group entered into force. First of all, a regrouping of intermunicipalities in the wider Antwerp region created **Fluvius Antwerpen**, which is a merger of the distribution system operators (DSOs) IMEA and Iveg, together with the independent cable television grid (CATV) intermunicipality Integan. 104 Integan employees have been transferred to Fluvius System Operator. In the province of Limburg, three intermunicipalities (Inter-energa, Inter-media and Inter-aqua) merged into **Fluvius Limburg**. The sole impact of these reorganizations was that Fluvius's CATV activity has been extended with 14 municipalities formerly belonging to Integan. As a consequence of these transactions, the shareholdership of Fluvius System Operator (as from 1 September 2019) is as follows:



The intermunicipalities Fluvius Antwerpen, Fluvius Limburg, Gaselwest, Imewo, Infrax West, Intergem, Iverlek and PBE together own 48.03% of the share capital of **Publi-T**, the reference shareholder in the Belgian electricity transmission company Elia. In June 2019, Elia executed a capital increase for a total amount of EUR 435 million. Publi-T subscribed to this capital increase for EUR 195.11 million; Publi-T's Board of Directors intends to finance this operation mainly by way of a capital increase of its own of EUR 165 million. For the time being, financing was settled through a bridge bank loan. Publi-T's shareholders will decide on their position in the course of Q3 2019. If the intermunicipalities concerned decide to approve Publi-T's intended capital increase, this would entail a joint investment of EUR 79.25 million, to be paid up by the intermunicipalities belonging to the Fluvius Economic Group before 29 January 2020 at the latest.

After several years of preparations and officially starting on 1 July 2019, Fluvius will introduce **digital metering** in the Flemish region. Digital meters are to replace the traditional mechanical meters for electricity and gas. During the first semester of 2019, a successful last field test was executed in the Leuven/Lubbeek area (province of Flemish Brabant) to check the roll-out's logistical modalities. The roll-out itself kicks off with priority for dedicated target groups: existing and new owners of solar panels ('*prosumers*'), new and thoroughly renovated houses, existing and new budget meter customers, all meter replacements and smart meters installed during the pilot projects. Besides, anyone who wishes to do so, can request a digital meter for a fee. A media campaign was set up to inform the end consumers about why digital metering is introduced and which benefits can be gained from a digital meter. By the end of 2022, almost 1.8 million meters should have been replaced, the end of the entire programme with 6.1 million meters installed is scheduled for 2034. Fluvius puts in all possible efforts to keep the societal costs for the introduction of the digital meter at a minimum and to safeguard the consumers' privacy.


installation of a digital meter

The operating company Fluvius System Operator has recently been appointed as **data manager** following an amendment to the Flemish Energy Decree. The data manager will be responsible for meter reading (digital or analogue) and collecting and processing these metering data. The appointment as data manager is subject to a number of strict conditions (e.g. relating to independence and privacy) and it is also limited in time.

In February 2019, the Belgian system operators teamed up to launch a collaborative innovation initiative called **IO.Energy (Internet of Energy)**. The basic idea behind IO.Energy is the development of a digital communication platform which will enable end consumers to tailor their generation and consumption patterns to their needs. In a first 'ideation' phase, concluded in June 2019, eight cases were selected to be further tested in the next few months. IO.Energy will definitely contribute to shape tomorrow's energy landscape in Belgium.

A large-scale, superfast and reliable **fibre-to-the-home (FttH) grid** is an important project for the Flemish society so as to ensure access to innovative and future-oriented services. Fluvius has responded to this challenge. The company has identified five test areas where it will build and operate a FttH grid. A first pilot project was launched in the city of Genk in May 2019. To be clear: Fluvius's role is limited to FttH infrastructure management (plan, build and maintain). Content should be provided by commercial partners. The five selected pilot projects will generate valuable input for Fluvius to decide on the way forward in FttH.

Fluvius System Operator has two **corporate ratings**, with Moody's and with Creditreform Rating. Moody's kept the Fluvius rating unchanged at A3 with a positive outlook. The rating at Creditreform Rating remained unchanged at A+ with a stable outlook.

On 30 June 2019, Fluvius[4] had **5,360 employees** or 5,105.38 full-time equivalents (FTE). Compared to year-end 2018, an increase by 40 employees (+0.75%) is registered. This increase is partly explained by the integration of the entire Integan staff (104 employees) on 1 April 2019.

The **safety results** for HY1 2019 are as follows. The frequency rate stood at 7.91 and the severity rate at 0.12. Unfortunately, both scores do not meet the targets. Fluvius recorded 32 accidents resulting

[4] The stated figure includes both the employees of Fluvius System Operator and those of Fluvius OV.

in 487 labour days lost. There have been two fluidum accidents[5] with labour days lost in the first six months of 2019.

