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**Regulated information**

*Melle, 23 September 2020*

## **HALF-YEARLY FINANCIAL REPORT OF THE FLUVIUS-GROUP<sup>1</sup> AS PER 30 JUNE 2020<sup>2</sup>**

### **HIGHLIGHTS**

- The coronavirus outbreak severely impacts Fluvius's operations and the distributed energy volumes, but the overall financial fall-out remains limited. Safety of employees and the grid's security and stability were guaranteed at all times.
- Fluvius announces the start of negotiations with Telenet on the possible roll-out of a fast fibre-to-the-home (FTTH) data network in Flanders.
- The tariff methodology 2021-2024 will result in a downward trend for the DSOs' revenues.
- The roll-out of digital metering will be accelerated following a decision by the Flemish government.
- Publi-T capital increase: DSOs participate for EUR 79,25 million.
- The investment programme to switch the entire public lighting in Flemish cities and municipalities towards LED technology is on track, despite a delay due to corona.
- Sustainability: Fluvius CSR Charter testifies to the company's commitment towards climate action and sustainability.
- Stable figures for Fluvius's headcount: 5.419 employees as per 30 June 2020, identical to the 31 December 2019 figure.
- Financial developments (Fluvius group, IFRS figures): a limited increase year-on-year of revenues by 0.35% and operating costs by 0.44%. The balance sheet total went up 4.4% during the first half of 2020 to EUR 5.4 billion.

<sup>1</sup> The Fluvius group comprises Fluvius System Operator cv and its subsidiaries, joint ventures and associated companies De Stroomlijn cv, Atrias cv and Synductis cv.

<sup>2</sup> All comparisons are with the figures reported as per 30 June 2019, unless stated otherwise.

- No profit or loss, since all costs are fully passed on to the company's shareholding intermunicipalities as a result of the 'operations at cost' principle.

## MANAGEMENT REPORT

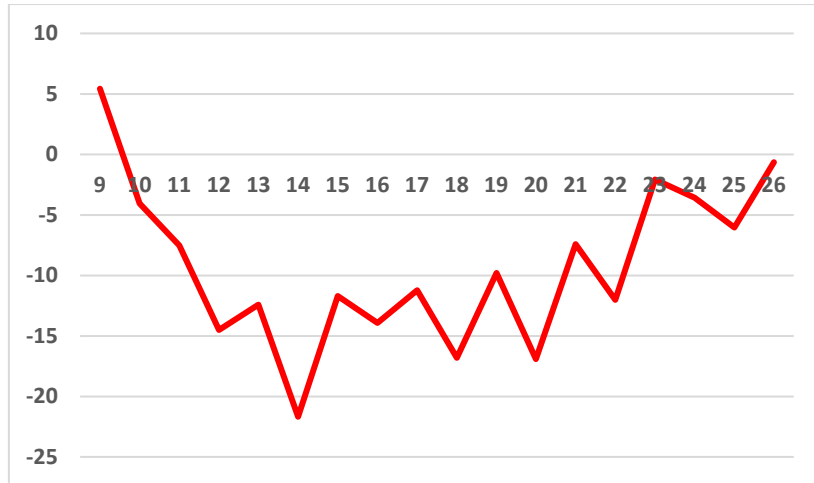
### Coronacrisis and the impact on Fluvius

It should not come as a surprise that the coronavirus outbreak, and the ensuing measures to contain it, have had a major impact on Fluvius and its operations since mid-March 2020. The prime objective of the Fluvius management during the lockdown period imposed by Belgian authorities has always been to safeguard the continuity of its critical services (energy distribution, public lighting, sewerage, cable television and others) to the general public, while at the same time keeping its employees and members of the public safe and healthy.

In the first and strictest phase of the lockdown, only urgent operations were carried out. Meter reading by staff was postponed. For all non-technical staff, remote working became the norm. In phase 2, technical operations requiring only one single employee were restarted with the most stringent sanitary and safety measures in place. Meter reading was resumed in such a way that direct contact between our meter reader and end consumers could be avoided. Since the end of April, a gradual uptake of normal operations was prepared, in consultation with the trade unions, the internal Dept. Safety & Wellbeing and the external medical staff, and in full compliance with the measures and guidelines issued by the public authorities. Starting on 11 May, all technical and customer-oriented activities gradually resumed.

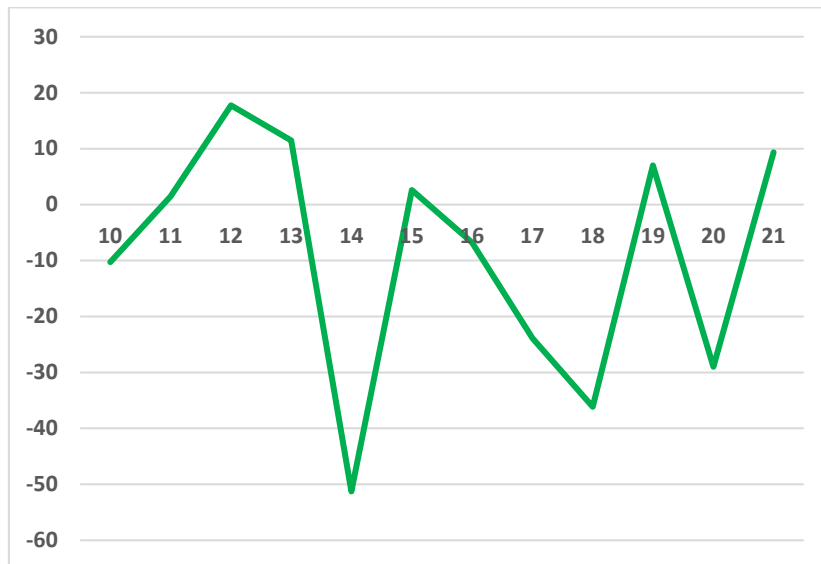


As a consequence of the lockdown, Fluvius has registered a significant decrease of consumption volumes, especially for electricity. The graph below presents the evolution of infeed volumes on a weekly basis (week 9 until 26 - 2020 infeed volumes electricity compared to 2019, in %):



The 2020 volumes started to decline substantially as from week 10 when the first restrictive measures came into force, leading to a maximum decrease by 21,7% in week 14. The infeed volumes more or less stabilised by the end of June 2020. The decrease in volumes was highly correlated to the timing of decisions taken by the public authorities (lockdown and gradual easing of restrictive measures). Volume decreases were especially marked in the industrial segment with declines up to 24%.

Gas consumption in 2020 shows a much more erratic pattern than electricity due to the additional effect of outside temperatures beside the economic impact of corona-related measures (week 10 until 21 - 2020 infeed volumes gas compared to 2019, in %):



We point out that the bulk of Fluvius Economic Group’s cash flows and financial performance is realized within a well-defined regulated context. Revenue decreases due to a reduction of energy consumption might affect the Economic Group’s liquidity position. However, Fluvius has been able to assure ample liquidity constantly throughout the first semester of 2020, in spite of the challenging circumstances. Revenue decreases as a consequence of volume differences (i.e. the balance between volumes estimated ex ante in the tariff proposals submitted to the regulator and the actual volumes registered ex post) are in principle fully recoverable in subsequent tariff periods.

From an operational point of view, the major consequences were as follows:

- delays in regular infrastructure works, the roll-out of digital metering, the LED-conversion in public lighting and the conversion from low-calorific to high-calorific gas;
- the digital metering roll-out was further hampered by a lack of meters due to supply chain problems.

Below, a number of other measures taken by Fluvius within the corona context are listed:

- all Fluvius employees have been fully paid out throughout the lockdown period;
- telework became the norm for all administrative staff for the period mid-March until the end of August – a decision on the period beyond as from September 2020 is yet to be taken;
- we invested in reinforcing the robustness and reliability of our IT systems to allow for the massive use of telework from home;
- the additional cost for corona-related items (protective materials, masks, disinfectants, rearrangement of offices etc.) was limited;
- with a view to maintaining an excellent partnership with its suppliers and contractors, Fluvius decided to accelerate the payments of their invoices for an aggregate amount of EUR 38 million from an average period of 30 days to 14 days, thus somewhat alleviating the impact of the crisis on these partners;
- monthly payments by Fluvius of VAT and withholding tax for February, March and April could be postponed for two months;
- the Annual Shareholders' Meetings for Fluvius System Operator and its shareholders were held online; an amount equal to the associated cost savings was donated to our charities (Food Banks and Kom Op Tegen Kanker).

