Economic Group Fluvius

Consolidated Financial Statements IFRS

Year end 31 December 2018

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Financial Statements

Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2018	2017
Operating revenue	**5**	**3.498.860**	**3.019.034**
Revenue from contracts with customers		2.943.748	2.651.860
Other operating income		248.556	96.075
Own construction, capitalized		306.556	271.099
Operating expenses		**−3.102.333**	**−2.447.516**
Cost of trade goods	6	−1.250.241	−1.042.809
Cost for services and other consumables	7	−409.430	−337.314
Employee benefit expenses	8	−441.689	−367.221
Depreciation, amortization, impairments and changes in provisions	9	−406.581	−320.576
Other operational expenses	10	−52.017	−65.653
Regulated transfers	11	−542.375	−313.943
Result from operations		**396.527**	**571.518**
Finance income	12	88.238	29.401
Finance costs	12	−189.585	−177.596
Profit before tax		**295.180**	**423.323**
Income tax expenses	13	−104.275	−187.561
Profit for the period		**190.905**	**235.762**

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2018	2017
Profit for the period		**190.905**	**235.762**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	23	−58.563	5.147
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	23	−4.421	0
Fair value other investments	3	107.194	0
Deferred tax gains (losses)	13	30.865	135.842
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**75.075**	**140.989**
Total comprehensive income for the period		**265.980**	**376.751**

The total comprehensive income of the period amounts to 75.075 k EUR. As the Economic Group Fluvius expanded during the period, comprehensive income was included on initial recognition for: the incorporation of the ex-Infrax companies in the consolidation (as from 1 July 2018) for an amount of 146.221 k EUR and the incorporation of the financing associations (as from 1 April 2018) for an amount of 775.940 k EUR (see note 'Expansion of the Economic Group Fluvius).

Consolidated statement of financial position

(In thousands of EUR)	Notes	2018	2017
Non-current assets		**13.373.430**	**7.925.395**
Intangible assets	14	72.343	64.605
Property, plant and equipment	15	11.182.304	7.859.072
Investment in joint ventures and associates	16	2.016	30
Other investments	3, 17	1.372.860	832
Rights to reimbursement on post-employment employee benefits	3, 24	255.491	0
Long-term receivables, other	3, 18	488.416	856
Current assets		**971.213**	**1.012.806**
Inventories	19	68.088	33.646
Trade and other receivables	20, 30	800.684	947.755
Current tax assets	29	65.758	0
Other investments	30	14.989	0
Cash and cash equivalents	21, 30	21.694	31.405
TOTAL ASSETS		**14.344.643**	**8.938.201**
EQUITY	**3, 22**	**5.918.671**	**2.255.332**
Total equity attributable to owners of the parent		**5.910.823**	**2.255.239**
Capital		2.545.877	1.262.948
Issue premiums		126.884	0
Reserves		1.687.856	820.345
Other comprehensive income		497.047	−500.189
Retained earnings		1.053.159	672.135
Non-controlling interest		**7.848**	**93**
LIABILITIES		**8.425.972**	**6.682.869**
Non-current liabilities		**7.190.368**	**5.830.209**
Interest bearing loans and borrowings	23, 30	5.817.461	5.235.404
Lease liabilities	15	10.619	0
Employee benefit liabilities	24	566.234	210.947
Derivative financial instruments	25, 28	80.538	102.460
Provisions	26	41.496	9.600
Deferred tax liability	13	434.455	268.662
Government grants	27	239.565	3.136
Current liabilities		**1.235.604**	**852.660**
Interest bearing loans and borrowings	23, 30	292.730	211.182
Lease liabilities	15	2.826	0
Trade payables and other current liabilities	28, 30	918.988	608.822
Current tax liabilities	29	21.060	32.656
TOTAL EQUITY AND LIABILITIES		**14.344.643**	**8.938.201**

Consolidated statement of changes in equity

(In thousands of EUR)	Share Capital and Issue premiums	Reserves	Other compre-hensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2017	**1.262.948**	**811.641**	**−641.178**	**630.468**	**2.063.879**	**93**	**2.063.972**
Total comprehensive income for the period	0	0	140.989	235.762	**376.751**	0	**376.751**
Addition/decrease reserves	0	8.704	0	−8.704	**0**	0	**0**
Dividends paid	0	0	0	−185.391	**−185.391**	0	**−185.391**
Balance at 31 December 2017	**1.262.948**	**820.345**	**−500.189**	**672.135**	**2.255.239**	**93**	**2.255.332**
Balance at 1 January 2018	**1.262.948**	**820.345**	**−500.189**	**672.135**	**2.255.239**	**93**	**2.255.332**
Total comprehensive income for the period	0	0	75.075	190.905	**265.980**	0	**265.980**
Repayment of equity	−4.394	−10.676	0	0	**−15.070**	0	**−15.070**
Merger by absorption of Infrax cvba	0	83	0	0	**83**	0	**83**
Incorporation ex-Infrax MEAs in the consolidation	1.243.442	837.354	146.221	362.405	**2.589.422**	8.365	**2.597.787**
Incorporation financing associations	161.069	99.194	775.940	35.390	**1.071.593**	0	**1.071.593**
Share capital increase	9.696	−164	0	0	**9.532**	0	**9.532**
Change in consolidation scope	0	−480	0	1.090	**610**	−610	**0**
Addition/decrease reserves	0	−57.800	0	57.800	**0**	0	**0**
Dividends paid	0	0	0	−266.566	**−266.566**	0	**−266.566**
Balance at 31 December 2018	**2.672.761**	**1.687.856**	**497.047**	**1.053.159**	**5.910.823**	**7.848**	**5.918.671**

The above information is disclosed in the notes ‘Expansion Economic Group Fluvius’, 'Equity' and as regards ‘other comprehensive income’ in the notes ‘Income tax expenses’ and 'Employee benefit liabilities'.

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2018	2017
Profit for the period		190.905	235.762
Amortization of intangible assets	9, 14	26.867	35.926
Depreciation on property, plant and equipment	9, 15	345.669	280.924
Change in provisions (Reversal -; Recognition +)	9	30.357	−5.336
Impairment current assets (Reversal -; Recognition +)	9	3.688	9.062
Gains or losses on realization receivables		6.723	3.955
Net finance costs		125.457	176.812
Change in fair value of derivative financial instruments	12	−21.645	−28.607
Gains or losses on sale of property, plant and equipment		39.033	53.922
Movement in government grants	27	−2.465	−10
Income tax expense	13	104.276	187.561
Operating cash flow before change in working capital and provisions for employee benefits		**848.865**	**949.971**
Change in inventories		−376	1.649
Change in trade and other receivables		552.731	717.986
Change in trade payables and other current liabilities		−13.705	14.609
Change in employee benefits		−90.856	−43.269
Net operating cash flow		**447.794**	**690.975**
Interest paid		−209.162	−170.893
Interest received		60.229	368
Financial discount on debts		455	413
Income tax paid (received)		−127.913	−296.484
Net cash flow from operating activities		**1.020.268**	**1.174.350**
Proceeds from sale of property, plant and equipment		4.917	10.728
Purchase of intangible assets	14	−28.673	−17.537
Purchase of property, plant and equipment	15	−530.049	−386.775
Acquisition of business combinations	3	5.279	0
Proceeds from sale of companies and other investments		−28	0
Net investments in long-term receivables		27	29
Receipt of a government grant		19.655	241
Net cash flow used in investing activities		**−528.872**	**−393.314**
Proceeds from issue of shares	22	9.536	0
Repayment of share capital	22	−15.070	0
Repayment of borrowings	23	−242.029	−355.376
Proceeds from bonds/borrowings	23	0	199.737
Payment of finance lease liabilities	23	−2.058	0
Change in current financial liabilities	23	24.956	−411.309
Change in short-term investments		−14.986	0
Repayment long-term loans	23	5.110	0
Dividends paid	22	−266.566	−185.391
Net cash flow from/used in financing activities		**−501.107**	**−752.339**
Net increase/decrease in cash	**21**	**−9.711**	**28.697**
Cash and cash equivalents at the beginning of period	**21**	**31.405**	**2.708**
Cash and cash equivalents at the end of period	**21**	**21.694**	**31.405**

Notes to the consolidated financial statements

1 Reporting entity

The Economic Group Eandis was extended as a result of the realization of the merger between Eandis System Operator cvba with its peer industry partner Infrax cvba on 1 July 2018 and the partial incorporation of the intermunicipal financing association on 1 April 2018. As the operating company Eandis System Operator changed its name to Fluvius System Operator, the name of the Economic Group Eandis was consequently changed to **Economic Group Fluvius.**

The consolidated financial statements of the Economic Group Fluvius comprise apart from the accounts of the seven ex-Eandis Flemish mission entrusted associations (MEAs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas, also the accounts of the seven Flemish ex-Infrax mission entrusted asociations Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra, as well as the accounts of its subsidiaries, investments in joint ventures and associates.
In addition, the accounts of the companies Intergas and Fluvius OV are also included in the Economic Group Fluvius (see note 'List of group entities included in the consolidation').

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

All companies of the Group are registered in the Flemish Region (Belgium). The fourteen aforementioned MEAs are mission entrusted associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001, 25 April 2014, 13 May 2016 and 22 December 2017). A mission entrusted association is an intermunicipal legal entity which the participating municipalities have entrusted with the management of certain public utilities. The duration of the MEAs of the Economic Group Fluvius has been determined until 29 March 2037.
A distribution system operator (DSO) is recognized by the Flemish Regulator as a system operator for electricity and/or gas (See note 'Operating in a regulated environment'). The companies Inter-aqua, Inter-media and Riobra should be considered as MEAs instead of DSOs.

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

Fluvius has chosen to obtain a rating from the rating agencies 'Moody's Investor Services Ltd.' ("Moody's") and 'Creditreform Rating AG ("Creditreform")'. The former operating companies Eandis System Operator and Infrax both had separate ratings. On 1 July 2018, the rating received from Moody's was A3 (positive outlook), from Creditreform A+ (stable outlook) and from Fitch A (negative outlook).
On 15 October 2018, Creditreform has granted to all bonds of Fluvius the rating A+.
During the last semester of 2018, the rating at Fitch was stopped.

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

Fluvius System Operator cvba operates in all cities and municipalities in the Flemish Region (Belgium) but also in 4 municipalities of the Walloon Region. The Group employed on average 5.737 persons during 2018.

This financial report for the financial year ended 31 December 2018 has been established by the Management Committee on 18 April 2019.

2 Summary of significant accounting policies

2.1 Statement of compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB) and endorsed by the European Union. The Group has not early adopted any new IFRS standard that is effective after 2018.

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

2.2 Principles of consolidation

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

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

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

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

An overview of the Group's subsidiaries is set out in note 'List of group entities included in the consolidation'.

2.3 Significant accounting policies

The applied accounting policies are consistent with last year's accounting principles except for those that refer to the newly adopted standards on revenue, financial instruments and leases (see note 'Summary of changes in accounting policies applicable as from 2018') and as a result of the expansion of the Economic Group Fluvius.

a) Operating income

Goods sold and services rendered

Revenue from sales of goods and services are recognized if the following conditions are met: the Group has transferred the goods and/or services to the customer; the Group has transferred the control over the goods and/or services to the customer; the customer has control from the moment he receives and consumes all of the benefits related to the transaction.

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

Revenue from contracts with customers

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

The distribution grid revenue (grid fee) is based on the actual billing of the grid fee of the MEAs in the relevant year.

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

The invoicing to the energy suppliers is performed each month and revenue is then recognized.

The sale of energy consists of the energy supplies to individuals who do not find an energy supplier on the market due to payment problems.

The proceeds from this customer group are recognized, notwithstanding the recovery is not always probable, as the Group works in a regulated environment and hence the cost of non-recovery can be charged through the regulated tariffs.

The revenue stream from *construction works for third parties* includes various works performed for third parties in the context of, among others, ESLA (Energy Services for Local Authorities) and public lighting plus ground and cable works. The ESLA activities are offered to the affiliated public authorities (cities and municipalities) at cost in support of the local energy policy

In addition, the Group is responsible for the management of the public lighting park of the municipalities.

The proceeds from construction works for third parties are valued on the basis of the remuneration which the Group expects to be entitled to as a result of the contract. The contracts include no variable elements. The Group recognizes revenue once the performance obligations have been met, namely when the control is transferred to the customer. Revenue recognition follows the specific five-step model. Step 1 in this model is the identification of the contracts with the client; step 2 identification of the obligations in the performance contracts; step 3 determining the transaction price; step 4 the allocation of the transaction price to the performance obligations and revenue recognition and step 5 when the performance obligations have been fulfilled.

The ESLA revenue is recognized at some point in time at provisional acceptance of works after acceptance by the customer. The proceeds from public lighting will also be recognized at some point in time when the performance obligations have been fulfilled.

Other sales
The Group achieves the turnover from the sewerage activity mainly of remediation contributions. This contribution is charged via the water companies to the end user. Since the sewerage network is owned by the Group, the municipal contribution is owned to the Group. The invoicing to the water companies concerns the amount of the fees minus a percentage rate covering the logistical costs. Revenue recognition is for the full amount and costs are recorded in the profit or loss statement.
The Group also provides a service as the drain and collection of waste water is passed via the sewerage network.

Infra-X
Ex-Infrax MEAs own the cable network. In 2008 this cable network was given as a ground lease to Telenet. However, a part of the network can be used by the companies of ex-Infrax Group for a limited number of services. Such services are provided to the municipalities for the internet (internet service provider) and telephony (operator) and are invoiced and recognized as revenue on a monthly basis.

Other operating revenue
Various recuperations are included as a result of grants, service performance for connections and premiums.

The item *Other* contains non-recurring items such as capital gains of the realisation of sales and other proceeds.

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

Interest income on derivatives and other financial income are recognized when they occur. The latter concerns mainly the revaluation to fair value of the available shares.

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

Government grants are recognized in the balance sheet as soon as it is reasonably certain that the grant will be received and that all of the conditions attached to it will be complied with.
Grants related to an asset are included in the balance sheet item 'Government grants' and will be recognized in the statement of profit or loss on a systematic basis over the expected useful life of the related asset.
Grants related to expenses are systematically presented in the statement of profit or loss as 'Other operating income' in the same period in which the costs are included.
Due to the uncertain character on both the receipt, its timing and the amount of the subsidy granted, the government grants related to sewerage works are recognized when received.

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

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

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

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

The taxes on profit or loss for the financial year include the current and deferred taxes. The tax on profit of the year is recorded in the statement of profit or loss unless it relates to transactions that were directly recorded in equity. In this case, the taxes are directly charged to equity.
The current tax expenses are the expected current taxes payable on the taxable income for the year, based on tax rates in effect at the balance sheet date and any adjustment to current taxes payable from previous years. For the calculation of the income tax on the taxable income for the year, the current tax rate (that has been enacted or substantively enacted by the end of the reporting period) is used.
Deferred taxes are recognized for temporary differences between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes.
As from 2015 onwards, the MEAs (with the exception of Inter-aqua and Riobra) will have to pay corporate income tax, as was the case for Fluvius System Operator, its subsidiary, investments in joint ventures and associates. In the future Inter-aqua (and possibly Riobra) will also be subject to corporate income tax (see note 'Income taxes'). However, for the calculation of deferred taxes, the current ruling was taken into account and no deferred taxes were calculated on temporary differences that arose in the past.

c) Intangible assets

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

Costs relating to research, which is carried out with the purpose of obtaining new technical knowledge and insights, are recognized in the statement of profit or loss in the period in which they occur.
Costs relating to the development phase, in which knowledge obtained through research is applied in order to achieve a plan or design for the production of new or significantly improved products and processes, are included in the balance sheet if and only if the product or process was technically and commercially feasible, the entity has the necessary resources to complete the development, it is probable that future economic benefits will flow into the Group and the cost can be measured reliably. The capitalised amount includes all costs that are directly attributable to the creation, production, and the preparation of the asset, so that it could operate in the same manner as intended by the management.

Until 2014, amortization is recognized in profit or loss on a straight-line basis as of the date of bringing the asset into use and over the estimated useful life of each component of an item of intangible assets.
As from 2015 the MEAs are subject to corporate income tax and the amortization is calculated, in accordance with the tax rules, on a pro rata temporis basis during the year in which the asset is brought into use. This means that amortization starts in the month after the month during which the asset is brought into use.
Another amortization method is only used if the expected pattern of consumption of the future economic benefits of the asset is better reflected.

Intangible assets are not revalued.
If the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Software	10,00%; 20,00%
Cost for smart projects, clearing house and district heating	20,00%
Exploitation rights sewerage	2,00%
Capitalized development costs	10,00%; 20,00%

d) Property, plant and equipment

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

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

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

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

Until 2014, depreciation is recognized in profit or loss on a straight-line basis as of the year of bringing into use and over the estimated useful life of each component of an item of property, plant and equipment.
As from 2015 the MEAs (with the exception of Inter-aqua and Riobra) are subject to corporate income tax and the depreciation is calculated, in accordance with the tax rules, on a pro rata temporis basis during the year in which the asset is brought into use. This means that depreciation starts in the month after the month during which the asset is brought into use.
Land is not depreciated. The applied depreciation percentages on the basis of the average useful life are as follows.

