



# **Economic Group Fluvius**

## **Consolidated Financial Statements IFRS**

**Year end 31 December 2021**

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# Financial Statements

## Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2021	2020
<b>Operating revenue</b>	<b>4</b>	<b>3.771.814</b>	<b>3.487.243</b>
Revenue from contracts with customers		3.038.293	2.923.733
Other operating income		167.287	135.407
Own construction, capitalized		566.234	428.103
<b>Operating expenses</b>		<b>-3.326.851</b>	<b>-2.944.678</b>
Cost of trade goods	5	-1.527.942	-1.419.362
Cost for services and other consumables	6	-474.940	-437.231
Employee benefit expenses	7	-615.650	-619.288
Depreciation, amortization, impairments and changes in provisions	8	-527.527	-476.897
Other operational expenses	9	-90.895	-83.115
Regulated transfers	10, 35	-89.897	91.215
<b>Result from operations</b>		<b>444.963</b>	<b>542.565</b>
Finance income	11	126.481	117.891
Finance costs	11	-169.247	-187.103
<b>Profit before tax</b>		<b>402.197</b>	<b>473.353</b>
Income tax expenses	12	-100.249	-110.623
<b>Profit for the period</b>		<b>301.948</b>	<b>362.730</b>

## Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2021	2020
<b>Profit for the period</b>		<b>301.948</b>	<b>362.730</b>
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial gains (losses) on long-term employee benefits	24	373.628	-85.437
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	24	-241.960	100.875
Fair value other investments	17	342.147	268.018
Deferred tax gains (losses)	12	-22.906	6.117
<b>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</b>		<b>450.909</b>	<b>289.573</b>
<b>Total comprehensive income for the period</b>		<b>752.857</b>	<b>652.303</b>



## Consolidated statement of financial position

(In thousands of EUR)	Notes	2021	2020
<b>Non-current assets</b>		<b>15.370.673</b>	<b>14.899.187</b>
Intangible assets	13	120.327	114.303
Property, plant and equipment	14	12.035.709	11.665.019
Right-of-use assets	15	38.633	42.147
Investment in joint ventures and associates	16	2.017	2.017
Other investments	17, 30	2.413.967	2.064.271
Rights to reimbursement on post-employment employee benefits	24	208.061	443.513
Long-term receivables, other	18, 30	551.959	567.917
<b>Current assets</b>		<b>1.328.507</b>	<b>926.971</b>
Inventories	19	141.116	97.296
Trade and other receivables	20, 30	1.086.210	787.678
Current tax assets	29, 30	11.845	10.669
Cash and cash equivalents	21, 30	89.336	31.328
<b>TOTAL ASSETS</b>		<b>16.699.180</b>	<b>15.826.158</b>
<b>EQUITY</b>	<b>22</b>	<b>7.247.361</b>	<b>6.757.091</b>
<b>Total equity attributable to owners of the parent</b>		<b>7.247.261</b>	<b>6.756.991</b>
Contributions excluding capital, other		2.749.249	2.688.588
Contributions excluding capital, issue premiums		127.411	126.903
Reserves		1.734.714	1.753.908
Other comprehensive income		1.533.143	1.082.234
Retained earnings		1.102.744	1.105.358
<b>Non-controlling interest</b>		<b>100</b>	<b>100</b>
<b>LIABILITIES</b>		<b>9.451.819</b>	<b>9.069.067</b>
<b>Non-current liabilities</b>		<b>7.330.192</b>	<b>6.933.089</b>
Interest bearing loans and borrowings	23, 30	5.977.365	5.280.508
Lease liabilities	15, 30	29.379	32.319
Employee benefit liabilities	24	559.430	906.515
Derivative financial instruments	25, 30	41.776	62.717
Provisions	26	9.240	8.772
Deferred tax liability	12	376.341	347.532
Government grants	27	336.661	294.726
<b>Current liabilities</b>		<b>2.121.627</b>	<b>2.135.978</b>
Interest bearing loans and borrowings	23, 30	1.218.743	1.307.966
Lease liabilities	15, 30	12.094	12.488
Trade payables and other current liabilities	28, 30	886.861	800.617
Current tax liabilities	29, 30	3.929	14.907
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16.699.180</b>	<b>15.826.158</b>