#### Fast data network

On 26 June 2020, Fluvius and telecom operator Telenet formally announced in a joint press release that they are to start talks about the realisation of a data network of the future in Flanders. Although the current network infrastructure will continue to meet the expectations of families and businesses in the coming years, the demand for more and faster data networks will also continue to increase. Fluvius is concerned that in the long run a new digital divide may arise in Flanders. In Fluvius's opinion, access to good data connections for everyone is crucial in tomorrow's Flanders. Since early 2019, Fluvius set up pilot projects in five test areas (totalling 15.000 homes in Antwerp, Diksmuide, Genk, Ghent and Poperinge). Fluvius will only provide the open fibre infrastructure without offering any services itself. Telecom players wishing to do so, can use this network to offer their services to potential customers.



The talks announced by both parties, Fluvius and Telenet, mark the starting point of a process to see whether they can agree on a roll-out of FTTH technology. An ambitious project for a fast data network could be a logical next step to build a network of the next generation, guaranteeing Flanders a leading position in data infrastructure in the coming decades. It is expected that the discussions between Fluvius and Telenet will last until the beginning of 2021.

#### Acceleration for digital meter roll-out

On 5 June 2020, the Flemish Government decided that the roll-out of digital metering for electricity and gas in Flanders be accelerated. 80% of digital meters have to be installed by year-end 2024, and the entire roll-out now ought to be completed by mid-2029 (this was 2034 in the previous scenario). This decision was partly inspired by an updated cost-benefit analysis carried out by energy regulator VREG which demonstrated that there were substantial societal benefits to be gained from an accelerated roll-out: reduced energy consumption, avoided carbon emissions and better fraud detection.

Fluvius is taking all necessary preparatory measures to be able to meet this ambitious target.

Meanwhile, Fluvius has already installed a total number of 331.972 digital meters as per end of June 2020. Of this total, 283.501 meters were part of the regular replacement roll-out, while 48.471 digital meters were installed at specific target groups. 84.951 digital meters have already been installed at prosumers. Only 3.181 customers have refused the installation of a digital meter. We have already registered 3.246 activated S1/P1 user data portals on the digital meters.

Fluvius has also started a collaboration with its Brussels and Walloon counterparts Sibelga and ORES/Resa in the field of digital metering.



Digital metering will open up a new range of possibilities. We have launched a web portal that enables our end consumers to consult their consumption data online. This is offered as a free service. Owners of solar panels are now able to consult their injection data on a daily basis on the condition that they go through a registration procedure to ensure data privacy.

#### Other topics

As a consequence of the switch of four municipalities in the Province of Antwerp (i.e. Malle, Ranst, Wommelgem and Zoersel) from the DSO Iveka to the DSO Fluvius Antwerpen, effective from 1 January 2020, a limited reshuffle of Fluvius System Operator's shareholding was executed. Fluvius Antwerpen now holds 18,10% of Fluvius shares (previously 17,33%), while Iveka decreased from 6,83% to 6,06%.

On 9 February, Flanders was hit by a severe storm. Well over 1.000 incidents were reported. To cope with this situation, our technical teams put in extra efforts to normalise grid operations as quickly as possible. And we communicated to the general public through a number of channels: call centre, website, social media etc.

As part of our global Cyber Security Roadmap we entered into a long-term collaboration with a specialised firm that will advise us on defending our IT systems and databases against cyber threats and attacks.

On 30 June 2020, Fluvius<sup>3</sup> had 5.419 employees or 5.122,14 full-time equivalents (FTE). This number of employees is identical to the number of staff at year-end 2019. We have registered a slight decrease of 53,92 FTE (- 1,0%) compared to 31 December 2019. The entire consolidated Fluvius Group employed a total of 5.777 employees (5.454,49 FTE).

Fluvius System Operator has two corporate ratings: at Moody's and at Creditreform Rating. Throughout the first six months of 2020, Moody's kept the Fluvius rating unchanged at A3 with a stable outlook. The rating at Creditreform Rating remained unchanged at A+ with a stable outlook.

Fluvius is responsible for implementing the DSOs' social public service obligations. We registered an increase in the number of social supplier customers: for electricity and gas combined there was a 1,1% increase to a total of 136.308 social supplier customers. But the number of active budget meters decreased. For electricity, we recorded 36.233 active budget meters on 30 June 2020 (-10,3% compared to June 2019). For gas, there were 24.601 active budget meters (-10,6%). The remarkable decrease in the number of active budget meters is due to the legal obligation (effective since mid-March 2020 as part of the general corona measures) not to activate new budget meter customers.

Publi-T: all Fluvius shareholders that have a participation in Publi-T, the public holding which is the controlling shareholder of Belgium's electricity transmission operator Elia, decided in 2019 to take

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<sup>3</sup> This figure includes both the employees of Fluvius System Operator and the employees on the payroll of Fluvius OV ('Fluvius opdrachthoudende vereniging'), a separate entity specifically created as the employer for the statutory employees of the former Infrac Economic Group entities who – due to provisions in Belgian labour law – could not be transferred to the payroll of Fluvius System Operator. All of Fluvius OV's employees are, however, fully integrated into Fluvius's organisation chart and operations.

part in Publi-T's capital increase for a total amount of EUR 79,25 million. Fluvius System Operator prefinanced this transaction via the cash pool system, awaiting a structural financing by the DSOs.

The safety results for the first half of 2020 did not meet the targets. The frequency rate stood at 5,25 (while the norm is 4,50) and the severity rate reached 0,11 (the norm is 0,09) leading to 483 days of absence from work. We registered two fluidum accidents<sup>4</sup>, while the objective for this parameter is zero fluidum accidents.

Sustainability is strongly embedded in Fluvius's corporate strategy and DNA. Proof of this is the Fluvius CSR Charter (read the charter at <https://over.fluvius.be/sites/fluvius/files/2019-12/9010106-mvo-charter-2019-en.pdf>). This document outlines the company's commitment towards a wide range of sustainability, climate and corporate governance topics. For each topic, a few policy principles have been defined.

Fluvius fully supports the European objective of climate neutrality by 2050. In our role as energy distributor, we want to contribute to the energy transition towards a decarbonised economy and society in Flanders.

Our sustainability strategy is also put into practice. Just a few examples. In our car policy we vigorously promote electric mobility solutions where feasible; we have called this policy "electric first". Within the limits of our distributor's role we try to facilitate renewable energy in Flanders. At the end of June 2020, we had already connected 5,7 million kVA of decentralised generation capacity to the distribution grids we operate, of which 57,3% in solar panels and 19,9% in wind turbines.

Fluvius has contributed to ASSIST (Support Network for Household Energy Savings), a European project to combat energy poverty. The project ran for three years and was concluded in June 2020. The project's aim was to reduce energy poverty through changes in behaviour and concrete advice. As part of the ASSIST-project Fluvius trained 75 Home Energy Advisors, of which 25 volunteering Fluvius colleagues, who supported and advised vulnerable families on energy savings during personal visits. They also distributed so-called 'living meters' that indicate in-house temperature and humidity. Based on the experiences and insights of ASSIST, a number of valuable policy recommendations on how to tackle energy poverty at specific target groups have been formulated as well.



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<sup>4</sup> A fluidum accident is an accident linked to electricity or gas.

## FINANCIAL RESULTS

Operating revenues<sup>5</sup> for the first half of 2020 have increased compared to the same period in 2019 to EUR 819,5 million (+0,35%). The pre-tax profit for the period as per 30 June 2020 amounted to EUR 4,2 million (2019: EUR 4,4 million), or -4,8%.