As part of the statutory six-year cycle, the company's and the Economic Group's **corporate bodies** have been fully renewed during the first semester of 2019. On proposal of the shareholding intermunicipal companies, Fluvius's 20-member Board of Directors has been renewed as well. Of its 20 members, 7 directors are now women, thus respecting the 2/3-1/3 gender rule. Mr Piet Buyse, mayor of the city of Dendermonde, has been reappointed as chairman of the Board of Directors.

Fluvius Board of Directors with chairman Piet Buyse (seated)

The company's **Management Committee** also underwent some changes. On 1 February 2019, Mrs Ilse Van Belle started as Fluvius's new director of HR & Communication. After a long and fruitful career in the energy sector Mr Walter Van den Bossche, managing director of Fluvius, retired on 1 May 2019. As from the same date, a 10-member Management Committee, under the leadership of CEO Frank Vanbrabant, is in charge of day-to-day operations at Fluvius.

Sustainability and **corporate social responsibility (CSR)** are strongly embedded in Fluvius's corporate strategy.
On 3 May 2019, VVSG (the Flemish Association of Cities and Municipalities), Agoria (the sector federation of technological companies) and Fluvius signed an MoU on the **switch of the entire public lighting in Flanders to LED[6] technology**. The three partners want to adapt 1.2 million lighting points to LED by the year 2030. Currently, only about 8% of public lighting is already equipped with LED technology. This large-scale investment programme will allow local authorities to save EUR 54 million per annum in electricity consumption and it will lead to an annual reduction of 44,000 tons of CO_2.

[5] A fluidum accident is defined as an accident linked to electricity or gas.

[6] LED = light emitting diode


LED public lighting in the city of Mechelen

Also in the field of public lighting, Fluvius has launched an offering to the local authorities in which they are maximally supported from a technical and financial point of view under the motto ***'light as a service'***. The multi-annual support offered by Fluvius ranges from conceiving their public lighting policy to its implementation. New 'smart' technologies now come within reach for the local authorities: remote-controlled public lighting, multi-functional public lighting poles, 'follow-on' lighting techniques, etc.

At the end of March 2019, Fluvius launched a first intermunicipal **rainwater plan**. Fluvius is collaborating with six rural municipalities in the river Gete area (province of Flemish Brabant). This plan – in combination with the 'Water-Land-scape' project – should provide ecological and economic solutions to changing patterns of rainfall and the local impact of droughts and floodings. A key element in this plan is to keep polluted and non-polluted water separated. As the manager of local sewerage grids, Fluvius is coordinating the drawing up of this plan.

District heating projects remain on the radar at Fluvius. In March 2019, the building phase for a 1.6 km district heating grid in a business park in the district of Wilrijk (city of Antwerp) got underway. The project will cost EUR 3.1 million.

Ecluse, Europe's largest steam grid, will be operated by Fluvius. It was inaugurated in the Antwerp Port area in March 2019. Five chemical plants will take off the steam generated by incinerating waste and use it for their production processes. The Ecluse project reduces carbon emissions by 100,000 tons per year and corresponds to 5% of all green heat generated in the Flemish region. Total grid length is about 5 kms.


Ecluse steam grid

The following realisations also are proof that we put our CSR and sustainability strategy into practice:

- All proposals for decisions to be taken by the Management Committee and/or the Board of Directors will be systematically screened not only on their financial impact, but also on their impact on the environment, and on social and ethical aspects.
- 800 of Fluvius's service vehicles will be replaced by a greener alternative over the next ten years as part of the company's **'Electric First' policy**. The aim is to save one million liters of diesel each year. The current Fluvius fleet already has 66 electric cars.
- Fluvius and **De Voedselbanken** (Foodbanks) signed a long-term partnership on 11 May 2019. This partnership is not based on financial assistance, but rather on structural help by Fluvius and Fluvius employees volunteering to give a helping hand to a local branch of De Voedselbanken.
- Fluvius has installed solar panels on the rooftops of nine of its office buildings, delivering 852,863 kWh (2018).
- 3,000 trees (1 hectare in Ypres, 66 acres in Torhout) have been planted in the framework of our **Eco-forests initiative**. The total now stands at almost 20 hectares of trees planted. The target for year-end 2019 is to have 25 hectares of new forest, which will reduce CO_2 emissions by 680 tons.
- The city of Veurne, the West-Vlaamse Intercommunale (WVI) and Fluvius have started a test with **dynamic lighting** of cycle paths and footpaths *('Sustainable Light Concepts')* to investigate the impact of public lighting on local fauna close to natural habitats.
- Fluvius's CSR and sustainability initiatives have been rewarded for the fifth consecutive time with the **VOKA Charter for Sustainable Business**.

planting of new trees (Torhout, 24 February 2019)

An agreement in principle has been reached about the merger of the DSOs **Iverlek**, **Riobra** and **PBE**. The formal decision making process will take place in the second half of 2019. This merger will become effective as from 1 January 2020; the combined entity is to be named 'Fluvius Zenne-Dijle'.