Construction and administrative buildings*	2,00%
Networks and lines	2,00%; 3,00%
Sewerage networks	2,00%
Other distribution installations	3,00%
Service pipes for heating	3,00%
Technical installations buildings*	4,00%
Heat stations, cathodic protection (heating)	5,00%
Issuing station (heating)	6,67%
Recycled equipment	6,67%
Optical fibre	10,00%
Electronic metering equipment	10,00%

Office furniture and tools	10,00%; 20,00%
Leasehold improvements*	10,00%; 11,12%
Leasehold improvements – rented buildings*	10,00%; 11,12%
Test equipment EVA (Electric vehicles in action)	50,00%
Charging points for electric vehicles	10,00%
Industrial buildings	3,00%
Installations for public lighting, cable television and others	5,00%
Electric and mechanical equipment gas stations and basins	6,67%
Technical installations sewerage	7,00%
Other property, plant and equipment	10,00%

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

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

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

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

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

Leasing
The Group determines at the start of the agreement whether it meets the criteria for a finance lease. The agreement, which contains an asset or several assets, is assumed to contain a lease if the Group has the right to control the use of the underlying asset. If the main risks and benefits related to that specific asset are transferred to the Group, it will be classified as a finance lease. They are valued at the lower of their present value of the minimum lease payments and the fair value at the start of the lease. The Group will amortize these assets over the remaining lease term, or over its useful life if shorter. In case the Group already becomes the owner of the assets at the start of the agreement, the Group will amortize the assets over their useful life.

Lease of assets under which all the risks and rewards incidental to ownership are substantially retained by the lessor, is classified as operational lease. Lease payments based on operational leases are expensed on a straight-line basis, unless another systematic method is more representative for the time pattern of the benefits for the user.

Impairment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.
Impairment has been recognized if an asset's carrying amount exceeds the recoverable value. Impairment is charged directly to the statement of profit or loss.

e) Investments in joint ventures and associates

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

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

f) Other investments

All investments are accounted for at trade date.
Investments in equity instruments consist of interests in entities in which the Group does not have significant influence or control. This is the case in companies where the Group has less than 20% of the voting rights.
The investments are classified as financial assets and are initially measured at fair value plus any transaction costs. The fair value gains or losses are reflected in the profit or loss statement (fair value through profit or loss) if these are held for trading purposes and through other comprehensive income for the other strategic investments (fair value through comprehensive income).

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

g) Inventories

Inventories have been measured at purchase cost. Their value has been determined using the moving weighted average method.
An impairment is carried out on inventories if, due to their obsolescence, they are no longer usable or if their carrying amount exceeds the estimated sales price. If items of inventory have not been used for more than one year, an impairment of 100,00% is recorded.
This impairment loss is recognized as an expense in the statement of profit or loss.

h) Trade and other receivables

Trade and other receivables are measured at amortized cost.

An allowance for doubtful debt is recognized if the collection of the receivable becomes doubtful and after comparison with the realizable value.
In the case of a bankruptcy or judicial reorganization the receivable is immediately impaired and the value-added tax recovered, on the basis of a certificate obtained from the curator or a publication of the closing of the bankruptcy in the annexes to the Belgian Official Gazette.
In the framework of the full liberalization of the energy market in Flanders as per 1 July 2003, an impairment loss was recognized for the total amount including VAT of all receivables as per 31 December 2003, older than 6 months. These provisions have been reversed in view of the collection of these receivables or they have been used whenever these receivables have been written off.
The receivable of the work carried out and delivered services, with the exception of, on the one hand, the damages handled by the legal department and, on the other hand, the receivables from the affiliated municipalities, which are overdue for more than 6 months are recognized as doubtful and therefore impaired at 100,00% (excluding VAT).
A provision for bad debt related to receivables from energy supplies by the Distribution System Operators is calculated and recorded on the basis of the average collection degree stemming from statistical data of the payment history that was kept since the liberalisation of the energy market for the main client categories.
Receivables are permanently impaired (written off) using the provision for bad debts that was set up for this purpose as soon as certificates, provided by bailiffs, lawyers or debt collection agencies can demonstrate that recoverability is impossible.

Also, when it can be revealed that the revenue associated with a possible recovery does not compensate (i.e. does not economically justify) the costs for this recovery, the receivable is completely impaired using the provision which was set up for this purpose.

An additional analysis is performed on the basis of the expected future losses for a future period of 12 months as from the moment the receivable arises. Claims for which the risk of collection is higher are analysed on their entire term. The Group has a relatively low risk with regard to receivables resulting from the energy supply by Mission Entrusted Associations to energy suppliers. As a consequence and due to the fact that the receivables have no financing component, the Group has opted to use the 'simplified approach' for calculating the impairment losses. The method starts from the historical write-downs on the sales of the past three financial years. This ratio is applied to the current outstanding receivables in order to arrive at the provision of doubtful debts.

For the social customers a write-down of more than 50% of the total outstanding amount is applicable. Because the Group is working in a regulated environment, it is possible that the costs can be recovered through the tariffs.

i) Cash and cash equivalents

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

j) Share capital

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

The shares are indivisible and composed of shares and/or the profit certificates. Furthermore, shares are assigned to their activity.
Dividends are recognized as a liability in the period in which they are approved.

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

k) Loans and borrowings

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

l) Finance lease obligations

Agreements for which the underlying assets reflect the object of a finance lease, a long- and short-term lease obligation must be recognized. They are valued at the lower of their present value of the minimum lease payments and the fair value at the start of the lease. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in long-term debt, while the interest element of the finance cost is charged to the statement of profit or loss of the current year

m) Employee benefit liability

Pension plans and other post-employment benefits

The contributions for defined contribution plans have been recognized as an expense at the moment when incurred. Up to 2015 these kinds of pension plans were valued by using the intrinsic value and any individual difference between the mathematical reserve and the minimum guaranteed amount was recorded as a liability in the financial statements.

As from 2016, the guaranteed yield was changed to a variable yield (see note 'Pensions and other post-employment benefit plans'). Hence, the provision for defined contribution pension plans is valued according to the ‘Projected Unit Credit’-method (PUC) without projection of the future premiums. As from 2018, the employers' portion of the pension plan Enerbel is calculated according to the PUC-method with projection of the future premiums. The contribution by the employee is still calculated via the PUC-method without projection of the future premiums as the employees' contributions do not depend on seniority.

The amount recognized in the balance sheet is the difference between this provision and the fair value of plan assets.

The Group’s liabilities for the defined benefit plans, as well as for the subsequent costs, have been valued on the basis of the ‘Projected Unit Credit’ method. The amount recognized in the balance sheet represents the present value of the pension liabilities (Defined Benefit Obligation) mentioned, less the fair value of plan assets.

Remeasurements comprise actuarial gains and losses, and the return on plan assets (excluding interest) which is reflected in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. They are included in the statement of comprehensive income as items not to be reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

The amounts recognized in the statement of profit or loss comprise service costs (including current service costs, past service costs, gains and losses on other long-term employee benefits as well as curtailments and settlements), net interest expense or income and remeasurement.

The Group presents the first two components of the defined benefit costs in the statement of profit or loss on the line item ‘Employee benefit expenses’ and ‘Financial expenses’.

Other long-term employee benefits contain provisions for retirement and jubilee bonuses, deferred leave and overtime.

These benefits are treated in the same manner as pension plans. However, past service costs and actuarial gains and losses have immediately been recognized in the statement of profit or loss.

All pension liabilities are annually valued by a qualified actuary.

Right to reimbursement on post-employment employee benefits

The Energy Decree of 2015 defined and the current tariff methodology confirms that the stranded costs, which consist of the charges for the unfunded pension or the pension of the public sector, are eligible for inclusion in the tariffs. Since it is virtually certain that these costs will be born by third parties, a reimbursement right on post-employment employee benefits was recognized as an asset The reimbursement rights are therefore recognized at the same value as the recognized employee benefit liabilities (fair value). The adjustments in the period as a result of changes in the assumptions or experience adjustments are all recognized as other comprehensive income as well as these adjustments for the reimbursement rights.

n) Derivative financial instruments

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

o) Provisions, other

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

p) Trade and other liabilities

Trade and other liabilities have been measured at amortized cost.

q) Income tax expense

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

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

2.4 Summary of changes in accounting policies applicable as from 2018

The new and amended standards and interpretations applicable from 1 January 2018 do not materially affect the Group's consolidated financial statements. These new and amended standards and interpretations applicable for the accounting year beginning on 1 January 2018 were the following:

- IFRS 9 *Financial instruments*
  This standard was issued in the framework of a wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

  ➢ Classification and valuation: the Group's main financial assets include loans, lent on to the MEAs and currently recorded at amortized cost. These loans are held to obtain contractual cash flows and it is expected to obtain cash flows that only consist of receipts of principal and interest. The Group has analysed the characteristics of the contractual cash flows of each of these loans in detail and concluded that these instruments meet the criteria of IFRS 9 for valuation at amortized cost. Consequently, the current accounting treatment can be preserved under the new standard.

  ➢ Impairments: for all trade receivables of the Group an expected credit losses calculation was carried out, showing no expected credit loss.

  ➢ Hedge accounting: the Group processed its derivatives at fair value through the statement of profit or loss. The new standard will have no impact on the current accounting treatment.

- IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15, effective 1 January 2018.
  IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. IFRS 15 shall apply to financial years beginning on or after 1 January 2018. The Group applies the new standard on the required effective date retrospectively. The main revenue stream of the Group results from passing on the costs of development, management and maintenance of the distribution networks for electricity and gas; and the costs of other grid utilities to its shareholders, MEAs. IFRS 15 has no impact on the processing of these proceeds. Consequently, the current accounting treatment will be preserved under the new standard.

- Amendments to IFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions

- Amendments to IFRS 4 *Insurance Contracts* – Applying IFRS 9 *Financial instruments* with IFRS 4 *Insurance Contracts*

- Amendments to IFRS 9 *Financial Instruments* - Prepayment Features with Negative Compensation

- IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 *Revenue from Contracts with Customers*

- Amendments to IAS 40 *Investment Property* – Transfers of Investment Property

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

- Annual Improvements cycle – 2014-2016

2.5 Use of estimates and judgments

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

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

Fair value of financial instruments
The following methods are used to estimate the fair values (see note ‘Financial instruments – fair values’).
Cash and short-term deposits, trade receivables (net of impairment), trade payables and other current liabilities approximate the carrying amounts as to the short-term maturity of these instruments.
The fair value of the unquoted other investments is based on the latest available financial information but with the following distinction:
Publi-T: fair value based on the latest available financial statements but adjusted for the investments in Elia, which are at the latest available stock quotations
Publigas: fair value based on the external valuation report
Shares Elia: fair value at the latest available stock quotations
Other companies: fair value at the latest available financial information
The fair value of the certificates for green energy and cogeneration certificates are the guaranteed amount, as stipulated in the decision of the Flemish Government amending the Energy Decree.
The derivative financial instruments are interest rate swaps. The valuation techniques are swap models that use value calculations. The models include various kinds of input including forward prices, yield curves that are obtained on the basis of market interest rates and derivatives from market prices of various financial products that are requested with various market participants.
The fair value of quoted bonds was obtained on the basis of the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. On the reporting date it delivers world economic news, quotes for stock futures, stocks and other).

Impairment of trade and other receivables
For the calculation of the expected future losses on trade and other receivables the Group uses a provision matrix starting from the write-downs of the past three financial years. Supplementary indicative information is added, such as the future economic conditions, that could have a possible impact on the activities of the Group. On each reporting date, the historical write-downs and future indicative information need to be analyzed.

Deferred taxes
Deferred taxes are recognized for temporary differences between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes.

As from 2015 onwards, the MEAs (with the exception of Inter-aqua and Riobra) will have to pay corporate income tax, as was the case for Fluvius System Operator, its subsidiary, investments in joint ventures and associates. In the future Inter-aqua (and possibly Riobra) will also be subject to corporate income tax (see note 'Income taxes'). However, for the calculation of deferred taxes, the current ruling was taken into account and no deferred taxes were calculated on temporary differences that arose in the past.

Expansion of the Economic Group Fluvius
Infrax cvba, the MEAs of ex-Infrax and other entities in the scope of consolidation were recorded at fair value at the date of merger or incorporation (see note 'Expansion of the Economic Group Fluvius).

2.6 Standards issued but not yet effective

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

- IFRS 16 *Leases*, effective 1 January 2019
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the statement of profit or loss. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
  The Group has appointed a project team that is working on the implementation of the new IFRS standard leasing 16 and the adaptation to the IT system. The Group usually assumes the role of lessee. During the first project phase, an overview of the existing operational lease contracts was determined and analysed (the Group manages mainly leases of vehicles, IT equipment and buildings). Furthermore, specific attention and work was carried out to select a tool that can handle the number of contracts and supports the corresponding IFRS 16 calculations and journal entries. Implementation of the IT system is currently ongoing.
  In addition, the Group also operates in the role as lessor, mainly for poles, transformers and medium voltage grids. The processing of leases by lessors is to a large extent similar for IFRS 16 and the current accounting treatment of IAS17. Lessors continue to classify all leases on the basis of the same classification principle as in IAS 17 and continue to make a distinction between the operating and finance leases.
  The impact on the consolidated figures is an increase of the assets and the lease obligations, because the lease contracts are currently being recorded as operating lease costs. The reversal of the operating lease costs and the recording of the lease obligation according to IFRS 16 will lead to an increase in result from operations before depreciation, tax and financial costs. The calculation of the existing lease contracts on reporting date 31 December 2018 results in a projected increase of assets and liabilities with 37.916 k EUR as per 1 January 2019. This calculation takes into account certain assumptions for the discount rate and the low-threshold values.
  The Group will implement the standard as of 1 January 2019 using the modified retrospective

approach option 2. The cumulative effect by applying IFRS 16 will therefore be shown at the start date and represents the right of use asset, that in the opening balance sheet equals the lease obligation without adjusting the comparative figures.

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 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

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

- 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 material, effective 1 January 2020

- Amendments to IAS 19 *Employee Benefits* - Plan Amendments, Curtailment or Settlement, effective 1 January 2019

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

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

- Annual Improvements Cycle – 2015-2017, effective 1 January 2019

On 29 March 2018, the IASB issued 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. The amendments are effective prospectively for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendment has not yet been endorsed by the EU.

Modifications to the structure of the Economic Group Fluvius

3 Expansion of the Economic Group Fluvius

Merger by absorption of Infrax cvba

Eandis System Operator cvba and Infrax cvba are both operating companies of the Flemish distribution grid operators with the same company profile. The Flemish Government expressed the wish to combine the strengths of these companies that will result in savings of at least 110 million euro.

On 1 July 2018, the new operating company Fluvius System Operator cvba was created out of the merger between Eandis System Operator cvba and Infrax cvba. From a legal standpoint, it was opted to absorb Infrax into Eandis System Operator, with Eandis System Operator cvba changing its name to Fluvius System Operator cvba. The legal transaction chosen, being a merger by absorption, offers the most advantages in the integration of the two operating companies in the areas of human resources, current financial obligations and legal aspects.
Consequently, this business combination concerns a merger by absorption and shares are issued to the former shareholders of ex-Infrax. Hence, equity increased but no goodwill was created.
The valuation and determination of the exchange ratio was calculated based on equity (according to the Belgian Statutory Accounts) in combination with the number of EANs (European Article Numbering), which are the access points for energy supply or the connection points for sewerage and cable television. The shares thus created were divided into voting and non-voting shares. Initially, 203.053.670 Eandis shares (of which 8.711.831 voting shares and 194.341.839 non-voting shares) were received in exchange for 470.000 Infrax shares. Following the capital decrease on 28 June 2018, 42.528.869 non-voting shares were cancelled due to the re-establishment of the fixed share capital of the newly created entity Fluvius System Operator

According to the Belgian accounting rules, the merger by absorption took place retrospectively to 1 January 2018. According to IFRS, the merger by absorption took place on 1 July 2018. All items were checked for their fair value and the valuation at their net asset value was expressed in accordance with IFRS. The financial information of the opening balance on 1 July 2018 and in accordance with IFRS is summarized below:

(In thousands of EUR)	Opening balance
Intangible assets	2.683
Property, plant and equipment	13.648
Investment in joint ventures and associates	5
Other investments	13
Long-term receivables, other	456.318
Inventories	34.066
Trade and other receivables	107.939
Receivables cash pool activities	58.130
Cash and cash equivalents	18.206
Assets	**691.008**
Share capital, reserves and retained earnings	9.401
Interest bearing loans and borrowings, long-term	541.840
Lease liabilities, long-term	6.872
Derivative financial instruments	5.831
Interest bearing loans and borrowings, short-term	3.500
Lease liabilities, short-term	1.689
Trade payables and other current liabilities	61.334
Liabilities cash pool activities	60.523
Current tax liabilities	18
Liabilities	**691.008**
Total net at fair value	−18.206
Cash and cash equivalents received	18.206
Total acquisition of business combination	**0**

Further explanations on the balance sheet items was explained in detail in the IFRS consolidated financial statements of the Fluvius System Operator Group which can be consulted on the website www.fluvius.be.

Incorporation of MEAs and other companies in the consolidation

The above merger leads to the extension of the Economic Group Eandis to the Economic Group Fluvius. The seven MEAs of ex-Infrax, together with its subsidiaries, joint ventures, investments, Fluvius OV and Intergas are integrated in the IFRS reporting.

Since the above mentioned companies did not prepare IFRS financial statements, the impact as per 1 July 2018, date of the first consolidation, is disclosed below.