The total of equity and liabilities at 30 June 2020 was EUR 5.428,4 million, which is EUR 228,9 million higher than 30 June 2019 (+4,4%).

## RISK FACTORS

The fundamental risk factors as described in the Fluvius 2019 Annual Report were still valid for the first half of 2020.

The scope and duration of the coronavirus spread in Flanders during the second half of 2020 will remain a major factor of uncertainty. A possible flare-up of the virus might once again trigger restrictive measures imposed by the public authorities, negatively impacting economic activities, energy consumption and the Fluvius Economic Group's financial position. Fluvius will closely monitor these developments and take all appropriate measures if and when necessary with a view to business continuity, health and safety. The management frequently reports on the risks and risk management to both the Audit Committee and the Board of Directors.

## MAJOR EVENTS AFTER REPORTING DATE

On 13 August 2020, the Flemish energy regulator VREG published the tariff methodology for electricity and gas which will be applicable in the years 2021-2024. The basic principles in the tariff methodology 2017-2020 were maintained: a four-year tariff period, a revenue-based regulation including incentives on endogenous costs, and an allowed capital cost remuneration for the DSOs based on the formula "weighted average cost of capital multiplied by the Regulated Asset Base value" (RAB x WACC). But VREG also decided to implement a number of measures which will result into a decrease of revenues for the electricity and gas DSOs in the upcoming tariff period, such as additional cost savings following the merger creating Fluvius System Operator, a downward revision of most parameters in the calculation formula for the allowed income, a quality incentive on the service delivery level, a 'frontier shift'<sup>6</sup> change to the gas tariffs and a phase-out over eight years of the remuneration on the RAB surplus values. VREG confirmed in its decision on the tariff structure that – with a view to the energy transition – the grid-related costs for electricity will be largely invoiced on the basis of a capacity tariff.

On 10 September 2020, the rating agency Moody's affirmed Fluvius's A3 rating, but it changed the rating outlook from stable to negative. This decision was primarily based on Moody's expectation

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<sup>5</sup> Fluvius Economic Group, IFRS, January-June 2020

<sup>6</sup> frontier shift: improvement of productivity that can be realised by the most efficient companies



that, without mitigating measures, Fluvius's credit metrics might come under pressure during the tariff period 2021-2024 due the VREG's decision on the 2021-2024 tariff methodology.

The public prosecutor's office in Antwerp has announced its intention to request the court to refer Fluvius System Operator, its CEO and its Director Grid Operations to the correctional court for their possible involvement in the gas explosion in Wilrijk (Antwerp) on 3 September 2019. One person died and three people were severely wounded by this explosion, and it caused considerable material damage. Fluvius is fully cooperating with the investigation and it will bring its defence at the appropriate moment.

## **OUTLOOK**

Taking into account the risks related to the coronavirus discussed above and barring unforeseen economic, regulatory or other developments, Fluvius expects there to be no substantial deviations from its financial and budgetary objectives in the second half of 2020. 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 Economic Group's costs and its overall and company specific risks strictly under control.

## **REPORTING STATUS**

These condensed financial statements for the period ended 30 June 2020 were approved for publication by Fluvius's Board of Directors on 23 September 2020.

On 23 September 2020, Fluvius's statutory auditor EY, represented by Mr Marnix Van Dooren, issued its report on the limited review of the consolidated half-year financial information for the six-month period ended 30 June 2020. This report states 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 cv and its subsidiaries as of 30 June 2020 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, 23 September 2020.*

***Frank VANBRABANT, CEO***

***David TERMONT, CFO***

## **ANNEX**

Condensed interim IFRS financial statements for the six-month period ended 30 June 2020:

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

## **PROFILE OF THE REPORTING ENTITY**

*Fluvius System Operator cv and its consolidated subsidiaries De Stroomlijn cv, Atrias cv and Synductis cv (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, Fluvius West, Gaselwest, Imewo, 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 more than 230.000 km of utility lines and 7 million connections. Fluvius has operations 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.*

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# **FLUVIUS SYSTEM OPERATOR GROUP**

## **Condensed Consolidated Interim IFRS Financial Statements**

**30 June 2020**

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# Interim Financial Statements

## Condensed consolidated statement of profit or loss

| (In thousands of EUR)   | Notes | 30 June<br>2020 | 30 June<br>2019 |
|---|-------|-----------------|-----------------|
| <b>Operating revenue</b>  |       | <b>819.527</b>  | <b>816.670</b>  |
| Revenue from contracts with customers                             | 3     | 784.147         | 805.028         |
| Other operating income  |       | 35.380          | 11.642          |
| <b>Operating expenses</b>   |       | <b>-810.034</b> | <b>-806.517</b> |
| Cost of trade goods   |       | -67.622         | -72.065         |
| Cost for services and other consumables                           | 4     | -453.221        | -440.944        |
| Employee benefit expenses   | 5     | -297.021        | -284.237        |
| Depreciation, amortization, impairments and changes in provisions | 6     | 10.579          | -8.261          |
| Other operational expenses  |       | -2.749          | -1.010          |
| <b>Result from operations</b>                                     |       | <b>9.493</b>    | <b>10.153</b>   |
| Finance income  | 7     | 60.516          | 61.784          |
| Finance costs   | 7     | -65.803         | -67.520         |
| <b>Profit before tax</b>  |       | <b>4.206</b>    | <b>4.417</b>    |
| Income tax expenses   | 8     | -4.206          | -4.417          |
| <b>Profit for the period</b>                                      |       | <b>0</b>        | <b>0</b>        |



## Condensed consolidated statement of comprehensive income

| (In thousands of EUR)  | Notes | 30 June<br>2020 | 30 June<br>2019 |
|--|-------|-----------------|-----------------|
| <b>Profit for the period</b>   |       | <b>0</b>        | <b>0</b>        |
| <b>Other comprehensive income</b>  |       |                 |                 |
| <b>Items not to be reclassified to profit or loss in subsequent periods</b>                          |       |                 |                 |
| Actuarial gains (losses) on long-term employee benefits  | 21    | -22.595         | -63.001         |
| Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits             | 21    | 22.595          | 63.001          |
| <b>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</b> |       | <b>0</b>        | <b>0</b>        |
| <b>Total comprehensive income for the period</b>   |       | <b>0</b>        | <b>0</b>        |

## Condensed consolidated statement of financial position

| (In thousands of EUR)  | Notes     | 30 June<br>2020  | 31 December<br>2019 |
|--|-----------|------------------|---------------------|
| <b>Non-current assets</b>  |           | <b>4.120.333</b> | <b>4.094.994</b>    |
| Intangible assets  | 9         | 1.818            | 2.150               |
| Property, plant and equipment  | 10        | 4.383            | 5.451               |
| Right-of-use assets  | 11        | 34.129           | 36.972              |
| Investment in joint ventures and associates  | 12        | 17               | 16                  |
| Other investments  | 13, 23    | 915              | 905                 |
| Rights to reimbursement on post-employment employee benefits                       | 14        | 282.261          | 258.499             |
| Long-term receivables, other   | 15        | 3.796.810        | 3.791.001           |
| <b>Current assets</b>  |           | <b>1.308.032</b> | <b>1.104.429</b>    |
| Inventories  |           | 89.564           | 78.542              |
| Short-term receivables, other  | 15        | 170.000          | 170.000             |
| Trade and other receivables  | 16, 23    | 515.479          | 391.907             |
| Receivables cash pool activities   | 17, 23    | 509.367          | 435.758             |
| Cash and cash equivalents  | 18, 23    | 19.146           | 28.222              |
| <b>TOTAL ASSETS</b>  |           | <b>5.428.365</b> | <b>5.199.423</b>    |
| <b>EQUITY</b>  | <b>19</b> | <b>1.617</b>     | <b>1.617</b>        |
| <b>Total equity attributable to owners of the parent</b>                           |           | <b>1.517</b>     | <b>1.517</b>        |
| Contribution excluding capital / Share capital, reserves and retained earnings (*) |           | 1.517            | 1.517               |
| <b>Non-controlling interest</b>  |           | <b>100</b>       | <b>100</b>          |
| <b>LIABILITIES</b>   |           | <b>5.426.748</b> | <b>5.197.806</b>    |
| <b>Non-current liabilities</b>   |           | <b>4.133.826</b> | <b>4.112.761</b>    |
| Interest bearing loans and borrowings  | 20, 23    | 3.820.576        | 3.821.108           |
| Lease liabilities  | 11, 23    | 24.448           | 26.937              |
| Employee benefit liabilities   | 21        | 282.261          | 245.624             |
| Derivative financial instruments   | 20, 23    | 6.541            | 6.217               |
| Provisions   | 21        | 0                | 12.875              |
| <b>Current liabilities</b>   |           | <b>1.292.922</b> | <b>1.085.045</b>    |
| Interest bearing loans and borrowings  | 20, 23    | 741.463          | 637.986             |
| Lease liabilities  | 11, 23    | 10.247           | 10.472              |
| Trade payables and other current liabilities                                       | 22, 23    | 418.910          | 300.538             |
| Liabilities cash pool activities   | 17, 23    | 118.399          | 133.069             |
| Current tax liabilities  | 23        | 3.903            | 2.980               |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |           | <b>5.428.365</b> | <b>5.199.423</b>    |