## Consolidated statement of changes in equity

(In thousands of EUR)	Contributions excluding capital	Reserves	Other comprehensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
<b>Balance at 1 January 2020</b>	<b>2.805.702</b>	<b>1.737.309</b>	<b>792.661</b>	<b>1.071.823</b>	<b>6.407.495</b>	<b>100</b>	<b>6.407.595</b>
Total comprehensive income for the period	0	0	289.573	362.730	<b>652.303</b>	0	<b>652.303</b>
Incorporation ex-Infrac MEAs in the consolidation	-22.936	-3.655	0	0	<b>-26.591</b>	0	<b>-26.591</b>
Change in consolidation scope	32.725	-126	0	0	<b>32.600</b>	0	<b>32.600</b>
Addition/decrease reserves	0	20.380	0	-20.380	<b>0</b>	0	<b>0</b>
Dividends paid	0	0	0	-308.816	<b>-308.816</b>	0	<b>-308.816</b>
<b>Balance at 31 December 2020</b>	<b>2.815.491</b>	<b>1.753.908</b>	<b>1.082.234</b>	<b>1.105.357</b>	<b>6.756.991</b>	<b>100</b>	<b>6.757.091</b>
<b>Balance at 1 January 2021</b>	<b>2.815.491</b>	<b>1.753.908</b>	<b>1.082.234</b>	<b>1.105.357</b>	<b>6.756.991</b>	<b>100</b>	<b>6.757.091</b>
Total comprehensive income for the period	0	0	450.909	301.948	<b>752.857</b>	0	<b>752.857</b>
Repayment of equity	-528	0	0	0	<b>-528</b>	0	<b>-528</b>
Proceeds from contribution excluding capital	61.697	-10.469	0	-28.089	<b>23.138</b>	0	<b>23.138</b>
Addition/decrease reserves	0	-8.725	0	8.725	<b>0</b>	0	<b>0</b>
Dividends paid	0	0	0	-285.197	<b>-285.197</b>	0	<b>-285.197</b>
<b>Balance at 31 December 2021</b>	<b>2.876.660</b>	<b>1.734.714</b>	<b>1.533.143</b>	<b>1.102.744</b>	<b>7.247.261</b>	<b>100</b>	<b>7.247.361</b>

The above information is disclosed in the notes 'Equity' and as regards the other comprehensive income movements are disclosed in the notes 'Other investments', 'Income tax expenses' and 'Employee benefit liabilities'.

The column 'Contributions excluding capital' contains the contribution outside capital, other amounting to 2.749.249 k EUR and the contribution outside capital, issue premium amounting to 127.411 k EUR (see note 'Equity').

## Consolidated statement of cash flows

(In thousands of EUR)	Notes	2021	2020
Profit for the period		301.948	362.730
Amortization of intangible assets	8, 13	39.304	36.087
Depreciation on property, plant and equipment and right-of-use assets	8, 14, 15	463.607	444.260
Change in provisions (Reversal -; Recognition +)	8, 26	468	-13.338
Impairment current assets (Reversal -; Recognition +)		24.148	9.888
Gains or losses on realization receivables		8.178	10.824
Net finance costs		69.900	86.808
Change in fair value of derivative financial instruments	11, 25	-20.941	-12.009
Gains or losses on sale of property, plant and equipment		75.992	55.716
Movement in government grants	27	-6.193	-5.588
Income tax expense	12	100.249	110.623
Change in inventories		-43.820	-18.754
Change in trade and other receivables		-323.241	-8.823
Change in trade payables and other current liabilities		91.856	-94.021
Change in employee benefits		20.036	58.091
Interest paid		-169.584	-179.299
Interest received		89.669	82.401
Financial discount on debts		177	312
Income tax paid (received)		-106.500	-110.348
<b>Net cash flow from operating activities</b>		<b>615.253</b>	<b>815.560</b>
Proceeds from sale of property, plant and equipment		5.653	1.911
Purchase of intangible assets	13	-45.328	-54.539
Purchase of property, plant and equipment	14	-901.946	-745.902
Acquisition of companies and other investments	17	0	-79.254
Proceeds from sale of companies and other investments		100	164
Net investments in long-term receivables		-73	-18
Receipt of a government grant	27	48.128	30.637
<b>Net cash flow used in investing activities</b>		<b>-893.466</b>	<b>-847.001</b>