The DSO **Infrax West** is to change its name into Fluvius West.

Atrias, the federal initiative to create a clearing house for data exchanges in the Belgian energy market, is facing some serious challenges, especially in the IT-related aspects of its mission. Consequently, there has been a delay in the delivery of the market system. A new deadline for completion of the data system has now been set at September 2021.

De Watergroep, a Flemish water distribution company, has joined **De Stroomlijn** as a shareholder alongside Fluvius System Operator, TMVW and Synductis. De Watergroep has subscribed to 3% of De Stroomlijn's share capital.

RISK FACTORS

The fundamental risk factors as described in the Fluvius 2018 Annual Report and the Eandis Prospectus dated 2 June 2017 have remained valid for the first half of 2019.

Additionally, the management and the Board of Directors draw the attention to the fact that the integration trajectory after the merger of Eandis System Operator and Infrax into Fluvius System Operator is ongoing. The further integration of staff, business processes, IT systems and other items will take a considerable period of time and will also necessitate substantial investments. Therefore, there is a risk that the relevant operational and financial objectives stated earlier cannot be reached fully, within the set time limit or, in the worst case scenario, cannot be reached at all. However, Fluvius puts in all efforts needed to successfully implement this integration process and to effectively reach, or even exceed, the relevant operational and financial objectives.

MAJOR EVENTS AFTER REPORTING DATE

On 25 July 2019, the rating agency **Moody's** decided to affirm Fluvius's A3 rating, but to change the rating outlook from positive to stable.

On 2 August 2019, the rating agency **Creditreform Rating** decided to keep Fluvius's rating and rating outlook at A+ stable.

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

OUTLOOK

Barring unforeseen economic or regulatory developments, Fluvius expects that in the 2nd half of 2019 there will be no substantial deviations from the defined financial and budgetary objectives. The company will continue to closely monitor all relevant financial, economic and regulatory developments.

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

REPORTING STATUS

The condensed financial statements for the period ended 30 June 2019 included in this document were approved for publication by Fluvius's Board of Directors on 25 September 2019.

On 25 September 2019, Fluvius's statutory auditor Ernst & Young Bedrijfsrevisoren, represented by Mr Marnix Van Dooren, issued a report on the limited review of the consolidated half-year financial information for the six-month period ended 30 June 2019, stating that the interim financial information in all material aspects has been prepared in accordance with IAS 34, "*Interim Financial Reporting*" as approved for application within the European Union.

STATEMENT BY THE RESPONSIBLE PERSONS

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

- *the condensed interim financial statements of Fluvius System Operator cvba and its subsidiaries as of 30 June 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS), and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and*

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

Melle, 25 September 2019,

Frank VANBRABANT, CEO

David TERMONT, CFO

PROFILE OF THE REPORTING ENTITY

Fluvius System Operator cvba and its consolidated subsidiaries De Stroomlijn cvba, Atrias cvba and Synductis cvba (together the 'Fluvius Group' or the 'Group') is the independent company that carries out operations and public service obligations for 11 intermunicipal utility companies: Fluvius Antwerpen, Fluvius Limburg, Gaselwest, Imewo, Infrax West, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas. Fluvius is thus responsible for building, managing and maintaining distribution networks for electricity, gas, sewerage, cable distribution and district heating, and it manages the municipal public lighting. In total, the company manages 230.000 kilometer of utility lines and 7 million connections. Fluvius is operational in all of the 300 Flemish cities and municipalities.

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

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

ANNEX

Condensed interim IFRS financial statements for the six-month period ended 30 June 2019:

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

CONTACT

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

VAT number: BE 0477.445.084

Press

Björn VERDOODT, tel. +32 479 74 03 04 - mail: bjorn.verdoodt@fluvius.be

Investor Relations

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

FINANCIAL ACCOUNTS

AUDIT REPORT

FLUVIUS SYSTEM OPERATOR GROUP

Condensed Consolidated Interim IFRS Financial Statements

30 June 2019

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Interim Financial Statements