(\*) Further information is disclosed in the note 'Equity'



## Condensed consolidated statement of changes in equity

| (In thousands of EUR)             | Contribution<br>excluding<br>capital /<br>Share<br>capital (*) | Reserves   | Retained<br>earnings | Equity<br>attributable to<br>owners of the<br>parent | Non-<br>controlling<br>interest | Total         |
|-----------------------------------|--|------------|----------------------|--|---------------------------------|---------------|
| <b>Balance at 1 January 2020</b>  | <b>10.175</b>  | <b>213</b> | <b>19</b>            | <b>10.407</b>  | <b>93</b>                       | <b>10.500</b> |
| Repayment of equity               | -8.891   | 0          | 1                    | -8.890   | 0                               | -8.890        |
| Merger by incorporation           | 0  | 0          | 0                    | 0  | 0                               | 0             |
| Result for the period             | 0  | 0          | 0                    | 0  | 0                               | 0             |
| <b>Other comprehensive income</b> | <b>0</b>   | <b>0</b>   | <b>0</b>             | <b>0</b>   | <b>0</b>                        | <b>0</b>      |
| Subtotal                          | -8.891   | 0          | 1                    | -8.890   | 0                               | -8.890        |
| <b>Balance at 30 June 2019</b>    | <b>1.284</b>   | <b>213</b> | <b>20</b>            | <b>1.517</b>   | <b>93</b>                       | <b>1.610</b>  |
| <b>Balance at 1 January 2020</b>  | <b>1.284</b>   | <b>213</b> | <b>20</b>            | <b>1.517</b>   | <b>100</b>                      | <b>1.617</b>  |
| Change in consolidation scope     | 0  | 0          | 0                    | 0  | 0                               | 0             |
| Merger by incorporation           | 0  | 0          | 0                    | 0  | 0                               | 0             |
| Result for the period             | 0  | 0          | 0                    | 0  | 0                               | 0             |
| <b>Other comprehensive income</b> | <b>0</b>   | <b>0</b>   | <b>0</b>             | <b>0</b>   | <b>0</b>                        | <b>0</b>      |
| Subtotal                          | 0  | 0          | 0                    | 0  | 0                               | 0             |
| <b>Balance at 30 June 2020</b>    | <b>1.284</b>   | <b>213</b> | <b>20</b>            | <b>1.517</b>   | <b>100</b>                      | <b>1.617</b>  |

(\*) Further information is disclosed in the note 'Equity'.

## Condensed consolidated statement of cash flows

| (In thousands of EUR)  | Notes     | 30 June<br>2020 | 30 June<br>2019 |
|--|-----------|-----------------|-----------------|
| Profit for the period  |           | 0               | 0               |
| Amortization of intangible assets  | 6         | 332             | 376             |
| Depreciation on property, plant and equipment and right-of-use assets                            | 6         | 6.856           | 6.601           |
| Change in provisions (Reversal -; Recognition +)   | 6         | -12.875         | 0               |
| Impairment current assets (Reversal -; Recognition +)  | 6         | -4.892          | 1.284           |
| Gains or losses on realization receivables   |           | 2.191           | 657             |
| Net finance costs  |           | 4.963           | 4.441           |
| Change in fair value of derivative financial instruments   | 20        | 324             | 1.295           |
| Gains or losses on sale of property, plant and equipment   |           | -39             | -477            |
| Income tax expense   | 8         | 4.206           | 4.417           |
| <b>Operating cash flow before change in working capital and provisions for employee benefits</b> |           | <b>1.065</b>    | <b>18.594</b>   |
| Change in inventories  |           | -11.022         | -8.422          |
| Change in trade and other receivables  |           | -93.368         | -50.327         |
| Change in trade payables and other current liabilities   |           | 84.069          | 89.368          |
| Change in employee benefits  | 21        | 12.875          | 0               |
| <b>Net operating cash flow</b>   |           | <b>-7.446</b>   | <b>30.619</b>   |
| Interest paid  |           | -29.446         | -30.473         |
| Interest received  |           | 26.998          | 40.524          |
| Financial discount on debts  |           | 178             | 193             |
| Income tax paid (received)   | 8         | -7.759          | -6.941          |
| <b>Net cash flow from operating activities</b>   |           | <b>-16.410</b>  | <b>52.516</b>   |
| Proceeds from sale of property, plant and equipment  |           | 39              | 595             |
| Purchase of intangible assets  |           | 0               | -117            |
| Purchase of property, plant and equipment  |           | -77             | -471            |
| Acquisition of companies and other investments   | 12        | -1              | 0               |
| Net investments in long-term receivables   |           | 15              | 0               |
| <b>Net cash flow used in investing activities</b>  |           | <b>-24</b>      | <b>7</b>        |
| Repayment of contribution excluding capital / share capital                                      |           | 0               | -8.891          |
| Repayment of borrowings  | 20        | -1.750          | -1.750          |
| Payment of finance lease liabilities   | 12        | -6.086          | -6.098          |
| Change in current financial liabilities  | 20        | 103.470         | -24.956         |
| Change in cash pool  |           | -88.276         | 106.240         |
| <b>Net cash flow from/used in financing activities</b>   |           | <b>7.358</b>    | <b>64.545</b>   |
| <b>Net increase/decrease in cash</b>   |           | <b>-9.076</b>   | <b>117.068</b>  |
| <b>Cash and cash equivalents at the beginning of period</b>                                      | <b>18</b> | <b>28.222</b>   | <b>2.095</b>    |
| <b>Cash and cash equivalents at the end of period</b>  | <b>18</b> | <b>19.146</b>   | <b>119.163</b>  |

## Selected explanatory notes

### Basis of preparation

#### 1 Corporate information

Fluvius System Operator, abbreviated Fluvius, a partnership ('coöperatieve vennootschap'/'société coopérative') 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 was established as a result of the merger between Eandis System Operator and its peer Infrac. Eandis System Operator changed its name to Fluvius System Operator.

The condensed consolidated interim financial statements of Fluvius for the period ended 30 June 2020 contain the information of the company, its subsidiaries, investment in joint ventures and associates - De Stroomlijn cv, Atrias cv and Synductis cv - and together they form the 'Group'.

Fluvius System Operator is the **independent multi-utility company** responsible for the construction, management and maintenance of the distribution grids for electricity and natural gas (in all 300 Flemish municipalities); the management of public lighting (in all 300 Flemish municipalities); the construction, management and maintenance of the sewage system (85 Flemish municipalities); the management of the cable grid network (103 Flemish municipalities); the construction of heating grids; tasks of social energy supplier; promotion of rational use of energy and water; and the support of local authorities in Flanders in their efforts to increase energy efficiency and achieve the climate objectives.