(In thousand of EUR)	Infrax cvba	Incorporation ex-Infrax MEAs	Eliminations	Total
Non-current assets	**472.667**	**4.004.181**	**−465.147**	**4.011.701**
Intangible assets	2.683	3.702	0	6.385
Property, plant and equipment	13.648	3.211.660	0	3.225.308
Investment in joint ventures and associates	5	11.318	−9.318	2.005
Other investments	13	227.006	0	227.019
Rights to reimbursement on post-employment employee benefits	0	232.700	0	232.700
Long-term receivables, other	456.318	317.795	−455.829	318.284
Current assets	**218.341**	**412.089**	**−134.413**	**496.017**
Inventories	34.066	0	0	34.066
Trade and other receivables	107.939	318.785	−15.760	410.964
Current tax assets	0	287	0	287
Other investments	0	3	0	3
Receivables cash pool activities	58.130	60.523	−118.653	0
Cash and cash equivalents	18.206	32.491	0	50.697
TOTAL ASSETS	**691.008**	**4.416.270**	**−599.560**	**4.507.718**
EQUITY	**9.401**	**2.597.787**	**−9.318**	**2.597.870**
Total equity attributable to owners of the parent	**9.401**	**2.589.422**	**−9.318**	**2.589.505**
Capital	9.259	1.127.853	−9.259	1.127.853
Issue premiums	59	115.589	−59	115.589
Reserves	83	837.354	0	837.437
Other comprehensive income	0	146.219	2	146.221
Retained earnings	0	362.407	−2	362.405
Non-controlling interest	**0**	**8.365**	**0**	**8.365**
LIABILITIES	**681.607**	**1.818.483**	**−590.242**	**1.909.848**
Non-current liabilities	**554.543**	**1.432.526**	**−455.829**	**1.531.240**
Interest bearing loans and borrowings	541.840	679.366	−450.000	771.206
Lease liabilities	6.872	3.917	0	10.789
Employee benefit liabilities	0	354.996	0	354.996
Derivative financial instruments	5.831	14.179	0	20.010
Provisions	0	1.540	0	1.540
Other non-current liabilities	0	5.850	−5.829	21
Deferred tax liability	0	153.217	0	153.217
Government grants	0	219.461	0	219.461
Current liabilities	**127.064**	**385.957**	**−134.413**	**378.608**
Interest bearing loans and borrowings	3.500	40.846	0	44.346
Lease liabilities	1.689	−213	0	1.476
Trade payables and other current liabilities	61.334	282.747	−15.760	328.321
Liabilities cash pool activities	60.523	58.130	−118.653	0
Current tax liabilities	18	4.447	0	4.465
TOTAL EQUITY AND LIABILITIES	**691.008**	**4.416.270**	**−599.560**	**4.507.718**

All different items in the balance sheet were recognised at fair value.
Mentioned below is an overview of the incorporation of the ex-Infrax MEAs:
Intangible assets
This section contains the investments of mainly the 'smart projects'.

Property, Plant and Equipment
This section contains the investments in the distribution networks of electricity, gas, sewerage and cable television. The recorded net book value corresponds to the fair value of the grids of ex-Infrax MEAs.
The Group makes use of a finance lease under IAS 17 *Leases* for their renting contracts related to trucks. An asset will be recognised as being the present value of the future lease payments.
In addition, a lease liability is recognised on short and long term.

Investments in joint ventures and associations
The ex-Infrax MEAs were shareholder in ex-Infrax cvba. In the consolidation, this participation is eliminated (9.318 k EUR).
The investment in joint ventures and associations contains the participation in S-Lim (2.000 k EUR).

Other investments
Other investments contain mainly the participations held in the holdings Publi-T (15,37%) by the ex-Infrax MEAs. The participation is held as a strategic participation.
Participations in other companies are also included in this section (see note ‘Other investments’). They are recorded at fair value.

Reimbursement right om employee benefit liabilities
The staff of ex-Infrax have either a statutory or a contractual status. For all staff members, both statutory and contractual employees, employee benefits are recorded.
On the basis of the Energy Decree and tariff methodology, the costs for the unfunded public sector pension or supplementary pension can be recharged under certain conditions through the tariffs. For this portion of the employee benefits a reimbursement right was recorded.

Long-term receivables, other
The elimination of the amount of 450.000 k EUR concerns the amount that is lent on by ex-Infrax cvba to the ex-Infrax MEAs, as well as the recharge of the derivatives at fair value (5.831 k EUR) and the valuation at fair value of the shares held in a company (2 k EUR).
This section ‘Long-term receivables, other’ contains the following elements:
Inter-media, PBE, Infrax West, Integan and Interkabel have signed collaboration agreements in 1996 and in 2008 regarding the contribution of their business activity of digital and analogue customers and cable television products to a telecommunication company.
The incorporation of this segment matches the conditions of a financial lease and hence the Group operates as a lessor resulting in the recording of a long-term receivable. The income is calculated at the discounted cash flow generated in the future and contains the original and yearly investments as well as the client fee (see note ' Long term receivables, other ').
Furthermore, amounts referring to other investments (5.000 k EUR) were included in this line. This latter concerns contributions to S-Lim above the fixed capital (2.000 k EUR) for which renouncement was given in an agreement and as a result has the character of a long-term receivable (see note 'Investments in joint ventures and associations').

Trade and other receivables include mainly the receivables from distribution grid activities, social customers and others.
They were adjusted as a result of netting for the cost and income of projects, the inclusion of the impairment on the receivables and the various short-term receivables with the telecommunications company Telenet.

Interest bearing loans and borrowings
The elimination of the amount of 450.000 k EUR concerns the amount that is lent on by ex-Infrax cvba to the ex-Infrax MEAs.
This section contains the bankloans of the ex-Infrax MEAs (see note 'Interest bearing loans and borrowings').

Employee benefit liability
In accordance with IAS 19, the employee benefits for the acquired employees of ex-Infrax were calculated at initial recognition. A defined benefit plan for statutory employees, a defined contribution plan and other long-term liabilities for statutory and contractual employees was recorded.
All calculations are performed by a certified actuary.

Derivative financial instruments
The Group uses derivative financial instruments to hedge the exposure to interest rate risks that arise from its financing activities and for embedded loans (embedded derivatives). Derivative financial instruments are initially recognized at fair value. The fair value of the interest rate swaps was the estimated amount the Group would receive or pay to end the swap at the balance sheet date, taking into account the actual interest rate and the creditworthiness of the counterparty.

Provisions, other
This item contains provisions with respect to the rehabilitation of contaminated gas sites (1.365 k EUR) and a provision for disputes (175 k EUR).

Deferred taxes
The amount recorded as deferred tax liability results from the differences between taxable profit and the adjustment to IFRS. These stem from mainly the adjustment for employee benefit liabilities and other provisions, government grants, revaluation surplus, derivative financial instruments and the receivables. They were processed through retained earnings or other comprehensive income, depending on their recording.

Government grants
The deferred taxes on government grants is for IFRS included in the section and hence the entire government grant is shown on the balance sheet.

Trade payables and other current liabilities
The adjustment mainly concerns the recording of projects: a trade payable is recorded as a result of netting for the income and the cost of projects.

The consolidated IFRS financial statements for the financial year ending at 31 December 2018 will contain the figures of the last six months after the incorporation at 1 July 2018. The result of the acquired companies for the first semester of 2018 amounts to 39.351 k EUR and was recorded, in accordance with the Belgian accounting legislation, in equity as retained earnings.

Incorporation of financing associations
On 1 April 2018, the split of the intermunicipal financing associations (FIVs) Figga, Finea, Finiwo, Fingem and Finilek was implemented and the activities were partly subdivided into the respective MEAs Gaselwest, Imea, Imewo, Intergem and Iverlek. These activities consist of the strategic participations in the transmission system operators (via the Publi-T and Publigas holdings), shares in Elia, and in the Telenet Group Holding as well as a number of other activities. The activities relating to environmentally friendly energy generation were transferred to a newly established company Zefier cvba, which is not part of this Group.

The takeover by the MEAs was approved by their boards of directors in December 2017. The amendments to the articles of association implemented by the extraordinary general meetings on 28 March 2018 have also been ratified by the Flemish Minister of Interior Affairs.
According to the Belgian accounting rules, the incorporation took place retrospectively to 1 January 2018. At that time, the fair value determination was made for each FIV and the number of new shares to be issued was calculated (determination of the exchange ratio).
Shares were created for a total amount of 151.677 k euro that were allocated to this segment (see note 'Issued capital and reserves').
According to the IFRS, the incorporation was recorded as from 1 April 2018, despite the implementation date of 28 March 2018. As a result of which the valuation was carried out on 1 April 2018. All items were checked for their fair value and the valuation at their net asset value was expressed.
The different elements of the balance sheet of the FIVs were calculated at fair value:
The financial assets included in the item 'Other investments' contain the strategic participations held in Publi-T and Publigas as well as the shares directly held in the company Elia. The fair value of Publi-T starts from the last available balance sheet and is adjusted for the investments in Elia by recording on the basis of the share price. The fair value of Publigas also starts from the last available balance sheet and is adjusted for the investments held in Fluxys by recording on the basis of a calculated share price (external valuation report). The shares held directly in the company Elia were included by recording in the share price.

The receivables and liabilities that have been accounted for are the result of a borrowing and lending of these financial debts to mainly the municipalities. These were checked for their fair value. The Group expects to be able to collect these receivables.
All other elements were examined and their book value approximates the fair value, so no adjustments are necessary. No conditional compensation of assets for indemnification was identified.

The MEAs individually hold between 4% and 9% of the shares in Publi-T and between 3% and 7% of the shares in Publigas, as a result of which each individual MEA holds less than 20% of the shares. The MEA does not have a majority in the Board of Directors, nor is there a cooperation agreement between the MEAs. As a result, the MEAs do not have any separate control and cannot exert any significant influence. These acquired participations in Publi-T and Publigas are held as strategic participations. They are included in the item 'Other investments' at fair value with recognition of changes in value in other comprehensive income (fair value through other comprehensive income) as well as the participation held in the company Elia which is recorded via the profit or loss account (fair value through profit or loss).

The financial information of the opening balance sheet, processed at fair value, on 1 April 2018 is

(In thousands of EUR)	Opening balance
Other investments	1.034.654
Long-term receivables, other	89.449
Trade and other receivables	32.354
Current tax assets	14.453
Cash and cash equivalents	45.552
Assets	**1.216.462**
Capital	151.680
Issue premiums	9.389
Reserves	99.194
Other comprehensive income	775.940
Retained earnings	35.390
Interest bearing loans and borrowings, long-term	41.595
Interest bearing loans and borrowings, short-term	699
Trade payables and other current liabilities	11.605
Liabilities	**1.125.492**
Total net at fair value	90.970
Cash and cash equivalents received	−45.552
Total acquisition of business combination	**45.418**

The total consideration acquired at 1 April 2018 amounts to -45.418 k EUR: cash amounts were received for 45.552 k EUR and financing was provided by the Group as payments of short-term liabilities needed to be performed for the financing associations for -90.970 k EUR in total.
The recognition at fair value on 1 April 2018 has an effect of 775.876 k EUR that was recognized through 'Other comprehensive income'.

These interim condensed consolidated IFRS financial statements contain the results of this transaction for 3 months since the recording date on 1 April 2018. These consist mainly of the fair value adjustment of the investments (251.842 k EUR) and the shares held (2.997 k EUR). If the combination would have taken place on 1 January 2018, a loss of 61 k EUR and operating income of 0 k EUR would have been recognized for the first half of the 2018 financial year.

Segment information

4 Segment information

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

In accordance with IFRS 8, the Group reported at 31 December 2018 and 31 December 2017 the following financial segmented information on the basis of the Belgian GAAP (BE-GAAP). The acquisition of the ex-Infrax entities, dated 1 July 2018, is processed retrospectively to 1 January 2018 in accordance to the Belgian accounting rules and therefore, contains the results over the 12 month period.
All transactions of the Group take place in Flanders, Belgium.

Statement of profit or loss 2018

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Turnover	2.263.624	600.332	229.541	1.637.245	4.730.742
Other income	179.684	47.272	60.519	72.915	360.390
Operating costs	−2.216.715	−513.767	−269.095	−1.695.991	−4.695.568
Operating profit (loss)	**226.593**	**133.837**	**20.965**	**14.169**	**395.564**
Financial income	1.147	−195	74.454	125.460	200.866
Financial costs	−123.525	−57.769	−11.538	−129.435	−322.267
Profit (loss) of the period before taxes	**104.215**	**75.873**	**83.881**	**10.194**	**274.163**
Transfer from/transfer to deferred taxes	12	4	301	0	317
Income taxes	−34.510	−25.319	−9.437	−10.194	−79.460
Profit for the period	**69.717**	**50.558**	**74.745**	**0**	**195.020**

Statement of financial position 2018

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Tangible and intangible fixed assets	5.934.504	3.812.039	1.543.074	11.327	11.300.944
Financial fixed assets	3.897	2.079	384.318	1.699	391.993
FIXED ASSETS	**5.938.401**	**3.814.118**	**1.927.392**	**13.026**	**11.692.937**
Amounts receivable after more than one year	42	66	310.149	3.945.528	4.255.785
Stocks and contracts in progress	52.939	21	12.316	68.088	133.364
Amounts receivable within one year	672.935	−14.475	−60.471	426.353	1.024.342
Cash at bank and in hand	196.727	−76.912	117.420	3.877	241.112
Deferred charges and accrued income	439.914	105.605	−97.412	292.309	740.416
CURRENT ASSETS	**1.362.557**	**14.305**	**282.002**	**4.736.155**	**6.395.019**
Total Assets	**7.300.958**	**3.828.423**	**2.209.394**	**4.749.181**	**18.087.956**
Capital	973.641	653.466	952.070	10.174	2.589.351
Equity premium	107.729	1.398	17.772	127	127.026
Revaluation surplus	813.214	409.935	47.555	0	1.270.704
Reserves	823.339	426.349	456.495	86	1.706.269
Retained earnings and result of the period	23.057	12.282	65.496	20	100.855
Government grants	2.628	87	223.397	0	226.112
EQUITY	**2.743.608**	**1.503.517**	**1.762.785**	**10.407**	**6.020.317**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**14.655**	**13.804**	**27.272**	**256.730**	**312.461**
Amounts payable after more than one year	3.791.843	1.711.205	232.978	3.991.963	9.727.989
Amounts payable within one year	341.420	384.923	278.240	436.287	1.440.870
Accrued charges and deferred income	409.432	214.974	−91.881	53.701	586.226
AMOUNTS PAYABLE	**4.542.695**	**2.311.102**	**419.337**	**4.481.951**	**11.755.085**
Total Liabilities	**7.300.958**	**3.828.423**	**2.209.394**	**4.749.181**	**18.087.956**

The reconciliation of the financial data 2018 mentioned above based on Belgian GAAP to IFRS

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	4.730.742	2.943.748	−1.786.994
Profit (loss) of the period before taxes	274.163	295.180	21.017
Total Assets	18.087.956	14.344.643	−3.743.313
Total Liabilities	18.087.956	14.344.643	−3.743.313
Equity	6.020.317	5.918.671	−101.646

These differences can be explained as the result of:

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

For the electricity segment, one customer achieved 42% of the turnover and for the gas segment there were three customers that together achieved 64% of the turnover.

Statement of profit or loss 2017

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

Statement of financial position 2017

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

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

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

Performance of the year

5 Operating revenue

(In thousands of EUR)	2018	2017
Distribution and transport grid revenue	2.785.463	2.517.314
Sale of energy	44.157	79.084
Construction works for third parties	74.225	55.462
Other sales	39.903	0
Total revenue from contracts with customers	**2.943.748**	**2.651.860**
Recuperations	149.963	51.825
Other	98.593	44.250
Other operating income	**248.556**	**96.075**
Own construction, capitalized	**306.556**	**271.099**
Total operating revenue	**3.498.860**	**3.019.034**

Total revenue from contracts with customers

The revenue from the distribution and transport of electricity and gas via its networks and the sale of energy is recognized on a monthly basis. The proceeds from the billing of works to third parties are recognized at some point in time. The other sales for the activity sewerage are recognized on the one hand for the performance recognition of maintenance on the moment in time and, on the other hand it is spread over the period for the investment. Hence, the remediation contribution is recognized over the period of the works performed.

The Group has realized most of its revenue from the remuneration of the distribution of electricity and gas via its networks. This revenue should be evaluated together with the regulatory transfers and balances. The increase in distribution and transmission grid fee is due to the tariff methodology of the VREG for the period 2017 to 2020 and the additional adjustments to these tariffs during the years 2017 and 2018 (see note 'Working in a regulated environment').

The sale of energy consists of the energy supplies to individuals who do not find an energy supplier on the market due to payment problems. The decrease of 34.927 k EUR is due to a reallocation in this item. As from 2018, this item only comprises the energy component while the revenue related to distribution and transport is reclassified to the line item 'Distribution and transport grid revenue'. The corresponding amount related to the energy component for 2017 amounts to 40.703 k EUR without the distribution and transport grid fee and the amount for the post 'Distribution and transmission grid revenue' would be 2.555.695 k EUR.

The billing of construction works for third parties comprises mainly the construction works carried out for ESLA as well as for public lighting.
The contracts with customers are generally from three promises. The first promise is to perform a study of possible energy savings. After this study, works are started up and the Group is responsible for the project coordination and the implementation. These three promises form one performance

obligation as the Group provides a significant integrated service to bundle its promises for the combined project for its customer.
The performance obligation is fulfilled upon provisional acceptance and the payment is due within 30 to 60 days on average after the provisional acceptance.
A guarantee period of 12 months is allowed to the customer. This is a standard warranty that is not seen as a separate performance obligation.

Public lighting
The contracts with customers generally include two promises. The first promise is the demolition of the current public lighting. After the demolition the new public lighting is constructed. These promises are considered as two separate performance obligations. The performance obligations are fulfilled upon acceptance and payment is due within 30 to 60 days on average after acceptance.

The other sales reflect the revenue of the remediation of waste water (35.504 k EUR) by means of a municipal waste water treatment contribution charged by the water companies (see note ''Working in a regulated environment).

The proceeds of the activity distribution cable television mainly consist of the proceeds relating to cable television, Infra-X-net and Infra-GIS.

Other operating income
The recuperations relate to fees charged for operating activities performed at customers, the reimbursements of general expenses by contractors, insurance and various operational subsidies and the reinvoicing of costs for RUE campaigns. Extra allowances were recorded in 2018 coming from VEA (Vlaams Energieagentschap) as a result of the DAEB arrangement (Dienst van Algemeen Economisch Belang), which were previously used for green energy and cogeneration certificates (see note 'Trade and other receivables').