Condensed consolidated statement of profit or loss

(In thousands of EUR)	Notes	30 June 2019	30 June 2018
Operating revenue		**816.670**	**567.249**
Revenue from contracts with customers	3	805.028	556.507
Other operating income		11.642	10.742
Operating expenses		**−806.517**	**−559.047**
Cost of trade goods		−72.065	−45.383
Cost for services and other consumables	4	−440.944	−303.260
Employee benefit expenses	5	−284.237	−182.663
Depreciation, amortization, impairments and changes in provisions		−8.261	−27.284
Other operational expenses		−1.010	−457
Result from operations		**10.153**	**8.202**
Finance income	6	61.784	53.177
Finance costs	6	−67.520	−57.223
Profit before tax		**4.417**	**4.156**
Income tax expenses	7	−4.417	−4.156
Profit for the period		**0**	**0**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2019	30 June 2018
Profit for the period		**0**	**0**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	19	−63.001	−61.926
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	12	63.001	61.926
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**0**	**0**
Total comprehensive income for the period		**0**	**0**

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2019	31 December 2018
Non-current assets		**4.322.123**	**4.228.706**
Intangible assets	8	2.438	2.697
Property, plant and equipment	9	7.632	16.414
Right-of-use assets	2	38.558	0
Investment in joint ventures and associates	10	16	16
Other investments	11, 21	867	845
Rights to reimbursement on post-employment employee benefits	12	319.317	256.730
Long-term receivables, other	13	3.953.295	3.952.004
Current assets		**828.618**	**534.445**
Inventories		76.510	68.088
Trade and other receivables	14, 21	395.469	327.328
Receivables cash pool activities	15, 21	235.071	136.934
Current tax assets		2.405	0
Cash and cash equivalents	16, 21	119.163	2.095
TOTAL ASSETS		**5.150.741**	**4.763.151**
EQUITY	**17**	**1.610**	**10.500**
Total equity attributable to owners of the parent		**1.517**	**10.407**
Share capital, reserves and retained earnings		1.517	10.407
Non-controlling interest		**93**	**93**
LIABILITIES		**5.149.131**	**4.752.651**
Non-current liabilities		**4.346.213**	**4.260.875**
Interest bearing loans and borrowings	18, 21	3.991.518	3.991.963
Lease liabilities	2	28.446	6.545
Employee benefit liabilities	19	287.174	224.587
Derivative financial instruments	18	6.932	5.637
Provisions	19	32.143	32.143
Current liabilities		**802.918**	**491.776**
Interest bearing loans and borrowings	18, 21	3.500	28.456
Lease liabilities	2	10.336	1.787
Trade payables and other current liabilities	20, 21	394.772	271.482
Liabilities cash pool activities	15, 21	392.356	187.978
Current tax liabilities	22	1.954	2.073
TOTAL EQUITY AND LIABILITIES		**5.150.741**	**4.763.151**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2018	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 30 June 2018	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Balance at 1 January 2019	**10.175**	**213**	**19**	**10.407**	**93**	**10.500**
Repayment of equity	−8.891	0	1	**−8.890**	0	**−8.890**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**−8.891**	**0**	**1**	**−8.890**	**0**	**−8.890**
Balance at 30 June 2019	**1.284**	**213**	**20**	**1.517**	**93**	**1.610**

Further information is disclosed in the note ‘Equity’.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2019	30 June 2018
Profit for the period		0	0
Amortization of intangible assets		376	167
Depreciation on property, plant and equipment and right-of-use assets		6.601	428
Change in provisions (Reversal -; Recognition +)	19	0	25.752
Impairment current assets (Reversal -; Recognition +)		1.284	937
Gains or losses on realization receivables		657	347
Net finance costs		4.441	4.046
Change in fair value of derivative financial instruments	18	1.295	0
Gains or losses on sale of property, plant and equipment		−477	0
Income tax expense	7	4.417	4.156
Operating cash flow before change in working capital and provisions for employee benefits		**18.594**	**35.833**
Change in inventories		−8.422	919
Change in trade and other receivables		−50.327	−13.809
Change in trade payables and other current liabilities		89.368	41.381
Change in employee benefits	19	0	−25.752
Net operating cash flow		**30.619**	**2.739**
Interest paid		−30.473	−37.276
Interest received		40.524	34.302
Financial discount on debts		193	213
Income tax paid (received)	8	−6.941	−13.729
Net cash flow from operating activities		**52.516**	**22.082**
Proceeds from sale of property, plant and equipment		595	0
Purchase of intangible assets		−117	0
Purchase of property, plant and equipment	9	−471	−541
Net cash flow used in investing activities		**7**	**−541**
Repayment of share capital	17	−8.891	0
Repayment of borrowings	18	−1.750	0
Payment of finance lease liabilities		−6.098	0
Change in current financial liabilities	18	−24.956	0
Change in short-term investments		0	−50.000
Change in cash pool		106.240	213.914
Net cash flow from/used in financing activities		**64.545**	**163.914**
Net increase/decrease in cash		**117.068**	**185.455**
Cash and cash equivalents at the beginning of period	**16**	**2.095**	**31.390**
Cash and cash equivalents at the end of period	**16**	**119.163**	**216.845**

Selected explanatory notes

Basis of preparation

1 Corporate information

Fluvius System Operator, abbreviated Fluvius, a limited liability partnership ('coöperatieve vennootschap met beperkte aansprakelijkheid'/'société coopérative à responsabilité limitée') under Belgian law, is registered in Belgium, at Brusselsesteenweg 199, 9090 Melle. It is registered under number 0477.445.084 in the central enterprise register of Ghent (section Ghent).