On 26 June 2020, Fluvius and Telenet announced the start of negotiations on the realisation of a fast data network of the future in Flanders.

Fluvius carries out these tasks on behalf of and for the account of eleven intermunicipal associations ('intercommunal associations') or Mission Entrusted Associations MEAs): Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE, Riobra and Sibelgas. These eleven intermunicipal associations are also the shareholders of Fluvius System Operator cv.

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. These MEAs are called Distribution System Operators or 'DSO's'.

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.

Fluvius System Operator's **shareholders**, together with this 'Group', Fluvius OV and Interkabel Vlaanderen cv form the 'Economic Group Fluvius', which also publishes its IFRS financial statements.

The Flemish energy regulator VREG has granted permission to the distribution system operators for energy Fluvius Antwerpen, Fluvius Limburg, Fluvius West, Gaselwest, Imewo, Intergem, Iveka, Iverlek, PBE and Sibelgas to call on the services of the operating company Fluvius System



Operator for electricity and gas. These authorisations shall apply until 25 September 2026 (electricity) and 14 October 2027 (gas) respectively.

Fluvius operates in **all cities and municipalities in the Flemish Region (Belgium)**. The multi-utility-approach (several utility services carried out within one entity) will result into financial and operational efficiencies. 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 4.637 persons during 2019 (2018: 4.290 persons) and calls on 788 persons on average that are employed in Fluvius OV.

The Flemish Energy Decree stipulates that each MEA can call on only one operating company. All MEAs of the 'Economic Group Fluvius' have chosen Fluvius System Operator cv for this purpose. The latter can carry out its tasks with its own staff and can call upon statutory (permanent) staff via secondment.

On 1 April 2019, all contractual staff of the ex-Infrac MEAs and ex-Integan were taken over by Fluvius System Operator cv. In order to have the secondment take place via one company, all statutory staff of the ex-Infrac MEAs and ex-Integan were transferred to Fluvius OV.

Fluvius has chosen to obtain a **rating** from the rating agencies 'Moody's Investor Services Ltd.' (Moody's) and 'Creditreform Rating AG' (Creditreform). On 25 July 2019, the rating received from Moody's was A3 (stable outlook). On 18 May 2020, Moody's published an issuer comment stating that the rating may be downgraded if the proposal of the Flemish energy regulator to reduce the allowed income of the MEAs becomes applicable. On 13 August 2020, the VREG took a decision on the tariff methodology applicable for the 2021-2024 period. See note 'Events after the reporting date'.

Since January 2017, the rating at Creditreform is A+ with a stable outlook. This rating was confirmed on 2 August 2019.

Due to the outbreak of the **COVID-19 pandemic**, the Group's operations and services have been thoroughly adapted since mid-March 2020. However, as the company operates within a regulated framework and passes on its results, the financial impact is rather limited. Further information can be found on the **website** and in the note 'Use of estimates and assumptions'.

For more information, visit the website [www.fluvius.be](http://www.fluvius.be)

These condensed consolidated interim financial statements for the six months ended 30 June 2020 were approved for publication by the Board of Directors on 23 September 2020 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 2020 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 2019.

## 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 2019 except for the amendments to accounting methods and new standards or interpretations in force since 1 January 2020 as described below.

Amendments in invoicing flows were made following the implementation of the changes in the invoicing method between the operating company and the MEAs.

- Contributions received by the DSOs for investment and operating works have been passed on by the MEAs to Fluvius and were deducted from the proceeds pursuant to the invoicing by Fluvius to third parties.  
Since the application of the new accounting method the revenues at Fluvius remain according to their origin.  
The impact on the restated figures of 2019 for operating revenue in the Consolidated statement of profit or loss on the line 'Other operating revenue' would be 20.073 k euro higher, the line 'Revenue from contracts with customers' would be 20.073 k euro lower (for operating works).
- The trade receivables (from social customers) and related write-downs are no longer included in the operating company Fluvius System Operator but in the MEAs.  
The impact on the figures of 31 December 2019 amounts to 12.086 k euro less trade receivables and 5.292 k euro less impairments (net 6.794 k euro less trade receivables).
- There is also an adjustment in timing and recognition as trade receivable for the invoicing of costs related to the ex-Infrac MEAs (see note 'Trade and other receivables') and as trade payable for the grid fee (see note 'Trade payable and other liabilities').

The new standards and interpretations that are applicable from 1 January 2020 do **not materially affect** the condensed consolidated interim financial statements of the Group. They were the following:

- Amendments to *References to the Conceptual Framework in IFRS Standards*. The Conceptual Framework sets out the fundamental concepts of financial reporting that guides the Board in developing IFRS Standards
- Amendments to IFRS 3 *Business Combinations* – Definition of a business
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - Interest Rate Benchmark Reform
- Amendments to IAS 39 *Financial Instruments: Recognition and measurement* and IFRS 7 *Financial Instruments: Disclosures* - Interest Rate Benchmark Reform
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of material

One amendment is applicable from 1 June 2020, but has not been endorsed by the EU up to the date of issuance of the Group's condensed interim financial statements and will **not have a significant impact**:

- Amendments to IFRS 16 *Leases* – COVID-19 - Related Rent Concessions, effective 1 June 2020

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 4 *Insurance Contracts* – Deferral of IFRS 9, effective 1 January 2021
- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current, effective 1 January 2022
- Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework, effective 1 January 2022
- Amendments to IAS 16 *Property, Plant and Equipment* – Proceeds before Intended Use, effective 1 January 2022
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts - Cost of Fulfilling a Contract, effective 1 January 2022
- Annual Improvements Cycle – 2018-2020, effective 1 January 2022
- IFRS 17 *Insurance Contracts*, effective 1 January 2023

### 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, management has taken into account the effects of COVID-19 (coronavirus) and the current economic environment.

The impact of COVID-19 and the current economic climate have been assessed on the basis of this interim financial information. The significant accounting judgments and estimates have been included in the 2019 IFRS consolidated financial statements. At the end of June 2020, these were reviewed to determine whether the current market conditions required any changes in these judgments and estimates. Due to the current uncertain global impact of the COVID-19-pandemic, these estimates and judgments by management are subject to an increased degree of uncertainty. Actual amounts may differ from those estimates and management judgments and changes may have a material impact on the condensed consolidated interim financial statements.

The impact of COVID-19 on the activities in the first six months of 2020 mainly relates to disruptions of operations (lower execution rate) but this does not result in any visible material impact in the IFRS profit or loss account.

COVID-19 has affected the valuation of certain assets, including investments in listed assets, unlisted assets and pension plan investments, the valuation of which is challenging in rapidly changing market conditions (see notes 'Employee benefits liabilities' and 'Financial instruments: risks and fair value').

Indicators of impairment of assets, valuation of inventories and recoverability of trade receivables have also been taken into account. Currently, no significant increase in the amount of uncollectible



receivables has been identified and there has been no need to adjust the valuation of inventories and other assets.

Fluvius has also been able to benefit from the favourable measures taken by the public authorities to help companies get through this difficult period and thus obtained deferral of payment of VAT and withholding tax. In turn, Fluvius has decided to grant deferral of payment to its suppliers in order to respond to the difficult period for its suppliers. The impact on the net cash position amounts to -7.195 k EUR with a minimal impact on the financial costs.

However, potential risks and uncertainties remain related to the magnitude and duration of the impact of COVID-19 and the pace and shape of the economic recovery after the pandemic.

## Performance of the period

### 3 Operating revenue

The operating revenue amounts to 784.147 k EUR on 30 June 2020 and 805.028 k EUR on 30 June 2019, this is a decrease of 20.881 k EUR. Other operating income amounts to 35.380 k EUR on 30 June 2020 and 11.642 k EUR on 30 June 2019, an increase of 23.738 k EUR.

As included in the 'Summary of significant accounting policies', there is a shift of 20.073 k EUR between the above mentioned lines due to the implementation of a new accounting system.

Revenue reflects the increased costs that are passed on mainly to the MEAs, shareholders.