(In thousands of EUR)	Notes	2021	2020
Proceeds from contributions excluding capital		23.138	0
Repayment of contributions excluding capital	22	-528	0
Repayment of borrowings	23	-730.549	-405.089
Proceeds from borrowings	23	235.218	0
Proceeds from bonds/borrowings	23	1.191.244	598.608
Payment of finance lease liabilities	15	-15.457	-14.417
Change in current financial liabilities	23	-87.372	108.100
Provide long-term loans	22	-1.789	0
Repayment long-term loans		7.513	16.022
Dividends paid	22	-285.197	-311.052
<b>Net cash flow from/used in financing activities</b>		<b>336.221</b>	<b>-1.819</b>
<b>Net increase/decrease in cash</b>	<b>21</b>	<b>58.008</b>	<b>-33.260</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>21</b>	<b>31.328</b>	<b>64.588</b>
<b>Cash and cash equivalents at the end of period</b>	<b>21</b>	<b>89.336</b>	<b>31.328</b>



# Notes to the consolidated financial statements

## 1 Reporting entity

The consolidated financial statements of the Economic Group Fluvius comprise - apart from the accounts of the **eleven Flemish mission entrusted associations** (MEAs) Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Fluvius West, Fluvius Limburg, Fluvius Antwerpen, PBE and Riobra - as well as the accounts of its subsidiaries, the working company Fluvius System Operator cv with its subsidiaries, joint ventures and associates. In addition, the accounts of the company Fluvius OV (VAT BE0201.311.226) are also included in the Fluvius Economic Group.

The MEAs are being managed centrally by their **operating company** Fluvius System Operator cv. This operating company, in consolidation with its subsidiaries, also publishes IFRS accounts: **Fluvius System Operator Group**.

All companies of the Group are registered in the Flemish Region (Belgium). The aforementioned MEAs are **regulated** according to the Flemish Decree on Local Government of 22 December 2017 (as amended). A mission entrusted association is an intermunicipal legal entity which the participating municipalities have entrusted with the management of certain public utilities. The duration of the MEAs of the Economic Group Fluvius has been determined until 29 March 2037. The duration of Riobra was set until 24 November 2023.

A distribution system operator (DSO) is recognized by the Flemish energy regulator as a system operator for electricity and/or gas (See note 'Operating in a regulated environment'). The company Riobra should be considered as a MEA, not as an energy DSO.

The **statutory aim** of the MEAs is the distribution system operation as understood by the Flemish regulations (the 'Energy Decree' with the technical regulations) with respect to the distribution of electricity and gas, the transport of signals via electronic communication networks; the management and purification of wastewater and water, the exercise of any ancillary activity, such as public lighting, district heating, geographical information systems, data and related communications, the management of strategic participations and the infrastructure for public lighting.

Fluvius has chosen to obtain **a rating** from the rating agencies 'Moody's Investor Services Ltd.' (Moody's) and 'Creditreform Rating AG' (Creditreform). On 29 October 2021, the rating agency Moody's confirmed the A3 rating for Fluvius but changed the rating outlook from negative to stable. Since 27 October 2020, the rating at Creditreform is A+ with a negative outlook. More information is available in the note 'Financial instruments: policy'.

On 26 June 2020, Fluvius and **Telenet** announced the start of negotiations on the realisation of a fast data network of the future in Flanders. On 27 October 2021, a non-binding letter of intent was signed for the evolution of the hybrid fibre-coax (HFC) network infrastructure. Further concrete development is underway.