The other operating income mainly comprises allowances for damages and operations, connection works, works carried out in synergy, subsidies and gains on allowances recorded in previous periods on trade receivables (247 k EUR in 2018 and 229 k EUR in 2017) and gains on the sale of property, plant and equipment (4.255 k EUR in 2018 and 6.044 k EUR in 2017). Also an amount of 63.687 k EUR was recognized in 2018 stemming from the withdrawal of the bonus from 2013 and 2014 (see note 'Trade payables and other liabilities').

All costs related to distribution activities have been registered as operational costs. Periodically, a settlement has been recorded and certain costs related to investments have been activated through the item 'Own construction, capitalized'. As a result, this revenue cannot be considered as an operating income.
This item also contains the contributions received from customers (120.474 k EUR in 2018 and 101.573 k EUR for 2017) which are also deducted as own construction, capitalized (-120.474 k EUR for 2018 and -101.573 k EUR for 2017).

6 Cost of trade goods

(In thousands of EUR)	2018	2017
Cost for transportation	569.452	499.218
Purchase of energy	23.096	21.107
Purchase of goods for resale	114.164	89.012
Purchase of grid losses	22.327	15.993
Certificates for green energy and cogeneration	521.202	417.479
Total	**1.250.241**	**1.042.809**

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

The costs for green energy and cogeneration certificates mainly include the cost of the number of purchased certificates (5.581.415 in 2018 and 4.695.892 in 2017), the cost of the solidarisation between all Flemish distribution system operators and the possible incurred costs of sales (see note 'Trade and other receivables').

7 Cost for services and other consumables

(In thousands of EUR)	2018	2017
Cost of purchase network grids	112.908	72.126
Cost for direct purchases	35.372	26.082
Fee for usage of installations and retributions	64.283	50.903
Advertising, information, documentation, receptions a.o.	9.565	6.788
Subsidy for rational use of energy (RUE)	51.197	62.804
Contracts and administration costs	13.386	18.418
Consultancy and other services	68.253	51.204
Other	54.466	48.989
Total	**409.430**	**337.314**

The cost for services and other consumables increased with 72.116 k EUR from 337.314 k EUR in 2017 to 409.430 k EUR in 2018.

The costs for the rational use of energy (RUE) amount to 51.197 k EUR in 2018 and 62.804 k EUR in 2017. These costs reflect the payment of premiums for RUE requested by individuals and companies. For 2018, mainly premiums related to roof insulations were requested. The Government of Flanders uses stricter technical energy conditions before they reimburse the RUE costs.

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

8 Employee benefit expenses

(In thousands of EUR)	2018	2017
Remunerations	320.530	261.585
Social security contributions	86.570	67.326
Contributions to defined benefit plans and other insurances	10.645	16.610
Other personnel costs	23.944	21.700
Total	**441.689**	**367.221**

The employee benefit expenses amounted to 441.689 k EUR in 2018, an increase of 74.468 k EUR compared to 367.221 k EUR in 2017. This increase is due to the personnel costs of the acquired companies.

The average number of employees amounted to 4.262 in 2017 and as a result of the merger 5.737 in 2018.

9 Amortization, depreciation, impairments and changes in provisions

(In thousands of EUR)	2018	2017
Amortization of intangible assets	26.867	35.926
Depreciation of property, plant and equipment	345.669	280.924
Total amortization and depreciation	**372.536**	**316.850**
Impairment of trade receivables	3.688	9.062
Changes in provisions	30.357	−5.336
Total	**406.581**	**320.576**

The amortization and depreciation amount to 320.576 k EUR at the end of 2017 and 406.581 k EUR at the end of 2018, or an increase of 86.005 k EUR. This increase is mainly a result of the acquired assets due to the merger with the ex-Infrax MEAs.

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

The addition to the provisions for liabilities and charges is related to the recordings for employee benefits for an amount of 32.143 k EUR which are outside the scope for IAS 19 (see note 'Employee benefit liability’).

The changes in provisions mainly concern the provision for remediation costs which decreases to 590 k EUR in 2018 from 5.336 k EUR in 2017 (see note 'Provisions, other'). The decrease of the provisions was due to the use (remediation and sale of land) and more specific elements which enabled a decrease in the provision of the remediation cost.

10 Other operational expenses

(In thousands of EUR)	2018	2017
Loss on disposal/retirement of fixed assets	43.288	59.967
Loss on realization receivables	6.970	4.183
Other	1.759	1.503
Total	**52.017**	**65.653**

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

11 Regulated balances and transfers

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

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

The regulated balances and transfers are as follows:

(In thousands of EUR)	2018	2017
Decision VREG 28 August 2018	267.162	0
Additional transfers	102.544	69.215
Recuperation of transfers	172.669	244.728
Total	**542.375**	**313.943**

In pursuance of the decision made by the VREG on 28 August 2018 and the judgment made by the Court of Appeal on 27 February 2019, an amount of 267.162 k EUR was added to the tariffs (see note 'Working in a regulated environment').

12 Financial results

(In thousands of EUR)	2018	2017
Interest income, banks	2.884	6
Interest income, derivative financial instruments	21.645	28.607
Other financial income	63.709	788
Finance income	**88.238**	**29.401**
Interest expenses, non-current loans	175.772	168.868
Interest expenses, current loans and other borrowings	2.023	2.040
Other financial expenses	11.789	6.688
Finance costs	**189.585**	**177.596**

Financial income increases from 29.401 k EUR at end December 2017 to 88.238 k EUR at the end of December 2018. This increase is mainly due to the other financial income containing dividends received and revaluations of participations (55.029 k EUR and 3.613 k EUR). The other financial income contains mainly financial discounts received from suppliers and the allowances received from telecommunication company Telenet (see note 'Trade and other receivables).
The interest expenses on non-current and current loans and borrowings increase with 11.989 k EUR in comparison to 2017 as a result of the acquired financing activities.
The other financial expenses amount to 11.789 k EUR at the end of December 2018 and contain the interest costs on the defined benefit pension plans, incurred issuance costs for loans and various bank costs.

13 Income taxes

(In thousands of EUR)	2018	2017
Current income tax expenses	−62.010	−127.853
Current income tax expenses on previous year result	1.176	978
Deferred income tax benefits (+) / expenses (-)	−43.441	−60.686
Total income tax expenses	**−104.275**	**−187.561**

Current income tax expense on the result
Based on the Programme Act of 19 December 2014, the MEAs (except those operating in sewerage and water) are subject to the corporate income tax as from accounting year 2015 and thus they are no longer subject to the legal entity tax.

(In thousands of EUR)	2018	2017
Taxable profit (loss) according to BE-GAAP	216.505	339.039
Portion subject to legal entity tax	−7.232	0
Effect non-deductible expenses	882	40.695
Effect deductible expenses	−518	−3.585
Tax basis	**209.637**	**376.149**
Total current income tax expenses	**−62.010**	**−127.853**

* Subject to the legal Belgian tax rate of 29,58% for financial year 2018 and 33,99% for the financial years until 2017

Deferred taxes

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

During the period 2015-2016 various rulings for the MEAs of ex-Eandis and ex-Infrax were requested from the Federal Public Service Finance to obtain its decision on the correct fiscal treatment of, amongst others, the revaluation of fixed assets, the notional interest deduction and the impairment losses of trade receivables.
Concerning the impairment losses of trade receivables related to the ex-Eandis MEAs, the deduction of the recorded provision for doubtful debts as at 31 December 2014 as deductible costs in the income tax declaration of the tax years 2016 up to 2019 was requested. It is based on the principle, as defined in the aforementioned Programme Act and amended on 10 August 2015, article 92, 4° that the provision for impairment losses, that is recorded during the period the company was subject to legal entity tax, is deductible as a professional cost to the extent that the conditions laid down in article 49 of the Code of the Income Tax of 1992 are fulfilled.
The total amount of impairment amounted to 77.109 k EUR at 31 December 2014 and was processed for the first time at 25,00% in the tax assessment of the year 2016.
The ruling will be applicable until the year 2020 (cf. the standard term of five years in application of article 23 of the law of 24 December 2002 amending the corporate system of income taxes and establishing a system of prior rulings for fiscal matters).
During 2015 a separate ruling was requested for Inter-aqua and Riobra, and a prior decision was made allowing Inter-aqua and Riobra to remain subject to the legal entity tax in accordance with article 220, 3 ° of the 1992 Code on the Income Tax. This prior decision will also apply to the tax year 2020.
When Inter-aqua and/or Riobra merge with one or more other ex-Eandis and/or ex-Infrax MEAs, whereby the sewerage activity will be hosted in a MEA that is subject to corporate income tax, the submission to the legal entity tax will normally be lost as well, and hence sewerage will be subject to the corporate income tax.
Regarding to the proposed merger by absorption of Inter-aqua (legal entity tax) by Inter-energa (corporate income tax) a ruling was requested to obtain a prior decision concerning the tax consequences of this proposed merger. On 26 March 2019, a prior decision was obtained confirming that the merger would not effect the legal entity tax of Inter-aqua, the capital of Inter-aqua qualifies as taxable paid-up capital, reserves and government grants built up under the legal entity tax qualify as taxed reserves, the fiscal value of the acquired assets on behalf of Inter-energa is equal to the actual value of the assets and the fact that the merger is with retroactive effect will have no effect on the accounting (BE-GAAP).

If in the future Riobra would end up in a similar situation of corporate income tax restructuring, a similar prior examination will be performed. In an unchanged situation during tax year 2021, where necessary, a new ruling request in connection with further submission to the legal entity tax will be investigated by Riobra.

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

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

(In thousands of EUR)	2018	2017
Property, plant & equipment	−542.694	−393.968
Derivative financial instruments	20.025	26.524
Employee benefit liabilities	117.032	94.134
Provisions, rehabilitation gas sites	−402	−341
Provisions, other	−10.268	1.378
Impairment on trade receivables	0	5.703
Government grants	−1.306	−2.092
Receivables	−21.573	0
Other	4.731	0
Net deferred tax asset/(liability)	**−434.455**	**−268.662**

At end 2018

(In thousands of EUR)	Movements via P&L	Movements via OCI*	Movements via retained earnings
Property, plant & equipment	1.923	12.125	−162.774
Derivative financial instruments	−11.279	0	4.779
Employee benefit liabilities	−26.418	18.740	30.574
Provisions, rehabilitation gas sites	−402	0	341
Provisions, other	−8.123	0	−3.523
Impairment on trade receivables	−5.703	0	0
Government grants	786	0	0
Receivables	379	0	−21.952
Other	5.396	0	−664
Deferred tax benefit/(expense)	**−43.441**	**30.865**	**−153.219**
Net movement during the year	**−165.795**		

*OCI = Other Comprehensive Income

At the end of 2017

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

*OCI = Other comprehensive Income

The main temporary differences relate to the revaluation of property, plant & equipment and the provisions for employee benefit liabilities. A deferred tax liability was recorded of 542.694 k EUR (393.968 k EUR in 2017) related to the revaluation of property, plant & equipment since, according to Belgian tax law, the costs are not deductible. Concerning the provisions for employee benefit liabilities, the costs will be deductible according to the Belgian tax law, and therefore a deferred tax asset was recorded of 117.032 k EUR (94.134 k EUR in 2017).

(In thousands of EUR)	2018	2017
Deferred tax asset	141.788	127.739
Deferred tax liability	−576.243	−396.401
Deferred tax liability, net	**−434.455**	**−268.662**

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

(In thousands of EUR)	2018	2017
Total as at 1 January	**−268.662**	**−343.819**
Tax income/(expense) recognised in profit or loss	−43.964	−60.686
Tax income/(expense) recognised in OCI	30.865	135.843
Tax income/(expense) recognised in retained earnings	−152.694	0
Total at end of reporting period	−434.455	−268.662

Assets

14 Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2018	4.768	305.596	**310.364**
Merger by absorption of Infrax cvba	0	28.431	**28.431**
Incorporation ex-Infrax MEAs in the consolidation	0	24.095	**24.095**
Acquisitions	0	28.673	**28.673**
Other	0	−25.516	**−25.516**
Acquisition value at 31 December 2018	**4.768**	**361.279**	**366.047**
Amortization and impairment at 1 January 2018	4.299	241.460	**245.759**
Merger by absorption of Infrax cvba	0	25.747	**25.747**
Incorporation ex-Infrax MEAs in the consolidation	0	20.394	**20.394**
Amortization	281	26.586	**26.867**
Other	0	−25.063	**−25.063**
Amortization and impairment at 31 December 2018	**4.580**	**289.124**	**293.704**
Net book value 31 December 2018	**188**	**72.155**	**72.343**

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

The investments for the projects smart metering, smart grids, smart users (as from 2012) and district heating (as from 2014) are recorded as ‘Development costs’.
For the projects 'smart metering' and 'smart grids', the development phase is completed (no new acquisitions since 2017), as the new technology will be or is implemented. As from the second half of 2019, the digital energy meter will be rolled out step by step and an innovative network

management system has been built that, together with smart electronics in cabins, ensures that the network can be actively monitored and controlled.
During 2017, the amounts related to a new central database with customer and measurement data were written off amounting to 13.819 k EUR. The costs for the adjustment of the systems and market processes in the context of the MIG6 (Message Implementation Guide) amount to 17.556 k EUR.
During 2018 and 2017, no costs for research were recorded.
There were no intangible assets with an indefinite useful life.

15 Property, plant and equipment

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Others	Assets under construction	Total
Acquisition value at 1 January 2018	257.106	13.039.956	193.615	0	19.018	336.435	**13.846.130**
Acquisitions	6.126	54.908	23.340	2.060	514	467.016	**553.964**
Merger by absorption of Infrax cvba	0	0	26.245	8.003	1.165	0	**35.413**
Incorporation ex-Infrax MEAs in the consolidation	143.131	5.254.417	52.249	20.824	0	293.886	**5.764.507**
Sales and disposals	−359	−167.649	−6.249	0	−177	−65.819	**−240.253**
Transfer to others	203	366.946	0	0	0	−367.149	**0**
Acquisition value at 31 December 2018	**406.207**	**18.548.578**	**289.200**	**30.887**	**20.520**	**664.369**	**19.959.761**
Depreciation and impairment at 1 January 2018	86.897	5.711.810	170.632	0	17.719	0	**5.987.058**
Depreciation	5.482	326.616	11.809	1.447	315	0	**345.669**
Merger by absorption of Infrax cvba	0	0	21.299	465	0	0	**21.764**
Incorporation ex-Infrax MEAs in the consolidation	61.721	2.426.518	47.097	17.047	465	0	**2.552.848**
Sales and disposals	−266	−123.393	−6.047	0	−176	0	**−129.882**
Transfer to others	0	−3	0	3	0	0	**0**
Depreciation and impairment at 31 December 2018	**153.834**	**8.341.548**	**244.790**	**18.962**	**18.323**	**0**	**8.777.457**
Net book value at 31 December 2018	**252.373**	**10.207.030**	**44.410**	**11.925**	**2.197**	**664.369**	**11.182.304**

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

The commitments for the acquisition of property, plant and equipment at the end of 2018 amounted to 4.326 k EUR and 4.391 k EUR at the end of 2017. A commitment to sell property, plant and equipment existed at the end of 2018 for 2.700 k EUR and 1.250 k EUR at the end of 2017.

Concerning the lease, a liability is recorded on the short and long term for an amount of 2.826 k EUR and 10.619 k EUR (of which 9.475 k EUR for the period 2020 to 2023 and 1.144 k EUR for the period after 2024).

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

As per 31 December 2018 and 2017, there are no restrictions on title and property, plant and equipment serving as pledge for liabilities.

16 Investments in other companies

The investments in other companies amount to 16 k EUR at the end of 2018 and 30 k EUR at the end of 2017. These investments are held in Atrias cvba and Synductis cvba.
During 2018 (respectively February 2018 and March 2018) the Board of Directors of Warmte@Vlaanderen cvba and Fluvius cvba decided to dissolve these companies and put them into liquidation. These two companies were founded during 2016 but were not operational.

On 9 May 2011, Atrias cvba was established as a joint initiative of Belgium's largest energy distribution operators Fluvius, Ores, Sibelga and RESA.
Atrias is a central clearing house for the Distribution System Operators and charged with the development of a Message Implementation Guide (MIG), the development of a clearing house application, and the management and maintenance of this application. MIG describes how the communication flow between the various players of the energy market should happen.
The Group has acquired 50% (2017: 25%) of the shares representing an amount of 9 k EUR (2017: 5 k EUR).
Atrias is an unlisted company and has no official price quotation.

Synductis cvba was founded on 21 December 2012 and aims to coordinate the infrastructure works by various utility companies in the Flemish cities and municipalities and so reduce nuisance of the works.
Fluvius System Operator participates in the 'implementation coordination' and 'planning coordination' sectors. The Group held an investment of 7 k EUR (2017: 7 k EUR) or 33,28% of the shares during 2018 (2017: 33,23%).
Synductis is an unlisted company and has no official price quotation.

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

S-Lim cva (Smart Region Limburg) was founded on 7 Augustus 2017 by Inter-media, Nuhmeris and Nuhma with the mission to create a better and more attractive environment in Limburg by investing in technology and innovation. S-Lim accompanies municipalities by means of translating their administrative and social requirements into technological and software related applications. The Group holds an investment of 2.000 k EUR (50%).

17 Other investments

At the end of 2018, the other investments amount to 1.372.860 k EUR (2017: 832 k EUR).

The other investments comprise the participations held in Publi-T (48,03%) and Publigas (30,36%) as a result of the partial incorporation of the financing associations in the ex-Eandis MEAs, and the participation in Publi-T of the acquired companies. The fair value recognition of those participations and the shares held amount to 1.369.418 k EUR whereby 1.027.781 k EUR is recognized in other comprehensive income (fair value through other comprehensive income) and 2.997 k EUR via financial income.