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

| Company           | 30 June 2020     |                       | 30 June 2019     |                       |
|-------------------|------------------|-----------------------|------------------|-----------------------|
|                   | Revenue in k EUR | % relative to revenue | Revenue in k EUR | % relative to revenue |
| Gaselwest         | 90.610           | 11,6%                 | 99.890           | 12,4%                 |
| Imewo             | 118.903          | 15,2%                 | 134.152          | 16,7%                 |
| Iverlek           | 106.578          | 13,6%                 | 114.455          | 14,2%                 |
| Fluvius Limburg   | 111.768          | 14,3%                 | 132.009          | 16,4%                 |
| Fluvius Antwerpen | 110.603          | 14,1%                 | 61.530           | 7,6%                  |
| Other             | 245.685          | 31,3%                 | 262.992          | 32,7%                 |
| <b>Total</b>      | <b>784.147</b>   | <b>100,0%</b>         | <b>805.028</b>   | <b>100,0%</b>         |

### 4 Cost for services and other consumables

The cost for services and other consumables amounts to 453.221 k EUR on 30 June 2020 and 440.944 k EUR on 30 June 2019, an increase of 12.277 k EUR.

The cost for the rational use of energy decreases slowly from 32.760 k EUR on 30 June 2019 to 31.607 k EUR on 30 June 2020. All other items hardly fluctuate at all; only in the item 'Consulting' an increase of 18.995 k EUR is observed.

### 5 Employee benefit expenses

The employee benefit expenses amount to 297.021 k EUR on 30 June 2020 and 284.237 k EUR on 30 June 2019, an increase of 12.784 k EUR.



The energy decree stipulates that every MEA can call on the services of one operating company. All MEAs, shareholders of the Group, have chosen Fluvius System Operator cv to fulfill these 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 Infrac MEAs and ex-Integan was taken over by Fluvius System Operator cv. To allow the secondment to take place via one company, the entire statutory staff of the former Infrac MEAs have been transferred to Fluvius OV. This company charges its costs to Fluvius S.O.

## **6 Depreciation, amortization, impairments and changes in provisions**

Depreciation, amortization, impairment and changes in provisions amount to -10.579 k EUR on 30 June 2020 and 8.261 k EUR on 30 June 2019. This item consists of an amount for depreciation (30 June 2020: 7.188 k EUR, 30 June 2019: 6.978 k EUR), impairment (30 June 2020: reversal totalling -4.893 k EUR, 30 June 2019: addition of 1.284 k EUR) and a reversal of provisions -12.875 k EUR; 30 June 2019: 0 k EUR).

The reversal of impairments relates to trade receivables (see note 'Trade and other receivables') and the reversal of provisions relates to other provisions (see note 'Provisions for employee benefits').

## **7 Financial results**

Financial income amounts to 60.516 k EUR on 30 June 2020 and 61.784 k EUR on 30 June 2019. This item contains mainly the interest to be received on loans granted to the MEAs (30 June 2020: 60.111 k EUR; 30 June 2019: 61.478 k EUR).

The financial costs amount to 65.803 k EUR on 30 June 2020 and 67.520 k EUR on 30 June 2019. These costs contain the interest payable on the bond loans (30 June 2020: 60.843 k EUR; 30 June 2019: 60.821 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.

## **8 Income tax expenses**

The income tax expenses amount to 4.206 k EUR at 30 June 2020 and 4.417 k EUR at 30 June 2019.

The tax rate amounts to 25,00% as from 2020 (29,58% up to 2019) 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 6.175 k EUR (30 June 2019: 6.835 k EUR) was prepaid and the estimated tax amounted to -1.970 k EUR (30 June 2019: -2.421 k EUR).

During the period up to the end of June 2020, an amount of 1.583 k EUR in taxes was paid in respect of the 2018 financial year.

# **Assets**

## **9 Intangible assets**

The Group reports intangible assets for 1.818 k EUR on 30 June 2020 and 2.150 k EUR on 31 December 2019, a decrease of 332 k EUR. This decrease is the result of the amortisation.

The intangible assets merely contain software licenses and development costs for 'smart' projects.



## 10 Property, plant and equipment

Property, plant and equipment amounts to 4.383 k EUR on 30 June 2020 and 5.451 k EUR on 31 December 2019. This decrease of 1.068 k EUR is mainly due to depreciation.

## 11 Right-of-use assets and lease obligations

The **right-of-use assets** amount to 34.129 k EUR on 30 June 2020 and 36.972 k EUR on 31 December 2019. This decrease of 2.843 k EUR is mainly due to the recognition of 2.953 k EUR of new or extended contracts and 5.711 k EUR of depreciation.

The resulting non-current **lease obligations** amount to 24.448 k EUR on 30 June 2020 and 26.962 k EUR on 31 December 2019, the current lease obligations amount to 10.247 k EUR on 30 June 2020 and 10.472 k EUR on 31 December 2019.

2.866 k EUR non-current lease liabilities were recorded, 10.247 k EUR were transferred from non-current to current lease liabilities, 6.086 k EUR payments and 505 k EUR interests were recorded.

## 12 Investments in joint ventures and associates

The other investments amount to 17 k EUR on 30 June 2020 and 16 k EUR on 31 December 2019. These investments are held in Atrias cv and Synductis cv (7 k EUR on 30 June 2020 and 6 k EUR on 31 December 2019).

## 13 Other investments

The other investments amount to 915 k EUR on 30 June 2020 and 905 k EUR on 31 December 2019 an increase of 10 k EUR in comparison to 31 December 2019 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 cv, which aims to reduce energy consumption at home.

## 14 Rights to reimbursement on post-employment employee benefits

The rights to reimbursement on post-employment employee benefits amount to 282.261 k EUR on 30 June 2020 and 258.499 k EUR on 31 December 2019, an increase of 23.762 k EUR.

This increase 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 (see note 'Employee benefit liabilities').

## 15 Long-term receivables and short-term-receivables, other

The **long-term receivables, other** amount to 3.796.810 k EUR at 30 June 2020 and 3.791.001 k EUR at 31 December 2019.

The long-term receivables mainly contain the receivable from the MEAs (3.750.000 k EUR; unchanged compared to 31 December 2019) that originates from lending on funds from the issuance of the bonds (stand-alone, retail and EMTN) by the operating company since 2010.

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').

In addition, the item also includes financing recharged to a subsidiary and costs recharged to the MEAs for a total amount of 46.310 k EUR at 30 June 2020 and 40.500 k euro at 31 December 2019. Additional financing was provided during 2020 to an associate for an amount of 5.506 k EUR.



The amount of **short-term receivables, other** amounts to 170.000 k EUR on 30 June 2020 and is unchanged compared to 31 December 2019. The amount includes a long-term receivable maturing in 2020 and is therefore reclassified to short-term receivables, others.

### 16 Trade and other receivables

The trade and other receivables amount to 515.479 k EUR on 30 June 2020 and 391.907 k EUR on 31 December 2019.

Trade receivables before impairment amount to 424.157 k EUR at 30 June 2020 and 339.508 k EUR at 31 December 2019. The increase in trade receivables is mainly due to the faster invoicing and recognition as a trade receivable of the management invoices to the ex-Infracr OV's. The effect of this amounts to 60.194 k EUR.

Furthermore, the increase can be explained by the item 'credit notes to be issued', which decreased from -32.522 k EUR on 31 December 2019 to -2.213 k EUR on 30 June 2020.

Similarly, trade receivables and related write-downs for social customers are no longer included in Fluvius S.O. but in the books of the DSO's. The amounts recorded at Fluvius S.O. at 31 December 2019 amount to 12.086 k EUR of trade receivables and an amount of 5.292 k EUR of impairment losses. This represents a net decrease of 6.794 k EUR compared to 30 June 2020.

The other receivables amount to 115.220 k EUR on 30 June 2020 and 81.177 k EUR on 31 December 2019. These receivables mainly contain accrued interests on the loans lent on to the MEAs and VAT receivable.