Due to the outbreak of the **COVID-19 pandemic**, the Group's operations and services had to be thoroughly adapted. However, as the company operates within a regulated framework the financial impact is rather limited. Further information can be consulted in the note 'Use of estimates and assumptions'.

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

Fluvius System Operator cv operates in all cities and municipalities in the Flemish Region (Belgium)

The Economic Group employed on average 5.680 persons during 2021.



This financial report for the financial year ended 31 December 2021 has been established by the operating company's Management Committee on 17 March 2022.

## **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 2021.

The consolidated financial statements are 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 direct 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 the parent, 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 over 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 accounting policies applied are consistent with last year's accounting principles.

#### a) Operating income

Revenue from sales of goods and rendering services is 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.

Energy suppliers are invoiced on a monthly basis and revenue is then recognized.

##### *Sale of energy – Social function (energy supply)*

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 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 do not include 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 determination of the transaction price; step 4 the allocation of the transaction price to the performance obligations and revenue recognition and step 5 fulfillment of the performance obligations.

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 out 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 owed 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 wastewater is passed via the sewerage network.

Ex-Infrac MEAs and ex-Integan 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-Infrac Group for a limited number of services. Such services (*Fluvius Net/ Infra-X*) are provided to the municipalities for 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 the 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. 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.

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.

### **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 usually lower than the purchase price. The resulting costs have been included as an item in 'Costs of trade goods' under the heading 'Certificates for green energy' but also the revaluation costs to the fair value (see note 'Trade and other receivables') are included as well.

The premiums for *Rational Energy Use (RUE)* paid out 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. These premiums are evaluated every year in consultation with the Flemish government and can vary in size and application. A 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. Since 1 April 2019, Inter-aqua is part of Fluvius Limburg is also 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 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.

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	10,00%; 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 and the merger into Fluvius Limburg) 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%; 3,00%
Other distribution installations	3,00%
Service pipes for heating and brackets for public lighting	3,00%
Technical installations buildings*	4,00%
Heat stations, cathodic protection (heating)	5,00%
Issuing station (heating), digital meters	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, basins and fixtures for public lighting	6,67%
Technical installations sewerage	7,00%
Contribution public lighting	8,33%
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.

#### *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) Leasing

As a result of the implementation of IFRS 16 as from 1 January 2019 onwards, the following rules for financial reporting of the Group were applied.



#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### *Lease liabilities*

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

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

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and that do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases with a value below 5.000 euro.

Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

#### f) Investments in joint ventures and associates

The investments in joint ventures and associates are accounted for using the equity method and are initially recognised at cost. The carrying amounts of the investments are adjusted to reflect changes in the Group's share of the net assets of the joint venture or associate since the date of acquisition.

#### g) 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.

These investments are classified as financial assets and are measured at fair value. The effects of revaluations are recognised 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).

#### h) 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.

#### i) 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.

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 services delivered, 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 six months are recognized as doubtful and are 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 twelve 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, the costs can be recovered through the tariffs.

#### j) 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.

k) Contribution outside capital, other

The contribution is represented by shares with or without nominal value, according to the MEA.

The shares are indivisible and consist of shares and/or profit certificates. Furthermore, the shares are named according to the 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.

l) 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.

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. The provision for defined contribution pension plans is valued according to the 'Projected Unit Credit'-method (PUC) without projection of the future premiums with a variable yield. The employer's 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 borne 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.

Upon early redemption ('unwinding') of the interest rate swap, the net cost is spread over the remaining term of the loan using the effective interest rate (EIR) method.

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 2021

The new and amended standards and interpretations applicable from 1 January 2021 do **not affect** the Group's consolidated financial statements and were the following:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9, effective 1 January 2021
- Amendments to IFRS 9 Financial, IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and measurement, IFRS 4 *Insurance contracts* and IFRS 16 *Leases* - Interest Rate Benchmark Reform – Phase 2, effective 1 January 2021
- Amendments to IFRS 16 *Leases* - COVID-19 related rent concessions beyond 30 June 2021, effective 1 April 2021

## 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'.

**Right of use assets and lease liabilities:** defining the lease period of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised.