The other investments comprise the participations held by the Group in the business centres situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes and Waregem), Imewo (business centres Bruges, Ghent, Meetjesland and Ostend) and PBE (business centres Leuven, Zennevallei and Tienen). In addition, participations in companies are held by Infrax West (service company Leiedal, International Airport Kortrijk-Wevelgem NV and Intercommunale Centrum voor Informatica (CEVI) VZW), by Iveg and by Inter-media (service company Cipal) and by the Group in the companies Duwolim cvba and Poolstok. The fair value recognition of these investments amount to 3.442 k EUR whereby 2.099 k EUR is recognized at first inception in other comprehensive income and 163 k EUR via financial income.

18 Long-term receivables

The long-term receivables amount to 488.416 k EUR at the end of 2018 and 856 k EUR at the end of 2017.

The receivables on more than one year mainly consist of receivables towards the telecommunication company Telenet (344.993 k EUR) within the framework of the following arrangements.
On 24 June 1996, four Flemish cable intermunicipalities Inter-media, PBE, Infrax West and Integan decided to combine their knowledge, which led to the foundation of the network company Interkabel. All four intermunicipal companies contributed 5% of their cable network and their licenses in the newly created company Interkabel. Negotiations between Interkabel and Telenet resulted in the transfer of those licenses to Telenet. The right of use on those licenses allowed Telenet to provide telecommunication and internet to Flemish households. The revenues for the intermunicipal companies are received via Interkabel and are composed out of an annuity fee and a client fee.
The annuity fee is related to investments made by the intermunicipal companies for which an allowance is received. Those annuities are recorded as a finance lease because the investments are fully repaid over their economic lifetime. As a result, the investments are recorded as a long-term receivable.
The client fee is calculated based upon the number of connection points on the cable network. Also for this revenue a long-term receivable is recorded, as those fees will generate a yearly revenue until 2046.
Due to the increased digitalization, new agreements were contracted between Interkabel and Telenet. On 28 June 2008, both parties concluded on those new agreements in which it was established that the business areas of digital and analogue clients and cable television products were transferred to the telecommunication company and as such a leasehold was established for a period of 38 years. This new agreement is called ‘Canonlease agreement’ and results in yearly recurring revenue on the initial value of the cable network and additional allowances for the yearly investments made to the network (growing leasehold). All the investments made are reimbursed over a period of 15 years increased by a fair compensation.

Also in this note receivables towards municipalities are recorded in function of loans borrowed in the framework of the acquired financing associations (92.549 k EUR) and to the companies Atrias cvba and S-Lim cvba for a total amount of 45.028 k EUR (see note ‘Related parties’).

19 Inventories

(In thousands of EUR)	**2018**	**2017**
Raw materials and consumables	74.453	39.526
Accumulated impairment on inventories	−6.365	−5.880
Total	**68.088**	**33.646**

The impairment losses (charge back) amounted to 1.049 k EUR in 2018 (2017: 32 k EUR netted write-back). These amounts were included in the profit or loss account.

20 Trade and other receivables

(In thousands of EUR)	2018	2017
Trade receivables - gross	585.278	604.177
Impairment	−98.738	−85.116
Total trade receivables - net	**486.540**	**519.061**
Other receivables	218.133	55.210
Other receivables - Transfers	96.011	373.484
Total other receivables	**314.144**	**428.694**
Total trade and other receivables	**800.684**	**947.755**

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

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

(In thousands of EUR)	2018	2017
Trade receivables from distribution grid activities		
Outstanding debt	300.261	263.309
Impairment	0	0
Trade receivables social customers		
Outstanding debt	123.796	109.920
Impairment	−76.352	−71.346
Other trade receivables		
Outstanding debt	117.961	199.886
Construction works for third parties	39.178	28.190
Impairment	−22.386	−13.770
Trade receivables public authorities, state and country	**947**	**751**
Other	**3.135**	**2.121**
Total trade receivable - net	**486.540**	**519.061**

The trade receivables from distribution grid activities further increase with 36.952 k EUR and amount to 300.261 k EUR at the end of 2018.
The net amount of trade receivables from social customers amounts to 47.444 k EUR in 2018 and 38.573 k EUR in 2017.
The ‘Other trade receivables’ include amounts related to bad debts from the period before the energy market’s liberalization, as well as receivables related to finished construction works and services rendered and costs still to be billed related to works for third parties. The debt amounts related to the sale of green certificates are also recorded in this line item.

The trade receivables from distribution grid activities are payable within 18 calendar days following the dispatch of the invoice as provided in the Access Code.
Write-down of these receivables is almost non-existent.

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

(In thousands of EUR)	2018	2017
VAT receivable	36.712	6
Receivables municipalities	9.888	34
Green energy and cogeneration certificates	115.093	24.810
Receivables options	1.781	742
Others	54.659	29.618
Other receivables	**218.133**	**55.210**
Transfer tariff	0	273.322
Complement to annual energy sales	62.396	55.757
Solidarity receivables related to the certificates for green energy and cogeneration	0	19.500
Deferred charges	8.339	5.694
Accrued income	25.277	19.212
Other receivables - Transfers	**96.011**	**373.484**
Total other receivables	**314.144**	**428.694**

The decrease in other receivables from 428.694 k EUR at the end of 2017 to 314.144 k EUR at the end of 2018 was mainly due to the decrease of transfers with 273.322 k EUR compensated by an increase in the receivables of the items ‘Green energy and cogeneration certificates (REC & CHPC)’ with 90.283 k EUR and the recognition of the short-term receivables related to the activity of cable television and the establishment of a ground lease on the cable network amounting to 39.848 k EUR (see note ‘Long-term receivable, other).

The **RECs and CHPCs** amount to 115.093 k EUR at the end of December 2018 compared to 24.810 k EUR at the end of December 2017.
The MEAs are required to buy renewable energy certificates, which are offered by the owners of solar panels and cogeneration plants, at a certain amount (minimum support for solar panels between 450 euros and 90 euros; for cogeneration 27 euros and 31 euros). The electricity suppliers need to deliver a certain quantity of green electricity and cogeneration certificates to the regulator which quantify in relation to a certain percentage of the delivered amount of energy. Hence, the DSOs can offer these certificates to the energy suppliers.
The sales price in this market, however, is significantly lower than the minimum paid out by the DSOs for the certificates. The value of the unsold certificates of the DSOs was 88 euros per certificate for the non-guaranteed green energy certificates and 20 euros per certificate for the non-guaranteed cogeneration certificates. The resulting cost is included in the post 'Cost of trade goods'.
In 2017 the receivables from green energy and cogeneration certificates are due to the large sale of certificates to the energy suppliers and the sales to VEA as a result of the DAEB arrangement issued in 2016 and the adjustments hereto during 2017, which enabled additional sales to be realized.
The receivables from green energy certificates and cogeneration certificates decreased significantly in 2017 as a result of the large sales of certificates to energy suppliers and sales to

VEA ('Flemish Energy Agency') resulting from the DAEB arrangements ('Dienst van Algemeen Economisch Belang') and the changes to these arrangements made in 2017, resulting in extra sales.

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

The increase in 2018 in the receivables from green energy and cogeneration certificates is merely due to the merger and the DAEB arrangements stating that no extra payout is allowed.
Due to this adjustment in the Energy Decree those certificates should be sold at least once a year instead of several times a year.
During 2018, two auctions took place. During the first and the last quarter of 2018, certificates were offered for sale on the market. Green energy certificates were sold for a total amount of 108.866 k EUR and cogeneration certificates for an amount of 19.039 k EUR. The resulting result (cost) from sale amounted to 12.178 k EUR and was also included in the item 'Cost of trade goods'.
In November 2018, the Group received an amount of 130.000 k EUR as a result of a sale of green energy certificates to VEA on the basis of the DAEB arrangement issued in 2016.

Transfer tariff amounts to 0 k EUR at the end of December 2018 and 273.322 k EUR at the end December 2017 and relates to the revenue correction that is eligible for inclusion in the following tariff period (see note 'Working in a regulated environment – The billing mechanism').

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

Solidarity contribution for RECs & CHPC
The cost of green power differs greatly for each distribution area in Flanders. In the Energy Decree, the distribution system operators are committed to a mutual settlement of the costs since 2010. (see note 'Operating in a regulated environment' regarding the removal of the ceiling).
Since the settlement can be either a receivable or a liability, this item must be read together with the item reported in the notes 'Trade and other payables'.
Due to the merger of Eandis with Infrax there is no longer a settlement between the companies.

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

21 Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash. At the end of 2018, an amount of 21.694 k EUR was available and 31.405 k EUR at the end of 2017.
All resources are reported in euro.
As a result of the low (and even negative) interest rates on deposit accounts, the surplus of cash received is held as cash and cash equivalents.

Liabilities

22 Issued capital and reserves

The various components of equity and the movements from 1 January 2017 to 31 December 2018 were reflected in the ‘Statement of changes in equity’.

The **share capital** amounted to 2.545.877 k EUR at the end of 2018 and 1.262.948 k EUR at the end of 2017.
The fixed part of the share capital is fully subscribed, fully paid up. The variable part of the capital varies as a result of the entry or exit (accompanied with a return of shares) of participants, or as a result of a capital increase or a capital reduction.
Each participant must subscribe and pay at least one share per joined activity.

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

Transaction	Amount in thousands of EUR
1 January 2017	1.262.948
Capital decrease - exit Tussengemeentelijke Elektriciteitsvereniging van Kampenhout en Steenokkerzeel (TGEK)	0
31 December 2017	**1.262.948**
Issue shares District Heating activity	2
Partial incorporation financing associations	151.680
Merger by incorporation of Infrax cvba	1.127.853
Capital decrease - exit of provinces	−3.245
Incorporation of unavailable reserves	164
Exit of Brussels communities	0
Contribution sewerage activity of Neerpelt	7.625
Capital decrease - transfer to sewerage fund	−1.150
31 December 2018	**2.545.877**

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

For the capital increase as a result of the partial incorporation of financing associations and the merger by acquisition of Infrax cvba we refer to note 'Expansion of the Economic Group Fluvius'.

On 27 April 2016, the Flemish Parliament approved an adjustment to the Decree on Intermunicipal Cooperation whereby the provinces, shareholders of the MEAs, must exit no later than at the end of 2018.
The exit of West-Vlaanderen/West-Flanders led to a decrease in equity of 6.420 k EUR, of which 3.236 k EUR share capital, as the sale was accounted for as a purchase of own shares followed by the destruction of these shares.

An agreement was reached with the province of Vlaams-Brabant, participant of PBE, about its exit as per 31 December 2018 as a result of which the equity decreases with 7.500 k EUR, of which 9 k EUR share capital. A cash payment of 7.500 k EUR was provided in return for their shares in PBE, with a parallel destruction of their shares in PBE.
Following the exit of the province of Waals-Brabant, a payment was already foreseen at the end of 2017 and an extra settlement of 101 k EUR had to be made on 27 December 2018.

The municipality of Neerpelt has contributed its sewerage network per 31 December 2018. The values are still provisional and a further inventory needs to be determined in the course of 2019.

The Regulations on sewerage funds resulted in a capital decrease with respect to this fund whereby a negative balance in this fund resulted in a value decrease of those shares. This decrease is explained as follows.
The contribution by the municipalities of their sewerage activity in the MEA Riobra was accompanied by the creation of shares RB and RI. The RI-shares are part of the sewerage funds. On an annual basis and from the profit and loss statement the sewerage fund increases, which is recorded as debt to the municipality. At Riobra, the sewerage fund comprises both the RI shares, and the amounts of this annual recording. On the moment of usage of the sewerage fund at Riobra this is charged to this debt. If consequently a debit balance arises on the debt account, a conversion of the RI-shares to the debt account is performed. The capital of RI-shares reduces every year as a result.

The municipality of Vorselaar has decided to exit Iveg and to join Iveka per 1 April 2019. Conversely, 15 municipalities have decided to exit Iveka with respect to the activities in electricity and/or natural gas and to join Iveg (as of 1 April 2019 Fluvius Antwerpen). These internal changes will have no influence on the current capital structure.

The table below shows the movements in the number of shares and profit certificates in the capital of each MEA at the end of 2018.

	Shares		Profit certificates C		Total	
MEA	**Number**	**Share Capital (in €)**	**Number**	**Share Capital (in €)**	**Number**	**Share Capital (in €)**
Gaselwest	32.111.012	334.454.012,61	237	0,00	**32.111.249**	**334.454.012,61**
IMEA	0	0,00	27	0,00	**27**	**0,00**
Imewo	30.339.155	301.569.915,37	176	0,00	**30.339.331**	**301.569.915,37**
Intergem	16.246.949	107.038.840,52	122	0,00	**16.247.071**	**107.038.840,52**
Iveka	17.003.580	186.139.073,91	109	0,00	**17.003.689**	**186.139.073,91**
Iverlek	40.065.931	254.123.045,51	222	0,00	**40.066.153**	**254.123.045,51**
Sibelgas*	3.264.362	70.923.545,67	0	0,00	**3.264.362**	**70.923.545,67**
Fluvius OV	907	22.484,53	0	0,00	**907**	**22.484,53**
Infrax West	9.510.872	237.771.800,00	0	0,00	**9.510.872**	**237.771.800,00**
Inter-aqua	15.589.597	389.739.925,00	0	0,00	**15.589.597**	**389.739.925,00**
Inter-energa	8.505.817	223.838.410,59	0	0,00	**8.505.817**	**223.838.410,59**
Inter-media	1.170.059	28.978.344,89	0	0,00	**1.170.059**	**28.978.344,89**
Iveg	39.091	97.710.175,00	0	0,00	**39.091**	**97.710.175,00**
PBE	6.353	54.848,30	0	0,00	**6.353**	**54.848,30**
Riobra	6.177.140	153.131.300,60	0	0,00	**6.177.140**	**153.131.300,60**
Total	**180.030.825**	**2.385.495.722,50**	**893**	**0,00**	**180.031.718**	**2.385.495.722,50**

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

The shares are issued per segment/activity and are as follows per MEA:
The distribution system operators that only carry out regulated activities for electricity and natural gas distribution: Gaselwest, IMEA, Imewo, Infrax West, Inter-energa, Intergem, Iveg, Iveka, Iverlek, PBE and Sibelgas. They also carry out district heating.
The MEAs that carry out sewerage activities: Infrax West, Inter-aqua, Iveg and Riobra.
The MEAs that carry out the cable television: Infrax West, Inter-media and PBE.

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

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

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

Share premiums
Following the incorporation of the financing associations (9.389 k EUR), merger by absorption of the ex-Infrax Group (115.589 k EUR) and the contribution of the sewerage activities of Neerpelt (1.906 k EUR), an amount of 126.884 k EUR was incorporated.

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

(In thousands of EUR)	**Legal reserves**	**Unavailable reserves**	**Available reserves**	**Total**
Total at 1 January 2017	1.052	80.162	730.427	**811.641**
Transfers to reserves	0	20.634	33.175	**53.809**
Transfers from reserves	0	−37.789	−7.316	**−45.105**
Total at 31 December 2017	**1.052**	**63.007**	**756.286**	**820.345**
Merger by absorption of Infrax cvba	83	0	0	**83**
Incorporation ex-Infrax MEAs in the consolidation	57.593	352.539	427.222	**837.354**
Incorporation of financing associations	11	0	99.183	**99.194**
Movements to the reserves	956	34.104	−104.180	**−69.120**
Total at 31 December 2018	**59.695**	**449.650**	**1.178.511**	**1.687.856**

A *legal reserve* has been formed amounting to 59.695 k EUR.

Since 2008, amounts were included as unavailable reserve equal to the depreciation of the (RAB-added value) revaluation surplus value in accordance with the settlement with the CREG. From 2010 onwards, the costs of the surplus value of land, buildings and installations sold during the accounting year were taken into account. Furthermore, it was decided to transfer during 2014 the total of the unavailable reserves of 380.801 k EUR to the available reserves in order to balance the account at 1 January 2016. Since then, additions have again been recorded as an unavailable reserve. In 2017, a withdrawal from the reserves was also included in order to comply with the tax regulations that were obtained through a ruling.
During 2018, an amount of 837.437 k EUR and 99.194 k EUR respectively was added to reserves resulting from the merger and the incorporation of the financing associations (see note 'Expansion of the Economic Group Fluvius').

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

(In thousands of EUR)	**2018**	**2017**
Related to employee benefit liabilities	−200.191	−141.628
Related to rights to reimbursement on post-employment employee benefits	−4.421	0
Related to fair value other investments	1.029.355	0
Related to deferred tax liabilities	−327.696	−358.561
Total other comprehensive income	**497.047**	**−500.189**

The movement in other comprehensive income from end 2017 to end 2018 amounts to 997.236 k EUR of which 775.940 k EUR arises from the incorporation of the financing associations and 146.221 k EUR from the merger with ex-Infrax (see note 'Changes to structure Economic Group Fluvius'). The remainder of 75.075 k EUR stems from the result of the period.

A **non-controlling interest** amounts to 7.848 k EUR at the end of December 2018 and 93 k EUR at the end of 2017, an increase of 7.755 k EUR.
Apart from the interest held by Farys/TMVW in De Stroomlijn and Synductis the increase is explained by the interest held by Integan in Interkabel.

Dividend
During the accounting year 2018, dividends were paid for a total value of 266.566 k EUR and 185.391 k EUR in 2017.
Below is an overview of the dividends paid per MEA for 2018 and 2017.