On 1 July 2018, the new network company Fluvius System Operator cvba was founded from the merger between Eandis System Operator cvba and its peer Infrax cvba. Eandis System Operator cvba changed its name to Fluvius System Operator cvba.
This new utility company will among others be responsible for the construction, management and maintenance of distribution networks for electricity, gas in Flanders, as well as sewerage and cable distribution taken over from the former company Infrax into Fluvius System Operator.

The condensed consolidated interim financial statements of Fluvius for the period ended 30 June 2019 contain the information of the company, its subsidiaries, investment in joint ventures and associates - De Stroomlijn cvba, Atrias cvba and Synductis cvba - and together they form the 'Group'.
As the merger with Infrax cvba took place on 1 July 2018, the consolidated statement of profit or loss for the period up to 30 June 2018 only contains the results of the former company Eandis.

The shareholders of Fluvius are Mission Entrusted Associations or MEAs in the Flemish Region (Belgium). During 2019 restructuring of the legal structure was implemented reducing the number from fourteen to eleven of MEAs: Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, Fluvius Limburg (merger company of Inter-energa with Inter-aqua and Inter-media), Fluvius Antwerp (merger of Iveg with IMEA and Integan, a company acquired on 1 April 2019 and some municipalities of Iveka), PBE merged with Intergas, and Riobra.
It is anticipated that further adjustments to the structure and area exchanges of the shareholders will occur.
Fluvius's shareholders, together with this 'Group', Fluvius OV and Interkabel form the 'Economic Group Fluvius', which also publishes its IFRS financial statements.

The role of Fluvius System Operator consists of the operation of the distribution networks for electricity and natural gas; the development, the operation, the use and maintenance of other grid-related utilities (sewerage, public lighting, (cable) distribution and district heating); exercising all activities as data manager and heat manager; managing strategic participations and the access register; metering data reading; providing energy services, management services and other services.

The grid assets themselves remain owned by the MEAs. The MEAs, active in the distribution of electricity and gas are also the holders of the licences to distribute electricity and gas granted by the Flemish energy regulatory authority, VREG.

Fluvius operates in all cities and municipalities in the Flemish Region (Belgium). The multi-utility-approach (several utility services comprised within one entity) will result into financial and operational efficiencies within Fluvius. The better utility works can be coordinated in terms of planning and approach, the less nuisance they cause and the less often streets are to be broken open.

The Group employed on average 4.290 persons during 2018 (2017: 4.262 persons) and calls on 1.377 persons on average that are employed in Fluvius OV.

The company carries out its operational activities at cost price without charging any commercial margin to mainly the MEAs. This means that all costs incurred are passed through according to fixed allocation rules. Each month Fluvius System Operator invoices each of the MEAs for the operational services rendered. The result of the Group is therefore without profit or loss.

The Flemish MEAs have appointed Fluvius System Operator as their operating company.
The Flemish energy regulator VREG decided to grant permission to the distribution system operators for energy Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, PBE, Fluvius Antwerpen and Fluvius Limburg to call on the services of the operating company Fluvius System Operator for electricity and gas. These authorisations shall apply until 25 September 2026 and 14 October 2027 respectively.

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 was changed to stable.
On 15 October 2018 Creditreform has granted to all of Fluvius's bonds the rating A+. This rating was confirmed on 2 August 2019.

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

These condensed consolidated interim financial statements for the six months ended 30 June 2019 were approved for publication by the Board of Directors on 25 September 2019 and have been reviewed in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

2 Significant accounting policies

2.1 Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 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 financial statements of the Group 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 obligations.
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 has 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 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 on 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 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 statement of the Group are set out below:

(In thousands of EUR)	**30 June 2019**
Buildings	19.331
Installations, machinery and equipment	642
Furniture and vehicles	18.585
Total	**38.558**

During the period until 30 June 2019, financial costs were recognized for 523 k euros and depreciation for 5.250 k euros, 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.

Performance of the period

The items in the statement of profit or loss account as at 30 June 2019 contain the results of ex-Infrax as a merger between Infrax and Eandis 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 Group Eandis System Operator.

3 Operating revenue

The operating revenue amounts to 805.028 k EUR on 30 June 2019 and 556.507 k EUR on 30 June 2018, this is an increase of 248.521 k EUR.
Revenue reflects the increased costs that are passed on mainly to the MEAs, shareholders.