The Group has the option, under some of its leases (rent of buildings), to lease the assets for additional terms of three to five years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. If the renewal option is reasonably certain to be exercised, this lease term is included.

### **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 analysed (see also further: energy crisis).

### **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 – now Fluvius Limburg - 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.

### **COVID-19**

In preparing these consolidated financial statements, management has taken into account the effects of COVID-19 (coronavirus) and the current economic environment.

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

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

The impact of COVID-19 on the activities in **2020** mainly relates to disruptions of operations (lower execution rate) but this does not result in any visible material impact in the IFRS consolidated financial statements. COVID-19 has affected the valuation of certain assets, including investments in listed assets, unlisted assets and pension plan investments, the valuation of which is challenging in rapidly changing market conditions, indicators of impairment of assets, valuation of inventories and recoverability of trade receivables. However, on 31 December 2020, no adjustments or impairment to the valuation of assets or liabilities needed to be performed and no significant

increase in the amount of uncollectible receivables was identified. Fluvius has also been able to benefit from the favourable measures taken by the public authorities to help companies get through this difficult period and thus obtained deferral of payment of VAT and withholding tax. In turn, Fluvius has decided to grant prepayment to its suppliers in order to respond to the difficult period for its suppliers during the first corona wave (first half of 2020). At the end of December 2020, there is no impact on the net cash position but only a minimal impact on the financial costs in 2020.

The authorities have taken several measures to control COVID-19 - including vaccination – resulting in no delays in the Group's operations during **2021**. The revival of financial markets positively affected the valuation of investments in listed assets and pension fund assets.

The arrival of new corona variants - mainly in the second half of 2021 - due to the global problems they caused in the production chain and the transport of goods, also increased inflation. This sector was already struggling anyway due to increasing demand. Fluvius also noticed these logistical bottlenecks for certain materials and therefore closely monitors these developments to ensure the right logistical decisions can be taken in time.

### **Energy crisis**

The increasing demand for energy, the growth of the economy, geopolitical factors and the limited global supply of oil and natural gas have led to a worldwide energy crisis. This growing energy shortage is driving up the prices of electricity and natural gas - especially in the last quarter of 2021. This crisis has serious economic and financial consequences for end users but also for energy suppliers. For end-users who can no longer pay their electricity and/or gas bill, it is legally stipulated that Fluvius must take care of this customer and act as a social supplier.

For the energy supplier that ran into difficulties and was declared bankrupt - in particular Vlaamse Energieleverancier (VEL) was declared bankrupt on 7 December 2021 - and for the energy supplier that requested a judicial reorganisation - in particular Watz which could no longer supply energy as of 21 December 2021 because their access contract to the electricity and gas networks was terminated - Fluvius must act as a statutory emergency supplier.

For the customers of VEL and Watz, the supply of electricity and natural gas was temporarily (for a maximum of 60 days - but this was extended to a maximum of one year by the Flemish Parliament in January 2021) provided by Fluvius. To encourage these customers to conclude a new contract with another energy supplier as soon as possible, Fluvius charges a higher than average energy price.

Fluvius is closely monitoring this situation in the market and with energy suppliers.

### **Energy transition and climate objectives**

During the international climate summit (late 2019), a 'European Green Deal' plan was developed by the European Commission. This plan has the ambition to make Europe climate neutral by 2050. This plan is therefore 'the' great challenge of the future.

In order to meet these ambitious targets, Europe wants to take the following steps: developing a climate law, adjusting the climate target to at least 50% carbon dioxide emissions by 2030, revising the climate directives and energy taxes, developing a circular economy and introducing a carbon tax. The necessary funding will be required to realise these plans.

#### **Carbon dioxide emissions neutral by 2050**

Fossil fuels - including oil and natural gas - are still widely used today by companies and individuals. However, the consumption of these fuels releases large quantities of CO<sub>2</sub>, making sustainability a necessity. One of the possibilities is to replace this fuel with sustainably generated electricity. As a result, we are already seeing the emergence of hybrid and full electric cars.