MEA (In thousands of EUR)	2018	2017
Gaselwest	55.018	44.950
IMEA	28.368	16.403
Imewo	55.318	39.230
Intergem	22.282	18.071
Iveka	24.382	24.902
Iverlek	46.864	37.102
Sibelgas	6.735	4.733
Infrax West	5.864	0
Inter-energa	20.530	0
PBE	595	0
Interkabel Vlaanderen	610	0
Total	**266.566**	**185.391**

After the balance sheet date the Board of Directors of each of the MEAs has formulated a dividend proposal. At their MEA's General Assembly, the shareholders have approved the payment of these dividend balances. According to IFRS, these dividends are only reported in the year in which the dividends have been approved. The dividend balance for 2018 amounted to 47.116 k EUR and will be included in the 2019 accounts, the dividend balance for 2017 amounted to 17.289 k EUR and was included in the 2018 accounts.
The amounts mentioned are the net dividends before withholding tax.

The Group's **profit** comprises the capital cost remuneration (fair remuneration) for the DSOs and the other remunerations for the MEAs, as described among others in the note 'Operating in a regulated environment'.

23 Interest bearing loans and borrowings

(In thousands of EUR)	2018	2017
Long-term loans	**5.817.461**	**5.235.404**
Current portion of long-term loans	267.774	211.182
Short-term loans	24.956	0
Short-term loans	**292.730**	**211.182**
Total	**6.110.191**	**5.446.586**

At the balance sheet date of 2018, the total amount of loans and borrowings increases with 663.605 k EUR from 5.446.586 k EUR in 2017 to 6.110.191 k EUR in 2018.

The increase is mainly attributed to the inclusion of the financing activities which have been acquired as a result of the merger with the Infrax Group.
The negative cashpool balance of 24.956 k EUR per end of 2018 was financed by the available short-term credit facilities.

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

(In thousands of EUR)	2018		2017	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	5.446.586		6.011.106	
Movements on non-current loans (LT)				
Incorporation of long-term loans Infrax cvba	0	91.841	0	0
Incorporation of long-term loans ex-Infrax MEAs	0	679.366	0	0
Incorporation of long-term loans FIVs	0	41.595	0	0
Proceeds of non-current loans	0	0	199.737	0
Change in non-current loans	0	26.389	0	2.440
Transfer of short-term portion of LT loan to ST	0	−257.134	0	−211.182
Movements on current loans (ST)				
Proceeds of current loans	24.956	0	0	0
Incorporation of short-term loans Infrax cvba	0	40.846	0	0
Incorporation of short-term loans ex-Infrax MEAs	0	3.500	0	0
Incorporation of short-term loans FIVs	0	699	0	0
Transfer of short-term portion from LT loan to ST	0	257.135	0	211.182
Change in current loans	0	−3.559	0	−12
Repayment of short-term portion of long-term loan	−242.029	0	−355.376	0
Repayment current loans	0	0	−411.309	0
Total movements	**−217.073**	**880.678**	**−566.948**	**2.428**
Total at end of reporting period	**6.110.191**		**5.446.586**	

Long-term loans
Overview of the long-term loans by category
At the end of 2018

(In thousands of EUR)	2018	Initial amount	Current interest rate %	Maturity
Bond issue - retail	369.760	370.000	2,00 - 4,25	2020 - 2025
Bond issue - EMTN*	3.145.559	2.662.085	1,75 - 4,50	2021 - 2033
Bond issue - private**	445.518	450.000	1,05 - 3,55	2023 - 2044
Bank loans - fixed interest rate	1.540.530	2.681.906	0,00 - 4,86	2019 - 2036
Bank loans - floating interest rate	9.552	20.721	0,11 - 1,94	2021 - 2029
Bank loans - with derivative instrument	574.316	1.200.160	1,71 - 5,27	2020 - 2036
Total	**6.085.235**	**7.384.872**		
Current portion of long-term debt	−267.774			
Total long-term loans	**5.817.461**	**7.384.872**		

At the end of 2017

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

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

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

For all the bond loans, each of the MEAs is a guarantor on a non-joint and non-inclusive basis but limited to its proportional share in the capital of Fluvius System Operator cvba. 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 ex-Infrax cvba. The same methodology applies to the other bond loans registered on the name of ex-Eandis cvba.

Overview of the long-term loans issued and borrowings during 2017 and the incorporation of long-term loans during 2018 resulting from the merger by absorption of ex-Infrax cvba, the incorporation of the ex-Infrax MEAs and the incorporation of the financing associations:

(In thousands of EUR)	2018	2017	Initial amount	Interest rate %	Maturity
Bond issue - EMTN*	499.053		500.000	2,63 - 3,75	2023 - 2029
Bond issue - Standalone**	10.000		10.000	1,05	2023
Bankloans - Fixed interest rate	146.133		306.349	0,08 - 4,86	2019 - 2031
Bankloans - Variable rate	9.552		20.721	0,11 - 1,94	2021 - 2029
Bankloans - Variable swapped to fixed	162.351		350.160	1,71 - 5,27	2020 - 2036
Total 2018	**827.089**	**0**	**1.187.230**		
Bond issue - Retail	199.787	199.754	200.000	2,00	2025
Total 2017	**199.787**	**199.754**	**200.000**		

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

Short-term loans

The loans on short-term contain the portion of the long-term loans which are repayable within one year (267.773 k EUR at year end 2018, 211.182 k EUR at year end 2017) and the loans drawn with financial institutions as reported below:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	(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**	
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	NA	200.000	0	200.000	NA
Fixed loans	NA	100.000	0	100.000	NA
Total on 31 December 2017		**1.022.000**	**0**	**1.022.000**	

(1) Daily
* The average interest rate of the used amounts at the end of the period
NA Not Applicable

All short-term loans are subscribed by Fluvius System Operator in the name and on behalf of the MEAs. A collateral is given in respect to the bank overdrafts and the straightloan contract (Fixed loans) amounting to 25.000 k EUR. Concerning the other loans, the ex-Eandis MEAs gauarantee their contribution to the capital and act as in solidarity as joint debtors.

24 Employee benefit liabilities

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

Until 2017, defined contribution plans were valued according to the Projected Unit Credit (PUC) method without projection of future contributions. As of 2018, the employer contributions with respect to O.F.P. Enerbel will be calculated according to the PUC method with projection of future contributions. The employee contributions will still be valued according to the PUC method without projection of future contributions because those are independent to seniority.
The guaranteed interest is variable and each year aligned to 65% of the average return over the last 24 months of linear bonds of the Belgian State (OLOs) with a duration of 10 years (at least 1,75% and maximum 3,75%).
The applied interest rate starting from 2016 is 1,75% and is applied, according to the vertical method, for all contributions paid to the pension funds and in the insurance company (products of TAK 21 with interest guarantee).

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

Executives were offered the opportunity to move as from 2018 from pension fund Powerbel to the cash balanced plan Powerbel New. For the accumulated rights a "Cash Balance" system applies meaning that the regulated formula determines the employer contributions and the return is fixed at 3,25%. No employee contributions are foreseen. Allowances in case of decease and incapacity are defined benefit, meaning that those different allowances are determined by a formula. The contributions to be paid will be adjusted to this target.

For contractual employees taken over in 2018, defined contribution plans are also available that are taken at different insurers through group insurances and which cover various premiums per MEA. The financing is done only through employer contributions. These contribution plans were valued through the PUC-method without projection of the future premiums.

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

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

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

For permanent (statutory) employees, there are defined benefit plans, which differ for each individual MEA, as a result of the merger carried out in 2018. The MEAs have joined the 'Common Pension Fund' (Gesolidariseerd Pensioenfonds) that since 2017 is managed by the Federal Pension Service. As a result, an important part of current and future legal pension obligations was acquired by this Common Pension Fund. In return, there is the obligation to pay pension contributions to this Fund on the basis of the payroll of the statutory employees, the so-called basic contributions and any additional pension contributions for individual empowerment, if the amount of the pension payments charged to the Common Pension Fund exceeds the amount of the basic contributions.
The MEAs have each subscribed an insurance contract for the financing and payment of contributions due to the 'National Social Security Office' (Rijksdienst voor Sociale Zekerheid). The insurance companies ensure the payment of pension contributions (basic contributions and empowerment contributions) and manage the payments of pensions into the Common Pension Fund.
This insurance aims to secure the basis pension contributions and the additional pension contributions for individual empowerment. By building up reserves MEAs aim to be able to pay the empowerment contribution that, as from the moment no statutory employees are employed anymore, will equal the current and future pension obligations of the MEAs that are due to the Common Pension Fund.
The valuation of these plans was recorded based on the discounted value of all future empowerment contributions taking into account the current pensions, future pensions based on the accumulated reserves on the date of acquisition and projected salaries up to the retirement date.

The other pension obligations, not included in the Common Pension Fund, were accommodated in a group insurance, called first pillar. This ensures the oldest statutory pensions, which were not included in the Common Pension Fund at the time of the establishment, and the additional pension being the difference between the amount of the new pensions as from the start and thus chargeable to this Fund (legal calculation) and the amount of the pension calculated in accordance with the then applicable statute of the permanent employee.
As from 2015 or 2016, depending on the MEA, the pension obligations of the active employees were transferred to a supplementary pension obligation (also called second pillar). The commitment includes a defined benefit expressed as an interest, but is also different per MEA as they have different pension schemes.

The Group also grants **post-retirement allowances** being reimbursement of healthcare costs and tariff benefits on the gas and electricity bill.
The **other long-term employee benefits** contain provisions for retirement and jubilee bonuses and holidays carried over or overtime.

The current defined benefit plans are financed through pension funds in which the assets, dedicated to specific plans, are identified. the Belgian legislation and the pension regulations provide that the dedicated assets should only finance the relevant benefits. This results in determining an **asset**

ceiling. The determination of the asset ceiling takes into consideration the projected total benefit payable under the assumptions and as per the pension plan rules.

Right of reimbursement
The Energy Decree of 2015 stipulates the current tariff methodology and confirms that the stranded costs which consist of the charges for the unfunded public sector pension or supplementary pension, are eligible for inclusion in the tariffs. Since it is virtually certain that these costs will be borne by third parties, a reimbursement right for the employee benefits was recognised and recorded as an asset.
The reimbursement rights are therefore recorded at the same value as the corresponding value for the liability for employee benefits (i.e. fair value). The adjustments in the period to date are as a result of the changes in the assumptions or experience adjustments all recognised as other comprehensive income as well as adjustments for the reimbursement rights.
The rights of reimbursement amount to 255.491 k EUR at the end of December 2018.

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

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

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

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

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

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

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

	2018	2017
Discount rate - pensions DB	1,28%	1,01%
Discount rate - pensions DC	1,81%	1,66%
Discount rate - others	1,80%	1,55%
Expected average salary increase (inflation excluded)	0,14%-2,38%	0,85%
Expected inflation	1,75%	1,75%
Expected increase of health benefits (inflation included)	2,75%	2,75%
Expected increase of tariff advantages	1,75%	1,75%
Average assumed retirement age	63	63
Mortality table used	IA|BE Prospective Tables	IA|BE Prospective Tables
Turnover	0,28% to 1,55%	0% to 3,18%
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	20	20
- Female	24	24
For a Person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

Accounting treatment

The total employee benefit liability amounts to 598.377 k EUR at the end of 2018, of which 566.234 k EUR is recognised as an IAS 19 liability and 32.143 k EUR as another liability.
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, an amount of 32.143 k EUR was no longer included as a provision for employee benefits (and has a positive effect on the item in the statement of profit or loss 'Employee benefit expenses'), but this same amount was recorded as a liability on the balance sheet item **'Provisions, other'** (and in the statement of profit or loss as an item 'Changes in the provisions').
An amount of 255.491 k EUR was also recorded as a reimbursement right, as this amount will be recovered in the future tariffs.

Amounts recognized in comprehensive income

(In thousands of EUR)	2018	2017
Current Service cost (employer only) - tax on service cost included	−50.249	−24.396
Interest expense	−18.482	−12.120
Interest income - interest income from asset ceiling excluded	11.638	8.623
Curtailments	−100	0
Past service cost	−18.131	0
Actuarial gains and (losses) recognised immediately in profit or loss	2.256	4.272
Total costs included in profit or loss	**−73.068**	**−23.622**
Actuarial (gains) losses on liabilities:	0	0
changes in financial assumptions	−4.962	−7.484
changes in demographic assumptions	4.796	−7.342
effect of experience adjustments	4.888	−26.279
Actuarial (gains) losses on assets	80.768	−8.220
Taxes on unfunded employee benefit obligations	1.685	0
Effect of variation of the asset ceiling	−28.611	44.178
Total costs included in other comprehensive income	**58.563**	**−5.147**

Amounts recognized in the balance sheet

(In thousands of EUR)	Present value of funded defined benefit obligation	Fair value of plan assets	Funded status
Pensions - funded status	1.414.390	−1.210.875	203.515
Pensions - unfunded status	61.830	0	61.830
Healthcare costs, tariff benefits - unfunded status	206.729	0	206.729
Other long-term employee benefits - funded status	110.290	0	110.290
Impact on minimum funding requirement/effect of asset ceiling	0	16.013	16.013
Total defined benefit obligation and long-term employee benefits at 31 December 2018	**1.793.239**	**−1.194.862**	**598.377**
Pensions - funded status	622.763	−645.527	−22.764
Pensions - unfunded status	25.547	0	25.547
Healthcare costs, tariff benefits - unfunded status	160.828	0	160.828
Other long-term employee benefits - funded status	62.525	−15.189	47.336
Total defined benefit obligation and long-term employee benefits at 31 December 2017	**871.663**	**−660.716**	**210.947**

Changes in the present value of the obligation

(In thousands of EUR)	2018	2017
Total at 1 January	−871.663	−930.883
Actuarial gains (losses) - financial assumptions	7.395	3.155
Actuarial gains (losses) - demographic assumptions	−9.342	18.009
Actuarial gains (losses) - experience adjustments	−519	25.133
Incorporation ex-Infrax MEAs in the consolidation	−922.523	0
Curtailments	7.308	0
Current service cost - taxes included	−50.249	−24.396
Participant contributions	−2.162	−2.394
Interest cost	−18.482	−12.120
Benefit payments - taxes included	86.814	51.834
Past service cost	−18.131	0
Total at 31 December before tax on unfunded obligations	**−1.791.554**	**−871.663**
Taxes on unfunded obligations	−1.685	0
Total at 31 December	**−1.793.239**	**−871.663**

Changes in the fair value of the plan assets

(In thousands of EUR)	2018	2017
Total at 1 January	704.894	671.520
Actuarial gains (losses) - correction on assets at 1 January	−15.360	−27.799
Return on plan assets (excluding interest income)	−65.408	35.098
Incorporation ex-Infrax MEAs in the consolidation	565.723	0
Curtailments	−7.408	0
Interest income	12.084	8.623
Employer contributions - taxes included	101.001	66.891
Participant contributions	2.162	2.394
Benefit payments - taxes included	−86.814	−51.834
Total at 31 December	**1.210.874**	**704.894**
Irrecoverable surplus (effect of asset ceiling)	−16.013	−44.178
Total at 31 December	**1.194.861**	**660.716**

Changes in asset ceiling

(In thousands EUR)	2018	2017
Total at 1 January	44.178	0
Interest income	446	0
Changes in asset ceiling	−28.611	44.178
Total at 31 December	**16.013**	**44.178**

Changes in other comprehensive income

(In thousands EUR)	2018	2017
Total at 1 January	141.628	146.775
Other comprehensive loss(gain)	65.385	−5.147
Total at 31 December	**207.013**	**141.628**

Classification of the plan investments on the balance sheet date

The classification of the plan investments in function of the major category at the end of 2018

Category	Other %	Elgabel %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
Investments quoted in an active market	**95,15**	**77,96**	**78,80**	**77,33**	**84,13**	**86,14**
Shares (Eurozone)	17,27	16,06	17,77	9,10	13,73	16,64
Shares (Outside eurozone)	15,01	21,42	21,12	0	24,55	18,48
Government bonds (Eurozone)	28,14	0	0	20,85	0	12,74
Other bonds (Eurozone)	14,23	26,05	25,68	45,34	29,52	21,20
Other bonds (Outside eurozone)	20,50	14,43	14,23	2,04	16,33	17,07
Unquoted investments	**4,85**	**22,04**	**21,20**	**22,67**	**15,87**	**13,86**
Property	1,26	2,75	2,71	3,90	2,60	2,09
Cash and cash equivalents	3,53	3,42	2,84	6,06	2,92	3,37
Other	0,06	15,87	15,65	12,71	10,35	8,40
Total in %	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)	**537.613**	**374.618**	**202.753**	**14.216**	**81.675**	**1.210.875**

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

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

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

(In thousands of EUR)	2018	2017
Breakdown of defined benefit obligation by type of plan participants	**−1.793.239**	**−871.663**
Active plan participants	−1.491.551	−619.634
Terminated plan participants with deferred benefit entitlements	−24.571	−29.000
Retired plan participants and beneficiaries	−277.117	−223.030
Breakdown of defined benefit obligation by type of benefits	**−1.793.239**	**−871.663**
Retirement and death benefits	−1.476.220	−648.310
Other post-employment benefits (medical and tariff reductions)	−206.729	−160.828
Jubilee bonuses (Seniority payments)	−110.290	−62.525

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

(In thousands of EUR)	Effect: increase (-) / decrease (+)
Discount rate (+0,25%)	65.783
Inflation (+0,25%)	−65.537
Salary increase (+0,10%)	−318
Health care increase (+0,10%)	−2.168
Tariff advantages (+0,50%)	−7.630
Life expectancy of pensioners (+1 year)	−38.558

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

The **average duration** of the defined benefit obligation at 31 December 2018 is 9 years (2017: 9 years) and for the defined contribution obligation at 31 December 2018 20 years (2017: 16 years).

The Group estimates to contribute 3.406 k EUR to the defined benefit pension plans in 2019 and 11.667 k EUR to the defined contribution plans.

25 Derivative financial instruments

The Group has entered into interest rate swaps in order to convert the variable interest rate on long-term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 80.538 k EUR in 2018 and 102.460 k EUR in 2017.