Hereunder the detail of the total invoicing to the clients (mainly the MEAs) that generate more than 10% revenue in the period:

	30 June 2019		30 June 2018	
Company	**Revenue in k EUR**	**% relative to revenue**	**Revenue in k EUR**	**% relative to revenue**
Gaselwest	99.890	12,4%	104.128	18,7%
IMEA	31.366	3,9%	60.585	10,9%
Imewo	134.152	16,7%	132.874	23,9%
Iveka	74.973	9,3%	75.524	13,6%
Iverlek	114.455	14,2%	114.070	20,5%
Fluvius Limburg	132.009	16,4%	NA	NA
Other	218.183	27,1%	69.326	12,5%
Total	**805.028**	**100,0%**	**556.507**	**100,0%**

4 Cost for services and other consumables

The cost for services and other consumables amounts to 440.944 k EUR on 30 June 2019 and 303.260 k EUR on 30 June 2018, an increase of 137.684 k EUR.
The cost for the rational use of energy increases from 25.849 k EUR on 30 June 2018 to 32.760 k EUR on 30 June 2019, of which 8.076 k EUR stems from ex-Infrax on 30 June 2019.

5 Employee benefit expenses

The employee benefit expenses amount to 284.237 k EUR on 30 June 2019 and 182.663 k EUR on 30 June 2018, an increase of 101.574 k EUR incurred as a result of the increase of the provision for employee benefits, the acquired staff of ex-Infrax and the personnel costs charged in from Fluvius OV.

The energy decree stipulates that every MEA/DSO can call on the services of one operating company. All MEAs/DSOs, shareholders of the Group, have chosen Fluvius System Operator cvba that can fulfill its assignments with own staff and can make use of secondment to statutory (permanent) staff.
On April 1, 2019, the entire contractual staff of the former Infrax MEAs/DSOs and Integan was taken over by Fluvius System Operator cvba. To allow the secondment to take place via one

company, the entire statutory staff of the former Infrax MEAs/DSOs have been transferred to Fluvius OV. This company charges the costs to Fluvius System Operator cvba.

6 Financial results

Financial income amounts to 61.784 k EUR on 30 June 2019 and 53.177 k EUR on 30 June 2018. This item contains mainly the interest to be received on loans granted to the MEAs (30 June 2019: 61.478 k EUR; 30 June 2018: 52.788 k EUR).

The financial costs amount to 67.520 k EUR on 30 June 2019 and 57.223 k EUR on 30 June 2018. These costs contain the interest payable on the bond loans (30 June 2019: 60.821 k EUR; 30 June 2018: 52.774 k EUR), interest paid on other financial obligations with banks and cash pool activities with the MEAs.
The other financial costs comprise costs related to debt, interest costs on lease and pension liabilities as well as various bank costs.

7 Income tax expenses

The income tax expenses amount to 4.417 k EUR at 30 June 2019 and 4.156 k EUR at 30 June 2018.

The tax rate amounts to 29,58% and tax is payable on the disallowed expenses that form the taxable basis.
In the period up to 30 June 2019, a tax amount of 6.835 k EUR (30 June 2018: 6.135 k EUR) was prepaid and the estimated tax amounted to -2.421 k EUR (30 June 2018: -1.983 k EUR).
During the period up to the end of June 2018, an amount of 7.590 k EUR in taxes was paid in respect of the 2016 financial year.

Assets

8 Intangible assets

The Group reports intangible assets for 2.438 k EUR on 30 June 2019 and 2.697 k EUR on 31 December 2018, a decrease of 259 k EUR. This decrease is the result of the amortisation.
The intangible assets merely contain software licenses and development costs for ‘smart’ projects.

9 Property, plant and equipment

Property, plant and equipment amounts to 7.632 k EUR on 30 June 2019 and 16.414 k EUR on 31 December 2018. This decrease of 8.782 k EUR is mainly due to, on the one hand, recognition of the right of use assets as prescribed by IFRS16 as from 1 January 2019 and, on the other hand, the purchases (+471 k EUR) and the depreciation (-1.352 k EUR).

10 Investments in joint ventures and associates

The other investments are unchanged and amount to 16 k EUR on 30 June 2019 and 16 k EUR on 31 December 2018. These investments are held in Atrias cvba and Synductis cvba.

11 Other investments

The other investments amount to 867 k EUR on 30 June 2019 and 845 kEUR on 31 December 2018 an increase of 22 k EUR in comparison to 31 December 2018 due to its fair value.
The other investments comprise the participations still held by the Group in the business centres situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes and Waregem) and Imewo (business centres Bruges, Ghent, Meetjesland and Ostend).

Besides, the Group has a participation in the company Duwolim cvba, which aims to reduce energy consumption at home.