### 17 Receivables and liabilities cash pool activities

The receivable on the MEAs amounts to 509.367 k EUR on 30 June 2020 and 435.758 k EUR on 31 December 2019. The debts on the MEAs amount to 118.399 k EUR on 30 June 2020 and 133.069 k EUR on 31 December 2019.

### 18 Cash and cash equivalents

The surplus of cash and cash equivalents amounts to 19.146 k EUR on 30 June 2020 and 28.222 k EUR on 31 December 2019. The aim is to keep the cash as low as possible.

## Liabilities

### 19 Equity

#### Adjustments following changes in Belgian legislation:

The new Companies and Associations Code entered into force on 1 May 2019 and mandatory provisions apply from 1 January 2020.

The company form **cvba** - the cooperative company with limited liability - has disappeared and has now become **cv** - the cooperative company. This designation and abbreviation must be used.

The **definition** of a cooperative company is clearly defined and may only be used for companies that pursue a 'real' cooperative object and purpose.

The term '**capital**' for a cv must by law be converted to '**Contribution excluding capital, other**'.

Shareholders' equity amounts to 1.517 k EUR at 30 June 2020 and at 31 December 2019.



Below is the distribution of the 'Contribution excluding capital, other' by MEA. The number of shares between Fluvius Antwerpen and Iveka was confirmed in the course of 2020 at the occasion of area exchanges during 2019.

| Mission entrusted associations | Amount in        | Amount of         | Amount in        | Amount of         |
|--------------------------------|------------------|-------------------|------------------|-------------------|
|                                | euro of voting   |                   | euro of voting   |                   |
|                                | shares           | voting shares     | shares           | voting shares     |
|                                | 2020             | 2020              | 2019             | 2019              |
| Gaselwest                      | 137.762          | 2.778.997         | 137.762          | 2.778.997         |
| Fluvius Antwerpen              | 222.546          | 4.688.069         | 222.546          | 4.489.304         |
| Fluvius Limburg                | 231.332          | 4.666.524         | 231.332          | 4.666.524         |
| Imewo                          | 182.209          | 3.675.610         | 182.209          | 3.675.610         |
| Fluvius West                   | 67.277           | 1.357.143         | 67.277           | 1.357.143         |
| Intergem                       | 91.258           | 1.840.902         | 91.258           | 1.840.902         |
| Iveka                          | 87.688           | 1.570.114         | 87.688           | 1.768.879         |
| Iverlek                        | 172.853          | 3.486.875         | 172.853          | 3.486.875         |
| PBE                            | 46.855           | 945.183           | 46.855           | 945.183           |
| Riobra                         | 19.551           | 394.394           | 19.551           | 394.394           |
| Sibelgas                       | 24.644           | 497.124           | 24.644           | 497.124           |
| <b>Total</b>                   | <b>1.283.976</b> | <b>25.900.935</b> | <b>1.283.976</b> | <b>25.900.935</b> |

In addition, equity consists of reserves, share premiums and retained earnings. These items also remain unchanged compared to 31 December 2019.

The **Group's results** are always without profit or loss since all operating costs can be passed on, mainly to the OV's.

A **non-controlling interest** amounts to 100 k EUR on 30 June 2020 and is equal to the amount on 31 December 2019. It comprises the participation held by Farys/TMVW in 'De Stroomlijn cv' and the participation of De Watergoep in 'De Stroomlijn cv' taken up during 2019.

## 20 Interest bearing loans and borrowings, current and non-current

| (In thousands of EUR)              | 30 June<br>2020  | 31 December<br>2019 |
|------------------------------------|------------------|---------------------|
| <b>Long-term loans</b>             | <b>3.820.576</b> | <b>3.821.108</b>    |
| Current portion of long-term loans | 173.493          | 173.486             |
| Short-term loans                   | 567.970          | 464.500             |
| <b>Short-term loans</b>            | <b>741.463</b>   | <b>637.986</b>      |
| <b>Total</b>                       | <b>4.562.039</b> | <b>4.459.094</b>    |

The loans on long and short-term increase with 102.945 k EUR compared to 31 December 2019 from 4.459.094 k EUR to 4.562.039 k EUR. This increase is mainly due to additional short-term loans for 103.470 k EUR, the recording of the disagio of 1.225 k EUR on various retail bond loans

that is spread pro rata the term of the loans in costs and debts. Finally, bank loans of 1.750 k EUR have been repaid.

The increase in short-term financing is due, among other things, to the funds provided to the MEAs to finance their participation in Publi-T as a result of Elia's capital increase. This financing amounted to 79.253 k EUR. A cash payment of 30.417 k EUR was also made as a result of the takeover of the public lighting park of several municipalities. Finally, Fluvius is also working on the accelerated roll-out of digital meters for the MEAs.

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

| (In thousands of EUR)                             | 30 June 2020     |              | 31 December 2019 |              |
|---|------------------|--------------|------------------|--------------|
|   | Cash             | Non-cash     | Cash             | Non-cash     |
| <b>Total as at 1 January</b>                      | <b>4.459.094</b> |              | <b>4.020.419</b> |              |
| <b>Movements on non-current loans (LT)</b>        |                  |              |                  |              |
| Change in non-current loans                       | 0                | 1.218        | 0                | 2.631        |
| Transfer of short-term portion of LT loan to ST   | 0                | -1.750       | 0                | -173.486     |
| <b>Movements on current loans (ST)</b>            |                  |              |                  |              |
| Proceeds of current loans                         | 567.970          | 0            | 464.500          | 0            |
| Transfer of short-term portion from LT loan to ST | 0                | 1.750        | 0                | 173.486      |
| Change in current loans                           | 0                | 7            | 0                | 0            |
| Repayment of short-term portion of long-term loan | -1.750           | 0            | -3.500           | 0            |
| Repayment current loans                           | -464.500         | 0            | -24.956          | 0            |
| <b>Total movements</b>                            | <b>101.720</b>   | <b>1.225</b> | <b>436.044</b>   | <b>2.631</b> |
| <b>Total at end of reporting period</b>           | <b>4.562.039</b> |              | <b>4.459.094</b> |              |

### 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 2019 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 1.218 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.

Moody's latest publication on Fluvius (18 May 2020) was an update following the publication by the Flemish Energy Regulator VREG (4 May 2020) on the proposed tariff methodology for the next regulatory period 2021-2024 of the distribution system operators. The note considers the impact of the proposed changes, if implemented, to be credit negative, because it would reduce the operational cash flow. On 13 August, the VREG took a decision on the tariff methodology to be applied. See note 'Events after the reporting date'.

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 2020, an amount of 2.660.500 k EUR or 53,21% had been issued. Since year end 2014 no more bonds have been issued under this programme.

Infrac 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 market of Euronext and Euronext Growth Brussels.

All outstanding loans are denominated in EUR 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-Infrac are guarantor with respect to the EMTN bond loans registered on the name of Infrac cvba. The same methodology applies to the other bond loans registered on the name of Eandis System Operator cv.

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 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.

**A new Fluvius EMTN bond issuance programme** is being prepared and will have a duration of 10 years, renewable by Fluvius for up to 24 months. Fluvius will issue bonds under this programme in the coming years. For these new issues, the principle is that all MEAs belonging to the 'Fluvius economic group' will each act as guarantor on a non-committal and non-solidary basis but limited to the proportional share in the 'Contribution excluding capital, other' of their operating company.

During the first six months of 2020 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 amounting to 6.541 k EUR on 30 June 2020 (6.217 k EUR on 31 December 2019).

### **Loans, current**

This item contains at 30 June 2020 the current portion of the long-term loans (173.493 k EUR at 30 June 2020; 173.486 k EUR at 31 December 2019), commercial papers and bank loans for a total of 500.000 k EUR and 67.970 k EUR (464.500 k EUR at 31 December 2019).