The changes in the fair value are recognized in the income statement (see note 'Financial results'). On 30 June 2018, two contracts were unwound which were running through to 2023 and 2024. The one-off cost of 2.094 k EUR is included under the heading 'Financial costs, others'.

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

Overview of the derivative financial instruments
A Linear Constant Maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 year concluded in December 2004 entered into force in December 2009.
A Bonus Range Accrual within the framework of the original 250 million EUR loan with a maturity of 20 year loan concluded in December 2006 entered into force in December 2011.

A Varifix within the framework of the original 250 million EUR loan with a maturity of 20 year concluded in December 2007 entered into force in October 2010.
A forward fixing IRS swap was concluded in July 2013 within the framework of a loan subscribed to in December 2013 for an amount of EUR 150 million over 10 years.

Overview of the acquired derivative financial instruments
An Interest rate swap within the framework of the original 40 million EUR loan with a maturity of 10 year concluded in November 2012 entered into force in November 2012
An Interest rate swap within the framework of the original 20 million EUR loan with a maturity of 10 year concluded in November 2012 entered into force in November 2012.
An Interest rate swap within the framework of the original 58,6 million EUR loan with a maturity of 20 year concluded in May 2013 entered into force in September 2016.
An Interest rate swap within the framework of the original 30 million EUR loan with a maturity of 10 year concluded in November 2012 entered into force in November 2012.
An Interest rate swap within the framework of the original 10 million EUR loan with a maturity of 10 year concluded in November 2012 entered into force in November 2012.
An Interest rate swap within the framework of the original 10 million EUR loan with a maturity of 10 year concluded in November 2012 entered into force in November 2012.
An Interest rate swap within the framework of the original 70 million EUR loan with a maturity of 20 year concluded in September 2011 entered into force in September 2011.

A Linear Constant Maturity swap within the framework of the original 24,8 million EUR loan with a maturity of 20 years concluded in October 2000 entered into force in July 2007.
A Linear Constant Maturity swap within the framework of the original 55,7 million EUR loan with a maturity of 20 years concluded in February 2002 entered into force in February 2009.
A Linear Constant Maturity swap within the framework of the original 16 million EUR loan with a maturity of 20 years concluded in January 2003 entered into force in January 2007.
A Linear Constant Maturity swap within the framework of the original 4,8 million EUR loan with a maturity of 17 years concluded in January 2006 entered into force in January 2007.
A Linear Constant Maturity swap within the framework of the original 4,8 million EUR loan with a maturity of 17 years concluded in Januray 2006 entered into force in December 2008.

26 Provisions, other

(In thousands of EUR)	Site remediation	Other	Total
Total at 1 January 2017	14.936	0	**14.936**
Used	−5.336	0	**−5.336**
Total at 31 December 2017	**9.600**	**0**	**9.600**
Incorporation ex-Infrax MEAs in the consolidation	1.365	175	**1.540**
Additions	0	32.143	**32.143**
Used	−1.787	0	**−1.787**
Total at 31 December 2018	**9.178**	**32.318**	**41.496**

The provisions comprise the obligations recognized for the **remediation** of the former gas factory grounds and other contaminated grounds. The MEAs own several gas factory grounds on which soil and groundwater have been polluted in the past. Tackling this pollution has already started on

a voluntary basis and a framework agreement with OVAM was concluded in 2001. Meanwhile, the number of such grounds has been reduced. In a new agreement with OVAM, it has been determined what the spread in time, the budget, the order of priority and the modalities of execution of the works for rehabilitating the soil, and possibly other measures, will be.
In 2018 and 2017 an amount of 11.693 k EUR was pledged to OVAM.

The Group is working on the possible sale of certain contaminated sites. In this context, several grounds have already been sold and letters of intent have been entered into with potential buyers. On certain grounds already sold, remediation duties still remain for an amount of 710 k EUR in 2018 and 710 k EUR in 2017 (see note 'Contingencies').

The decrease to the provision for site remediation was due to the use of (remediation) and more concrete elements for estimating of the clean-up costs. The additions are related to the recognition of the provisions for the acquired MEAs.

The additions in the provision **'Other'** relate to recognition of employee benefits. Within the framework of working longer, some advantages previously granted are no longer eligible as a provision for employee benefits. However, the Group is currently working on a 'new pension plan', the exact timing of its implementation is still unsure. An amount of 32.143 k EUR is no longer recorded as a provision for employee benefits, however a constructive obligation is recorded for the same amount on the item 'Provisions, other' (and in the statements of Profit or Loss on the item 'Changes in provisions').

27 Government grants

(In thousand of EUR)	**2018**	**2017**
Total at 1 January	3.136	1.356
Transfers from third parties	219.462	0
Received during the year	19.432	1.790
Released to the income statement	−2.465	−10
Total at 31 December	**239.565**	**3.136**

The Flemish region (Vlaams Gewest) and the Flemish Energy Agency (Vlaams Energieagentschap) have granted capital subsidies to the MEAs for various projects that need to be implemented. These support measures are part of the projects 'green energy' and sewerage investment activities.
The increase is mainly due to the government grants for sewerage works obtained by the merger with the ex-Infrax MEAs. The Flemish Decree on government grants states which types of investment costs are eligible for obtaining a government grant for sewerage activities. The amount of the grant equals 75% of the effective costs related to the construction and improvements of sewerage, and the related spring facilities for rainwater. Because of the uncertainty with respect to the receipt, the timing and the amount of the grants awarded for sewerage, they are recognized at the moment the actual cash is received.

28 Trade payables and other liabilities

(In thousands of EUR)	2018	2017
Trade debts	298.979	222.259
VAT and other taxes payable	39.820	38.653
Remuneration and social security	91.572	70.791
Advances Soclev clients and other	47.437	36.490
Transfer tariff	258.359	0
Solidarity payables related to the certificates for green energy and cogeneration certificates	0	75.819
Other current liabilities	182.821	164.810
Total	**918.988**	**608.822**

The items related to trade payables and other liabilities increase with 310.166 k EUR from 608.822 k EUR at the end of 2017 to 918.988 k EUR at the end of 2018.

The increase is mainly explained by the recognition of transfers (see note 'Working in a regulated environment') and the general increase in liabilities due to the merger with Infrax.
One of the items is the 'other current liabilities' relating to the reserved amounts concerning the Bonus 2014 and 2013 amounting to 0 k EUR at the end of 2018 (2017: 64.244 k EUR). Following the judgment by the Court of Appeal on 27 February 2019 those amounts are no longer needed and hence the bonuses were recorded through profit and loss during 2018.
The other items contain the charges to be allocated related to among other the interest expenses and costs on bond loans.

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

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

29 Current tax liabilities

(In thousands of EUR)	2018	2017
Current income tax expenses	62.010	127.853
Advances paid	−55.725	−102.785
Deductible witholding tax	−14.823	−2
Tax liability/(asset) current year	**−8.538**	**25.066**
Tax liabilities/(assets) on previous years	**−36.160**	**7.590**
Current tax liabilities/(assets)	**−44.698**	**32.656**

The net amount of taxes to be received amounts to 44.698 k EUR at the end of 2018 (of which 65.758 k EUR as a receivable and -21.060 k EUR as a payable) and at the end of 2017 a tax liability of 32.656 k EUR.

In 2017, all taxes related to 2015 have been paid (103.962 k EUR), taxes on 2016 (89.735 k EUR) and prepayments on taxes for 2017 (102.787 k EUR), so that in total 296.484 k EUR was paid.
In 2018, a total of 127.913 k EUR of taxes was paid.

On 31 December 2018, a tax receivable was recorded for an amount of 65.758 k EUR as a result of the acquisition of the financing associations containing a tax receivable and excess of tax prepayments. Due to the judgment made by the Court of Appeal on 27 February 2019, all regulated balances are considered as a cost (see note 'Working in a regulated environment').

Financial instruments

30 Financial instruments: Risks and fair value

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

Equity structure
The Group's equity structure consists of equity and the financial liabilities.
Apart from the legally (Belgian) required minimum levels for equity that are applicable, the mission charged associations are also subject to the Flemish Decree on Intermunicipal Cooperation. This decree stipulates that by the end of 2018 at the latest no private partner/shareholder can participate in the share capital of mission charged associations (the principle of mixed mission charged associations companies will disappear). and that provinces should have exited the MEAs by the end of 2018 of the MEAs. As such, the last standing provinces departed (West-Flanders, 'Vlaams- en Waals-Brabant') per end of 2018.

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

As the Group works within a regulated environment with a guaranteed remuneration (fair remuneration/profit and a guaranteed return/dividend), the risk is rather limited.
During 2018 and 2017 the Group fulfilled all 'expected' obligations.

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

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

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

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

(In thousands of EUR)	2018	2017
1 - 60 days	34.245	17.031
61 - 90 days	3.112	3.356
91 - 180 days	13.212	9.185
181 - 365 days	26.827	19.105
>365 days	26.281	10.757
Total trade receivable - net	**103.677**	**59.434**

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2018	2017
Balance at 1 January	−85.115	−76.054
Merger by absorption of Infrax cvba	−9.807	0
Incorporation ex-Infrax MEAs in the consolidation	−128	0
Charge of impaired receivables	−10.497	−19.986
Write-back of impaired receivables	6.809	10.924
Balance at end of the period	**−98.738**	**−85.116**

Currency risk

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

Liquidity risk

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

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

The Group borrows on a long-term basis mainly to finance its ongoing investments in the distribution grid for electricity and gas, to refinance loans and pay interest and as working capital.
During 2014, the collected cash of these debentures was also used to pay the exit fee relating to Electrabel's exit from the MEAs' equity of ex-Eandis.

In 2010, the first bond loans were issued for private investors in Belgium and the Grand Duchy of Luxembourg.

To diversify and broaden its funding resources, so that a safe, reliable, efficient and innovative distribution of energy to the customers can be assured, a rating was requested.
In October 2011, 'Moody's Investors Service Ltd.' ("Moody's") granted Eandis System Operator an 'A1' credit rating 'with a negative outlook'. On 14 December 2016, however, Moody's downgraded the rating to A3 (stable outlook).

On 29 June 2018, the rating agency Moody's changed the outlook of the A3-rating from stable to positive. This change in outlook reflects the improved credit profile of Eandis System Operator and the influence on the credit profile of the announced merger of Eandis System Operator cvba with its peer Infrax cvba to Fluvius System Operator cvba that entered into force on 1 July 2018.

In 2014, Fitch granted Infrax cvba an A-rating, the outlook of which was reassessed during 2018 from stable to negative.
Fluvius System Operator cvba has chosen to obtain a rating from the rating agencies Moody's and Creditreform.
On 15 October 2018, Creditreform Rating AG granted an A+ rating to all bonds.

Eandis 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 the end of 2018, an amount of 2.660.500 k EUR or 53,21% was issued. Since year end 2014 no more bonds were 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).
An overview of the loans is included in the note 'Interest bearing loans and borrowings'.

The following schedule shows the maturity schedule of the different loans.
At the end of 2018

(In thousands of EUR)	2018	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	369.760	0	169.973	0	199.787
Bond issue - EMTN	3.145.559	0	499.307	1.244.915	1.401.337
Bond issue - private	445.518	0	0	10.000	435.518
Bank loans - fixed interest rate	1.540.530	184.449	303.131	323.505	729.445
Bank loans - floating interest rate	9.552	1.816	3.643	2.554	1.539
Bank loans - with derivative instrument	574.316	81.509	165.480	149.541	177.786
Total	**6.085.235**	**267.774**	**1.141.534**	**1.730.515**	**2.945.412**
Total bullet payment	**3.991.681**	**0**	**669.280**	**1.285.759**	**2.036.642**
Total excluded bullet payment	**2.093.554**	**267.774**	**472.254**	**444.756**	**908.770**

At the end of 2017

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

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

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

(In thousands of EUR)	**2018**	**2017**
In 2018	0	167.583
In 2019	178.351	153.726
In 2020	170.031	146.913
In 2021	155.637	133.907
In 2022	126.334	105.664
In 2023	104.564	86.165
In 2024 and beyond	543.405	487.151
Total	**1.278.321**	**1.281.110**

Other
More information about the risks of the Group and its shareholders is included in the prospectus dated 2 June 2017 concerning the issue of a bond loan (retail) and the investor presentation of December 2018. These documents can be consulted on the website www.fluvius.be.

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

Fair value hierarchy
The Group uses the following fair value hierarchy classification to determine and classify the fair value of the financial instruments by a valuation technique:
Level 1: valuation is based on quoted (unadjusted) prices in an active market for identical assets or liabilities
Level 2: other techniques for which all input with a significant impact on the recorded fair value can be observed either directly or indirectly
Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

The following methods and assumptions were used to estimate the fair values:
Cash and short-term deposits, trade receivables (net of impairment), trade payables and other current liabilities approximate the carrying amounts because of the short-term maturity of these instruments.
The fair value of the unquoted other investments is based on the latest available information with distinction for the following investments:

- Publi-T: fair value based on latest available financial statement with adjustment for the investment held in Elia which is stated at the stock price of Elia on reporting date
- Publigas: fair value based on external valuation report
- Elia: fair value based on the stock price of Elia on reporting date
- Other companies: fair value based on latest available year information.

The fair value of the certificates for green energy and cogeneration certificates are the guaranteed amount, as stipulated in the decision of the Flemish Government amending the Energy Decree. The derivative financial instruments are interest rate swaps. The valuation techniques are swap models that use value calculations. The models include various kinds of input including forward prices, yield curves that are obtained on the basis of market interest rates and derivatives from market prices of various financial products that are requested with various market participants.
The fair value of quoted bonds was obtained on the basis of the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. On the reporting date it delivers world economic news, quotes for stock futures, stocks and other).

The fair value of the quoted bonds issued for a total amount of 3.530,5 million EUR varies according to the market interest rate. The fair value at 31 December 2018 amounts to 3.927,8 million EUR and differs from the amount that will be reimbursed and the carrying value.

The fair values as at 31 December 2018 are as follows

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

The other investments included in level 3, concern business centres of ex-Eandis and other companies that were owned by ex-Infrax cvba and the ex-Infrax MEAs. The fair value is based on the latest available Belgian financial statements which were published with the Central Balance Sheet Office of the National Bank of Belgium. The calculation of the fair value is based on this information, taking into account the share percentage in the company. On 31 December 2018 an amount of 163 k EUR was included in the profit or loss account and 2.099 k EUR in other comprehensive income as fair value adjustment.

The fair values at 31 December 2017 are as follows:

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

Other information

31 Related parties

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

The remunerations paid to the directors are attendance fees and transport fees for an amount of 647.695 EUR in 2018 and 410.291 EUR in 2017.
The total remunerations paid to the management committee and the directors for 2018 amounted to 4.015.511 EUR and 3.698.619 EUR for 2017. The post-employment benefits included in the total remuneration mentioned amounted to 634.936 EUR for 2018 and 697.823 EUR for 2017. There are no other benefits in kind, share options, credits or advances in favour of the directors.

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

(In thousands of EUR)	2018	2017
Amount of the transactions		
Recharge of costs to non-controlling interest companies	5.787	4.471
Recharge of costs from non-controlling interest companies	908	454
Amount of outstanding balances		
Trade receivables	1.661	569
Trade payables	1.622	10

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

(In thousands of EUR)	2018	2017
Amount of the transactions		
Recharge of costs to associates	2.434	2.026
Recharge of costs from associates	11.202	11.475
Amount of outstanding balances		
Trade receivables	46.482	18.830
Trade payables	1.486	1.847

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

During 2018, the fees to the statutory auditor amount to 231 k EUR, and an amount of 669 k EUR for other assignments, for legal mandates 653 k EUR, for other control mandates 617 k EUR and finally 65 k euro for tax advice.
The fee for other assignments was approved by the Audit Committee.

32 Contingencies

(In thousand of EUR)	2018	2017
Rent deposits, buildings	1.619	1.463
Other bank guarantees	318	300
Pledge trade receivables	11.349	11.349
Total guarantees given	**13.286**	**13.112**
Guarantees obtained from contractors and suppliers	62.962	52.177
Goods held by third parties in their own name but at risk for the Group	65	56
Obligation to purchase property, plant and equipment	4.326	4.391
Obligation to sell property, plant and equipment	6.000	1.250
Obligation to remediate	710	710

Outstanding orders in 2018 amounted to 9.267 k EUR (2017: 16.311 k EUR).

The Group has rented several buildings and adjoining parking lots for a total value of 6.933 k EUR in 2018 and 6.090 k EUR in 2017, as well as cars for a total value of 6.847 k EUR in 2018 and 4.690 k EUR in 2017.

The future rent obligations (operational rent obligations) concern buildings, vehicles and other materials.
The contracts relating to buildings contain renewal clauses and have an average term of two years.

The future lease payments amount to 23.181 k EUR.
The future minimum lease payments will be valued in accordance with the new leasing standard IFRS 16 with transition date 1 January 2019 (see note 'Standards issued but not yet effective').

Furthermore, there is also a legal dispute pending between the MEAs and Essent concerning free distribution of green electricity (3.533 k EUR for 2018 and 2017), with Infrabel and the Flemish Region on grid displacements (93 k EUR in 2018 and 2017) and disputes with various parties (for a total of 5.088 k EUR in 2018 and 6.914 k EUR in 2017).

Also a dispute between Telenet and Proximus should be reported:
Following the acquisition of the customer base of cable television and the establishment of a ground lease on the cable network by Telenet, Proximus has claimed in the Court of First Instance of Antwerp to have the contracts annulled as well. This claim was rejected at first instance (judgment of 6 April 2009). Proximus has appealed to the Court of Appeal of Antwerp. The claim of Proximus

was the disclosure of the full documents relating to the agreement between Telenet, Interkabel and the cable companies. They also claimed to have these agreements annulled and on the basis of a report, drafted by experts claimed damages of 1,4 billion EUR. On the basis of the agreements with Telenet, the Group is - in the case of a negative outcome - only liable for a maximum amount of 20.000 k EUR.
The aforementioned agreements contain a safeguard mechanism chargeable to Telenet, thus limiting the liability for the cable companies. As at 18 December 2017, the Court of Appeal of Antwerp rejected the claim of Proximus entirely. Proximus still has the possibility to lodge an appeal.