12 Rights to reimbursement on post-employment employee benefits

The rights to reimbursement on post-employment employee benefits amount to 319.317 k EUR on 30 June 2019 and 256.730 k EUR on 31 December 2018, an increase of 62.587 k EUR.
This decrease is the result of the increase in the employee benefit liability with the same amount. The costs of the employee benefit liability can be reimbursed from the MEAs.

13 Long-term receivables, other

The long-term receivables amount to 3.952.004 k EUR at 31 December 2018 and 3.953.295 k EUR at 30 June 2019.
The long-term receivables mainly contain the receivable from the MEAs that originates from lending on funds from the issuance of the bonds (stand-alone, retail and EMTN) by the operating company since 2010 and to finance a subsidiary.
The loans issued by the Group are lent on to the MEAs at the same conditions as the loans obtained by Fluvius System Operator (see note 'Interest bearing loans and borrowings').

14 Trade and other receivables

The trade and other receivables amount to 395.469 k EUR on 30 June 2019 and 327.328 k EUR on 31 December 2018.
The trade receivables before impairment amount to 333.812 k EUR on 30 June 2019 and 267.447 k EUR at 31 December 2018. The increase is due to the increase of the receivable on the MEAs.
The impairments on trade receivables increase compared to 31 December 2018 (30 June 2019: -16.106 k EUR; 31 December 2018: -14.823 k EUR).

The other receivables amount to 78.088 k EUR on 30 June 2019 and 74.704 k EUR on 31 December 2018. These receivables mainly contain accrued interests on the loans lent on to the MEAs.

15 Receivables and liabilities cash pool activities

The receivable on the MEAs amounts to 235.071 k EUR on 30 June 2019 and 136.934 k EUR on 31 December 2018. The debts on the MEAs amount to 392.356 k EUR on 30 June 2019 and 187.978 k EUR on 31 December 2018.

16 Cash and cash equivalents

The surplus of cash and cash equivalents amounts to 119.163 k EUR on 30 June 2019 and 2.095 k EUR on 31 December 2018. As a result of the continued low (and even negative) interest on deposit accounts, the surplus cash is held as liquid assets.

Liabilities

17 Equity

Shareholders' equity amounts to 1.610 k EUR at 30 June 2019 compared to 10.500 k EUR at 31 December 2018.

The share capital amounts to 1.284 k EUR at 30 June 2019 and 10.175 k EUR at 31 December 2018.
The share capital reduction of 8.891 k EUR was decided by the General Meeting of Shareholders and 151.812.970 non-voting shares were destroyed. These were the shares issued following the acquisition of Infrax cvba. The amount was paid out to the MEAs of ex-Infrax.
Shareholders of Fluvius System Operator have merged with each other (Inter-energa with Inter-aqua and Inter-media to Fluvius Limburg; Iveg with IMEA and the acquired company Integan to Fluvius Antwerp, PBE with Intergas) and have also entered into partial divisions (for area exchanges) starting from 1 April 2019. As a result, the shareholding within Fluvius System Operator was reviewed and adjusted based on EANs (European Article Numbering) without any change of the total amount.
The share capital therefore amounts to 1.284 k euros and is represented by 25.900.935 shares with voting rights.

A **non-controlling interest** amounts to 93 k EUR on 30 June 2019 and is equal to the amount on 31 December 2018. It comprises the participation held by Farys/TMVW in 'De Stroomlijn cvba'.

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

(In thousands of EUR)	30 June 2019	31 December 2018
Long-term loans	**3.991.518**	**3.991.963**
Current portion of long-term loans	3.500	3.500
Short-term loans	0	24.956
Short-term loans	**3.500**	**28.456**
Total	**3.995.018**	**4.020.419**

The loans on long and short-term decrease with 25.401 k EUR compared to 31 December 2018 from 4.020.419 k EUR to 3.995.018 k EUR. This decrease is mainly due to the repayment of the short-term loans amounting to 24.956 k EUR and the recording of disagio on various retail bond loans that is spread pro rata the term of the loans in costs and debts.

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

(In thousands of EUR)	30 June 2019		31 December 2018	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	**4.020.419**		**3.449.329**	
Movements on non-current loans (LT)				
Incorporation of long-term loans	0	0	541.840	0
Change in non-current loans	0	1.305	0	2.544
Transfer of short-term portion of LT loan to ST	0	−1.750	0	−1.750
Movements on current loans (ST)				
Proceeds of current loans	0	0	24.956	0
Incorporation of short-term loans	0	0	3.500	0
Transfer of short-term portion from LT loan to ST	0	1.750	0	1.750
Repayment of short-term portion of long-term loan	−1.750	0	−1.750	0
Repayment current loans	−24.956	0	0	0
Total movements	**−26.706**	**1.305**	**568.546**	**2.544**
Total at end of reporting period	**3.995.018**		**4.020.419**	

Long-term loans

This item contains private placements and bond loans issued since 2010 as well as the bank loans. The decrease of 445 k EUR compared to 31 December 2018 is due to the recording of the repayment of the short-term portion of a bank loan for an amount of 1.750 k EUR and the disagio which is spread over the term of the bond loans amounting to 1.305 k EUR.