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                 | (1)      | 500.000           | 500.000        | 0                | 0,15%                  |
| Fixed advances                   | NA       | 200.000           | 0              | 200.000          | NA                     |
| Fixed loans/Bank overdraft       | Daily    | 200.000           | 67.970         | 132.030          | 0,40%                  |
| Fixed loans                      | NA       | 25.000            | 0              | 25.000           | NA                     |
| <b>Total on 30 June 2020</b>     |          | <b>925.000</b>    | <b>567.970</b> | <b>357.030</b>   |                        |
| Commercial paper                 | (1)      | 500.000           | 411.500        | 88.500           | -0,15%                 |
| Fixed advances                   | NA       | 200.000           | 0              | 200.000          | NA                     |
| Fixed loans/Bank overdraft       | Daily    | 200.000           | 53.000         | 147.000          | 0,40%                  |
| Fixed loans                      | NA       | 25.000            | 0              | 25.000           | NA                     |
| <b>Total on 31 December 2019</b> |          | <b>925.000</b>    | <b>464.500</b> | <b>460.500</b>   |                        |

(\*) The average interest rate of the used amounts at the end of the period

(1) Due dates between 3 July 2020 and 1 October 2020 for commercial paper on 30 June 2020 and due dates between 10 January 2020 and 31 March 2020 for commercial paper on 31 December 2019

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

## 21 Employee benefit liabilities

The Group's provisions for employee benefits are recalculated at 1 January of each year and revised at each reporting date to determine any changes in the fair value of plan assets or the present value of the defined benefit and defined contribution obligations as well as the other long-term obligations.

As a result of the revision on 30 June 2020, the effects of the lower discount rates and the reduction of the fair value adjustments of the plan assets were recognized as actuarial differences in other comprehensive income.

The current climate and the impact of the COVID-19 pandemic are likely to continue to affect the value of the plan assets and liabilities, resulting in potential higher volatility of the recognized net liability.

The employee benefit liabilities amount to 282.261 k EUR on 30 June 2020 and 258.499 k EUR on 31 December 2019.

This increase of 23.762 k EUR is mainly explained by adapting the assumptions: the decrease of the discount rate and the return on the plan assets imply an increase of the provision.

This increase amounting to 23.762 k EUR was accounted for as a net cost in the statement of profit or loss for a total of 1.167 k EUR and for 22.595 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, this amount was no longer included as a provision for employee benefits but recorded as a liability on the balance sheet item 'Provisions, other'. At 30 June 2020, the net liability amounts to 0 k EUR (12.875 k EUR at 31 December 2019) as a result of declining



liability and sufficient funds available. The reversal has been accounted for through the statement of profit or loss.

The Group expects to realise the new plan as soon as possible.

## 22 Trade payables and other current liabilities

The trade payables and other current liabilities amount to 418.910 k EUR on 30 June 2020 and 300.538 k EUR on 31 December 2019.

This item contains, on the one hand, trade payables (227.626 k EUR on 30 June 2020 and 162.078 k EUR on 31 December 2019) and, on the other hand, other payables (191.283 k EUR on 30 June 2020 and 138.459 k EUR on 31 December 2019).

The increase in outstanding debts is mainly due to the faster invoicing and recording of trade payables for grid fee invoicing by ex-Infrac MEAs to Fluvius S.O. The effect of this amounts to 54.105 k euro.

The other payables mainly include accrued interest on the bond loans for 67.135 k EUR (31 December 2019: 33.165 k EUR) and liabilities for related personnel expenses amounting to 77.428 k EUR (78.487 k EUR on 31 December 2019).

# Financial instruments

## 23 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 2019, the prospectus of 2 June 2017 concerning the 'notification in respect of the public offer of bonds' and the investor presentation of May 2020. These documents can be consulted on the website of Fluvius System Operator [www.fluvius.be](http://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

Level 3 financial assets include investments in unquoted companies. The fair value of Level 3 investments is determined using valuation techniques with unobservable inputs, generally using the latest available financial information. As a result of the COVID-19 outbreak, the government granted a deferral of publication, not all financial information on these companies is available as at 30 June 2020. Due to these current market conditions, there is therefore a higher degree of uncertainty regarding the amounts included.

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 2020 amounts to 3.851.291 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 2020 the fair values are as follows:

| (In thousands of EUR)            | Fair value<br>Level 1 | Fair value<br>Level 2 | Fair value<br>Level 3 | Book value       |
|----------------------------------|-----------------------|-----------------------|-----------------------|------------------|
| Other investments                | 0                     | 0                     | 915                   | 915              |
| Cash and cash equivalents        | 19.146                | 0                     | 0                     | 19.146           |
| Total receivables                | 515.479               | 0                     | 0                     | 515.479          |
| Receivables cash pool activities | 509.367               | 0                     | 0                     | 509.367          |
| <b>Total</b>                     | <b>1.043.992</b>      | <b>0</b>              | <b>915</b>            | <b>1.044.907</b> |
| Loans on long-term               | 4.157.128             | 0                     | 0                     | 3.820.576        |
| Loans on short-term              | 741.508               | 0                     | 0                     | 741.463          |
| Lease liabilities                | 34.695                | 0                     | 0                     | 34.695           |
| Derivative financial instruments | 0                     | 6.541                 | 0                     | 6.541            |
| Total current liabilities, other | 422.813               | 0                     | 0                     | 422.813          |
| Liabilities cash pool activities | 118.399               | 0                     | 0                     | 118.399          |
| <b>Total</b>                     | <b>5.474.543</b>      | <b>6.541</b>          | <b>0</b>              | <b>5.144.487</b> |

At 31 December 2019, the fair values are as follows:

| (In thousands of EUR)            | Fair value<br>Level 1 | Fair value<br>Level 2 | Fair value<br>Level 3 | Book value       |
|----------------------------------|-----------------------|-----------------------|-----------------------|------------------|
| Other investments                | 0                     | 0                     | 905                   | 905              |
| Cash and cash equivalents        | 28.222                | 0                     | 0                     | 28.222           |
| Total receivables                | 391.907               | 0                     | 0                     | 391.907          |
| Receivables cash pool activities | 435.758               | 0                     | 0                     | 435.758          |
| <b>Total</b>                     | <b>855.887</b>        | <b>0</b>              | <b>905</b>            | <b>856.792</b>   |
| Loans on long-term               | 4.224.461             | 0                     | 0                     | 3.821.108        |
| Loans on short-term              | 641.548               | 0                     | 0                     | 637.986          |
| Derivative financial instruments | 0                     | 6.217                 | 0                     | 6.217            |
| Total current liabilities, other | 303.518               | 0                     | 0                     | 303.518          |
| Liabilities cash pool activities | 133.069               | 0                     | 0                     | 133.069          |
| <b>Total</b>                     | <b>5.302.596</b>      | <b>6.217</b>          | <b>0</b>              | <b>4.901.898</b> |





## Other information

### **24 Related parties**

The nature of the transactions with the Management Committee, the directors and other related parties during the first six months of 2020 does not substantially differ from the transactions included in the annual report of 2019.

### **25 Events after the reporting date**

On 10 September 2020, the rating agency Moody's affirmed Fluvius's A3 rating, but it changed the rating outlook from stable to negative. This decision was primarily based on Moody's expectation that, without mitigating measures, Fluvius's credit metrics might come under pressure during the tariff period 2021-2024 due to the VREG's decision on the 2021-2024 tariff methodology.

## Report of the statutory auditor to the shareholders of Fluvius System Operator cv on the review of the interim condensed consolidated financial statements as of 30 June 2020 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 cv (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit and 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 € 5.428.365 and a consolidated profit for the 6 month period then ended of € 0. 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 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.



*Report of the statutory auditor dated 23 September 2020 on the interim condensed consolidated financial statements of Fluvius System Operator cv for the 6 month period ended 30 June 2020 (continued)*

## 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 Group as at 30 June 2020, and of its financial performance and its cash flows for the 6 month period then ended in accordance with IAS 34 as adopted for use in the European Union.

Gent, 23 September 2020

EY Bedrijfsrevisoren BV  
Statutory auditor  
represented by

Marnix Van Dooren\*  
Partner  
\* Handelend in naam van een BV

Ref: 21MVD0057