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

33 Events after the reporting date

In the course of 2019 the following redivisions in the energy landscape will take place:

Merger between Mission Entrusted Associations within the Fluvius Economic Group
On 1 April 2019, two restructurings will take place within the Fluvius Economic Group. Those restructurings will directly affect the shareholdership of Fluvius System Operator.
On the one hand, in the Antwerp region a merger will take place between the Mission Entrusted Associations IMEA and IVEG, together with INTEGAN, active in managing cable infrastructure. Together they will found the new MEA called Fluvius Antwerpen, having activities in distribution of electricity and gas, sewerage and managing cable infrastructure.
Besides the following MEAs in the province of Limburg will merge: Inter-energa (distribution of electricity and gas), Inter-aqua (sewerage) and Inter-media (cable infrastructure) – will form the MEA Fluvius Limburg.
Also on 1 April 2019, the merger between PBE and Intergas will take place. This merger, however, will not affect the shareholdership or the operating area of Fluvius.

Integration of employees of Integan
The foundation of Fluvius Antwerpen as per 1 April 2019 will be accompanied by a full integration of all employees currently working at Integan in Fluvius System Operator cvba (100,9 full-time equivalents). All employees will retain their current terms of employment, right and obligations.
Following the concept of control applied by the IFRS standards, the interim consolidated financial statements IFRS for the operating company as at 30 June 2019 will include the employees of Integan. The half year 2019 figures will include the operating expenses and the charges to the relevant MEA for the period as from 1 April 2019 onwards.

The extended differences between the Flemish and Walloon region have led to a shift in which the Walloon municipalities, currently being part of the Flemish MEAs, will join ORES Assets cvba per January 2019, the Walloon distribution system operator. Because of this, a partial demerger by acquisition of the activity electricity and gas of Gaselwest on the municipal territory of Celles, Comines-Warneton, Ellezelles and Mont-de-l'Enclus will take place. The valuation and determination of the exchange ratio was calculated based on the figures per 30 June 2018. This exchange ratio will then be finally applied to the financial figures per 31 December 2018.
The balance sheet on 31 December 2018 amounted to 29.019 k EUR, equity amounts to 19.485 k EUR of which 7.515 k EUR share capital; the turnover for 2018 was 21.414 k EUR and the profit amounted to 1.342 k EUR. On 14 January 2019, an advance amount was received of 29.613 k EUR.

As provided for in the Decree, the provinces of West-Flanders and Flemish-Brabant will no longer be part of MEAs Gaselwest and Riobra respectively as from 1 January 2019.

In the future, further voluntary and compulsory exchanges of municipalities within the MEAs of the Group will take place.

34 List of group entities included in the consolidation

Below the list of group entities included in the consolidation:
At 31 December 2018

Subsidiary	Registered office	Number of shares owned	Voting rights
Mission entrusted associations *			
Gaselwest	President Kennedypark 12, B-8500 Kortrijk		
IMEA	Merksemsesteenweg 233, B-2100 Deurne		
Imewo	Brusselsesteenweg 199, B-9090 Melle		
Intergem	Administratief Centrum (AC), Franz Courtensstraat 11, B-9200 Dendermonde		
Iveka	Koningin Elisabethlei 38, B-2300 Turnhout		
Iverlek	Aarschotsesteenweg 58, B-3012 Wilsele-Leuven		
Sibelgas	Gemeentehuis St. Joost-Ten-Node, Sterrenkundelaan 12, B-1210 Brussel		
Infrax West	Noordlaan 9, B-8820 Torhout		
Inter-aqua	Trichterheideweg 8, B-3500 Hasselt		
Inter-energa	Trichterheideweg 8, B-3500 Hasselt		
Inter-media	Trichterheideweg 8, B-3500 Hasselt		
IVEG	Antwerpsesteenweg 260, B-2660 Antwerpen		
PBE	Diestsesteenweg 126, B-3210 Lubbeek		
Riobra	Oude Baan 148, B-3210 Lubbeek		
Subsidiaries			
Fluvius System Operator cvba	Brusselsesteenweg 199, B-9090 Melle	100,00	100,00
De Stroomlijn cvba	Brusselsesteenweg 199, B-9090 Melle	64,03	64,03
Interkabel Vlaanderen cvba	Trichterheideweg 8, B-3500 Hasselt	70,41	70,41
Investment in joint ventures and associates			
Atrias cvba	Ravensteingalerij 4 bus 2, B-1000 Brussel	50,00	50,00
Synductis cvba	Brusselsesteenweg 199, B-9090 Melle	33,28	32,82
S-Lim cvba	Trichterheideweg 8, B-3500 Hasselt	50,00	50,00
Other companies			
Fluvius OV	Trichterheideweg 8, B-3500 Hasselt	N/A	N/A
Intergas Intercommunale cv	Diestsesteenweg 126, B-3210 Lubbeek	99,98	49,80

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

The Economic Group Fluvius also contains the company **Fluvius OV.** All statutory employees of the ex-Infrax companies will be employed in this entity as from 1 April 2019. These employees will be seconded to Fluvius System Operator cvba. All ex-Infrax municipalities are shareholder in Fluvius OV.

Likewise, the company **Intergas** was included in the Group. On 1 April 2019 Intergas will merge with PBE.

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

At 31 December 2017

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

Operating in a regulated environment

35 Electricity and gas

Renewal of permission to call on the operating company

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

Following the structural changes, the VREG gave permission on 26 June 2018 to the distribution system operators Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, Inter-energa, IVEG and PBE to call on the services of operating company Fluvius System Operator cvba and this up to 25 September 2026.

Recognition of the distribution system operators

The Flemish energy regulator VREG reported, by letter of 6 February 2015, its decision of 3 February 2015 to renew the recognition of the abovementioned MEAs as electricity distribution system operators. This designation is valid for a period of 12 years starting from 5 September 2014.

On 29 September 2015, the VREG decided to renew the term for the abovementioned MEAs (except for PBE that does not distribute gas) for gas distribution for a period of 12 years beginning on 14 October 2015.

Regulated tariff methodology

The Group operates in a regulated environment whereby the Energy Decree establishes the guidelines. As a result of the Sixth State Reform the VREG – Flemish Regulator of the electricity and gas markets - has as from 1 July 2014, retrieved the competence of the federal regulator CREG to determine the tariff methodology for distribution in the Flemish region.

The distribution system operators must submit their tariff proposals within this framework. Every year, the regulator sets the eligible income that the MEA can derive from the distribution grid tariffs. This fixed income is then converted by the MEA into tariff proposals.

The regulator supervises the correct application.

Every year, all MEAs must report to the VREG their current non-exogenous and exogenous costs. This report is reviewed by the auditor.

<u>Tariff methodology 2017-2020</u>

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

The tariff methodology includes among others

- Adjustments to the parameters for the remuneration for the cost of capital (i.e. a compensation for the resources that the shareholders have invested): equity to 5,34 % (before tax 7,58%), the cost of debt capital to 3,04% and a gearing of 60,00% (ratio equity/liabilities 40/60). Overall, the weighted average capital reimbursement is 5.00%. Due to the amendments to the tax rate of corporate income tax, the WACC was adapted to 4.9% for the accounting year 2018
- Further recuperation of the regulatory assets/liabilities for the period 2010-2014 over 5 years (until 2020)
- the new regulatory balances can be recuperated according to an annual percentage of cumulated balance: exogenous costs (60,00%), volume differences 75,00% (electricity) and 40,00% (gas), corporate income tax (100,00%), indexation of endogenous cost (50,00%)
- There will be reports on the quality of service (Q-factor): for example power cuts and intervention time for connectivity. The financial settlement will take place via a bonus or malus

starting from the next regulatory period. During this tariff period the MEAs only need to report to the regulator.

Tariffs 2018
On 9 October 2017, the VREG announced the eligible incomes for electricity and gas for the period 2018, which were determined on the basis of the tariff methodology for the period 2017-2020.
For electricity (including transmission) the income is 3,40% lower than the income of 2017 and for gas the income is 1,90% higher than in 2017.
On 12 December 2017, the VREG approved the distribution tariffs for electricity and natural gas for 2018 in Flanders.

Tariff 2019
On 4 October 2018, the VREG decided on the 2019 eligible income of the electricity and gas distribution system operators from their periodic distribution network rates according to the tariff methodology 2017-2020. The eligible income, which serves as a basis for the determination of the tariffs, has dropped by 7,95% on electricity and natural gas by 6,63%. The cause of this decrease is mainly the decision of the VREG on the destination of the manageable balances, which have to be returned. This causes a significant drop in the distribution network tariffs.
On 14 December 2018, the VREG approved the distribution system tariffs for electricity and natural gas for Flanders for the period from 1 January 2019 up to and including 31 December 2019.

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

On July 6, 2018, the VREG took a first decision to change the tariff methodology for electricity and natural gas distribution during the regulatory period 2017-2020. This change mainly focused on a reduction in the distribution network tariffs for electricity and natural gas in order to take into account efficiency gains as a result of the merger of the operating companies (so-called x'-factor). In its second decision of 20 September 2018, the total annual net savings for the years 2019 and 2020 were calculated that have to be cleared in the so-called x'-factor.
Fluvius has objected and asked the VREG if they were willing to review the decision in the short term. In order to protect itself against the decision of the VREG, an appeal was filed at the Court of Appeal in Brussels. A judgement is not expected before the end of the first quarter by 2019.

Settlement of the federal contribution electricity in 2018 and 2019
The distribution system operators, together with the CREG and VREG, have agreed on the repayment of an amount of the federal contribution. The repayment will start from 1 July 2018 and run over a period of one and a half years. The repayment is done partly in the form of a settlement

via the current tariffs for the federal contribution for electricity and partly through a settlement via the CREG.

Accounting treatment

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

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

(In thousands of EUR)	2018	2017
Transfers 2008 - 2009	64	91
Transfers 2010 - 2014	−3.818	236.544
Total regulatory assets	**−3.754**	**236.635**
Transfers 2009 - 2017	−56.544	−70.719
Transfers 2018 (CREG)	−17.485	0
Transfers 2018 (VREG)	−473	0
Total federal contribution	**−74.502**	**−70.719**
Balances from 2015	15.799	107.956
Balances from 2016	33.696	61.177
Balances from 2017	−69.638	−61.727
Balances from 2018	−159.960	0
Total regulatory balances	**−180.103**	**107.406**
Total amount recoverable	**−258.359**	**273.322**
of which reported as Current assets/(liabilities)	**−258.359**	**273.322**

Reconciliation of the settlement mechanism.

(In thousands of EUR)	2018	2017
Assets at 1 January	273.322	587.234
Incorporation ex-Infrax MEAs in the consolidation	133.336	0
Decision VREG 28 August 2018	−267.162	0
Recovered transfers from 2008 - 2009	−27	−32
Recovered transfers from 2010 - 2014	−104.969	−78.629
Transfer to third parties	−1.567	0
Total movements regulatory assets	**−240.389**	**−78.661**
Incorporation ex-Infrax MEAs in the consolidation	−19.706	0
Recovered transfers from 2009 - 2017	33.880	0
Additional transfers from 2017	0	−7.303
Additional transfers from 2018 (CREG)	−17.485	0
Additional transfers from 2018 (VREG)	−473	0
Total movements federal contribution	**−3.784**	**−7.303**
Incorporation ex-Infrax MEAs in the consolidation	−102.876	0
Additional transfers from 2015	119	228
Additional transfers from 2016	0	−411
Additional transfers from 2017	−1.925	−61.729
Additional transfers from 2018	−88.427	0
Recovered transfers from 2015	−80.085	−166.067
Recovered transfers from 2016	−13.333	0
Recovered transfers from 2017	−2.488	0
Transfers to third parties	1.507	31
Total movements regulatory balances	**−287.508**	**−227.948**
Total movements	**−531.681**	**−313.912**
of which - movement through the income statement	−542.375	−313.943
of which - transfer with third parties	10.694	31
Regulatory assets/(liabilities) at the end of the reporting period	**−258.359**	**273.322**

In 2016, 2017 and 2018, in accordance with the tariff methodology, 20,00% of the regulatory transfers was taken back.

We hereby draw attention to the fact that the transferred balances with respect to the accounting year 2018 were estimated, taking into account all available information. However, certainty about these amounts will only be created after the final approval of these balances by the VREG. This uncertainty includes that the control by the regulator could still lead to additional difficulties which still need to be processed via adjustments to the regulatory assets/liabilities or the result of the next accounting year.

At the moment there are no specific IFRS guidelines as to the accounting treatment of the settlement mechanism in a regulated environment.
On 30 January 2014, the IASB published a new standard IFRS 14 Regulatory Deferral Accounts. This new standard is applicable for "first time adopters" and allows the recording of regulated assets and liabilities as separate items of the balance sheet and profit and loss account. This standard was not endorsed by the EU and is awaiting the final standard.

36 Sewerage

The sewerage activity of the Group is stipulated in the **Water Decree**. This Decree states that the remediation obligation of the municipalities can be entrusted to a Mission Entrusted Association or intermunicipal cooperation. The Decree was amended in 2005 and led to the introduction of the municipal remediation contribution and in 2006 to the municipal remediation fee. Article 16 of the Decree, also repeated in the circular letter, states that the remediation contribution/fee is intended for the financing of the remediation obligation.

The municipal sewerage contribution and sewerage fee respectively, should be used for investment or maintenance costs after having billed a municipal remediation contribution of remediation fee in the municipality concerned and to the extent that the expenses are not being subsidized or financed by the Flemish Region.
The circular also states that more than two-thirds of the municipalities have outsourced the sewerage management by joining a Mission entrusted association or intermunicipal cooperation. The municipality transfers the ownership of the right of use or property right over the sewerage into the sewerage company. A number of municipalities have received a fee in return for this contribution, in the form of one-time and/or recurring payments.
The participating municipalities contributed their sewerage to the MEAs (Inter-aqua, Infrax West, Riobra and Iveg). As a consequence, the Group carries out the sewerage activity and receives the remediation contributions from the water companies and the interventions of the municipalities or from the Flemish region for the projects carried out.

The proceeds from the sewage activity can be divided into three broad categories.
The first category are the remediation contributions received from the water companies. These contributions can only be used for investments in the sewerage grid or maintenance expenditures related to the sewerage grid.
The second category are the contributions for allotment. This contribution will be obtained if the existing roads are used and sewerage was already installed in the past. Half of this contribution is for the account of the relevant municipality and is added to the sewerage fund. The other half of the contribution is for the account of the MEA. In the MEA Riobra and Inter-aqua, these contributions are received upon execution of the project. However, if the allotment performs the works, they are ‘for nothing’.

If the project is a priority for the Flemish region and the Flemish Environment Agency (Vlaamse Milieu Maatschappij), a grant can be obtained covering 75% of total investment. Fluvius carries out the works and obtains the **subsidy** of the Flemish region. After completion of 30% of the works an advance can be requested from the Flemish region. The remainder of the grant will be paid at the time of final acceptance. Grants may only be used for certain investments (excluding road repair work). If the project was not approved by the Flemish region, the municipality can subsidize the investment itself.

Sewerage fund
The interventions of the municipalities do not always result in an actual cash exchange because the municipalities can call upon the usage of the sewerage fund. This fund has been established to reduce the impact of sewerage investments on the municipal budgets.

Regulation
The sewerage activity is subject to the supervision of the Flemish Environment Agency (Vlaamse Milieumaatschappij - VMM), which acts as a regulator on both the tariffs of the contribution collection and transport (bijdrage opvang en transport - BOT) and the quality of service.

Investments in sewerage are stipulated in an investment programme and are registered in a subsidy programme of the Flemish region. Investments in sewage are subsidized for 75%. Participating municipalities can choose to go ahead with the investment without subsidies from the Flemish region.

The BOT (contribution collection and transport) is 1,4 times the intermunicipal ceiling on contribution. The Group uses the maximum tariff.

Both the intermunicipal and the municipal contributions and fees are part of the integrated water invoice. The Group charges the water contributions and fees invoiced by the water companies, retaining a certain percentage. This deduction for water companies is equal to the fee for administration and operating costs.

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Free translation from the Dutch original

Report of the independent auditor to the shareholders of the Flemish distribution net owners on the consolidated financial statements of the Economical Group Fluvius as of and for the year ended 31 December 2018

We report to you as independent auditor on the consolidated financial statements of the Economical Group Fluvius. This report includes our opinion on the consolidated statement of the financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable. The consolidated financial statements of the Economical Group Fluvius consists of fourteen Flemish Mission Entrusted Associations (MEAs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra who have joint control over Fluvius System Operator CVBA and its subsidiaries (De Stroomlijn CVBA, Synductis CVBA and Atrias CVBA).

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of the Economical Group Fluvius, which consists of the consolidated statement of the financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 and the disclosures, which show a consolidated balance sheet total of € 14.344.643 thousands and of which the consolidated income statement shows a result of the year of € 190.905 thousands.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2018, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

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

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

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

Emphasis of matter paragraph

Without qualifying our opinion, we wish to draw the attention to the information, included in note 35 of the Consolidated Financial Statements related to operating in a regulated environment, which clarifies the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the financial balances resulting from tariff settlement mechanisms which are still to be approved by the VREG.

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

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

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

Our responsibilities for the audit of the Consolidated Financial Statements

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

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

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

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

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

Report on other legal and regulatory requirements

Independence matters

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

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

Ghent, 24 April 2019

Ernst & Young Bedrijfsrevisoren CVBA
Statutory auditor
Represented by

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

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