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.

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

For all the bond loans the principle applies that each of the MEAs is a guarantor 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 fixed at the moment of issuance and remains fixed over the remaining term of the bond loans. Only the MEAs of ex-Infrax are guarantor 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, were fully lent on to the MEAs at the same conditions as the bond loans. The resulting receivables for the Group are included in notes 'Short-term receivables, other' and 'Long-term receivables, other'.
The bank loan was not lent on.

During the first six months of 2019 the Group did not issue any additional retail bond loan.

The capital of the debenture is repayable at maturity. The bank loan has monthly due dates, and its variable interest rate has been converted into a fixed interest rate via an *Interest Rate Swap*. This derivative has been included in a separate section on the statement of financial position and is expressed at its fair value that amounts to 6.932 k euros on 30 June 2019 (5.637 k euros on 31 December 2018).

Loans, current
This item contains the current portion of the long-term loans (3.500 k EUR at 30 June 2019; 3.500 k EUR at 31 December 2018). There were no bank loans nor commercial papers on short term at 30 June 2019 (24.956 k EUR at 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 cash pool via the cash facility (bank debts) or a straight loan (fixed loan) cannot exceed 200.000 k € cumulatively

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

19 Employee benefit liabilities

The employee benefit liabilities amount to 287.174 k EUR on 30 June 2019 and 224.587 k EUR on 31 December 2018.
This increase of 62.587 k EUR is mainly explained by adapting the assumptions: the discount rate and the return on the plan assets imply an increase of the provision.
The increase amounting to 62.587 k EUR was accounted for as an income in the statement of profit or loss for a total of 414 k EUR and for 63.001 k EUR via the unrealized results (expense).

In the context of working longer, certain benefits granted for early retirement can no longer be recognized as a provision for employee benefits. Notwithstanding the fact that the Group is working on a 'renewed' pension plan, the timing of implementation cannot yet be stated with certainty. As a result 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'.

20 Trade payables and other current liabilities

The trade payables and other current liabilities amount to 394.772 k EUR on 30 June 2019 and 271.482 k EUR on 31 December 2018.
This item contains, on the one hand, trade payables (212.506 k EUR on 30 June 2019) and 146.598 k EUR on 31 December 2018 and, on the other hand, other payables (182.266 k EUR on 30 June 2019 and 124.884 k EUR on 31 December 2018). The other payables mainly include accrued interest on the bond loans for 66.996 k EUR (31 December 2018: 37.690 k EUR) and liabilities for related personnel expenses amounting to 78.538 k EUR (66.894 k EUR on 31 December 2018.

Financial instruments

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

Level 2: other techniques for which all input with a significant impact on the recorded fair value can be observed either directly or indirectly
Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data

The 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 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).

At 30 June 2019 the fair values are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 3	Book value
Other investments	0	867	867
Cash and cash equivalents	119.163	0	119.163
Total receivables	395.469	0	395.469
Receivables cash pool activities	235.071	0	235.071
Total	**749.703**	**867**	**750.570**
Loans on long-term	4.449.073	0	3.991.518
Loans on short-term	3.500	0	3.500
Total current liabilities, other	396.726	0	396.726
Liabilities cash pool activities	392.356	0	392.356
Total	**5.241.655**	**0**	**4.784.100**

At 31 December 2018, the fair values are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 3	Book value
Other investments	0	845	845
Cash and cash equivalents	2.095	0	2.095
Total receivables	327.328	0	327.328
Receivables cash pool activities	136.934	0	136.934
Total	**466.357**	**845**	**467.202**
Loans on long-term	4.412.435	0	3.991.963
Loans on short-term	28.456	0	28.456
Total current liabilities, other	273.555	0	273.555
Liabilities cash pool activities	187.978	0	187.978
Total	**4.902.424**	**0**	**4.481.952**

Other information

22 Related parties

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

23 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.

Building a better working world

Ernst & Young
Bedrijfsrevisoren
Reviseurs d'Entreprises
Pauline van Pottelsberghelaan 12
B - 9051 Gent

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

Report of the statutory auditor to the shareholders of Fluvius System Operator CVBA on the review of the interim condensed consolidated financial statements 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 Fluvius System Operator CVBA (the "Company"), and its subsidiaries as at 30 June 2019 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 5.150.741 thousand and a net result for the six month period then ended of € 0. The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

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Conclusion

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

Ghent, 25 September 2019

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

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

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