Because of this transition, the supply of electricity must be adapted and this has consequences for the energy transport. New demands will be made on the infrastructure for energy supplies regarding electricity but also for gas, heat and water.

In this context, Fluvius must evaluate its activities. Fluvius is closely following these issues and regulations in order to further shape and implement this EU policy together with its Belgian and European partners (Synergrid, CEDEC and the 'European DSO entity'). Fluvius therefore wants to cooperate with policymakers and the regulator to provide the necessary framework for these investment efforts.

## 2.6 Standards issued but not yet effective

The standards, amendments to standards and interpretations that were issued but not yet effective on the publication date of the Group's consolidated financial statements are not expected to have a significant impact on the Group's consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current, effective 1 January 2023\*
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies*, effective 1 January 2023\*
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*, effective 1 January 2023\*
- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, effective 1 January 2023\*
- Amendments to IAS 16 *Property, plant and equipment – Proceeds before intended use*, effective 1 January 2022
- Amendments to IAS 37 *Provisions, contingent liabilities and contingent assets – onerous contracts—cost of fulfilling a contract*, effective 1 January 2022
- Amendments to IFRS 3 *Business combinations* – References to the conceptual framework, effective 1 January 2022
- Amendments to IFRS 17 *Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*, effective 1 January 2023\*
- IFRS 17 *Insurance Contracts*, effective 1 January 2023
- Annual Improvements Cycle - 2018-2020, effective 1 January 2022

\* Not yet endorsed by the EU at 28 December 2021



## Segment information

### 3 Segment information

The Management Committee, responsible for the day-to-day management and the operational functioning of Fluvius System Operator (Fluvius SO), 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 of ex-Infrac the activities water and sewerage.

The 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 31 December 2021 and 31 December 2020 the following financial segmented information on the basis of the Belgian GAAP (BE-GAAP).

All transactions of the Group take place in Flanders, Belgium.



Statement of profit or loss 2021

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Turnover	2.296.101	533.742	272.644	1.747.722	4.850.209
Other income	79.414	14.995	45.191	169.239	308.839
Operating costs	-2.120.312	-359.244	-339.558	-1.901.685	-4.720.799
<b>Operating profit (loss)</b>	<b>255.203</b>	<b>189.493</b>	<b>-21.723</b>	<b>15.276</b>	<b>438.249</b>
Financial income	3.029	550	87.109	115.073	205.761
Financial costs	-106.993	-45.368	-8.769	-123.207	-284.337
<b>Profit (loss) of the period before taxes</b>	<b>151.239</b>	<b>144.675</b>	<b>56.617</b>	<b>7.142</b>	<b>359.673</b>
Transfer from/transfer to deferred taxes	6	3	513	0	522
Transfer from/transfer to untaxed reserves	13	1	1	0	15
Income taxes	-45.786	-41.082	-336	-7.142	-94.346
<b>Profit for the period</b>	<b>105.472</b>	<b>103.597</b>	<b>56.795</b>	<b>0</b>	<b>265.864</b>



Statement of financial position 2021

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Tangible and intangible fixed assets	6.468.203	3.774.391	1.940.994	3.461	12.187.049
Financial fixed assets	1.224	494	440.211	1.581	443.510
<b>FIXED ASSETS</b>	<b>6.469.427</b>	<b>3.774.885</b>	<b>2.381.205</b>	<b>5.042</b>	<b>12.630.559</b>
Amounts receivable after more than one year	54.188	28.366	360.405	4.791.858	5.234.817
Stocks and contracts in progress	0	0	48.637	141.116	189.753
Amounts receivable within one year	843.937	108.469	158.128	1.218.287	2.328.821
Cash at bank and in hand	1.049	6	40.047	65.916	107.018
Deferred charges and accrued income	205.330	85.094	2.985	236.497	529.906
<b>CURRENT ASSETS</b>	<b>1.104.504</b>	<b>221.935</b>	<b>610.202</b>	<b>6.453.674</b>	<b>8.390.315</b>
<b>Total Assets</b>	<b>7.573.931</b>	<b>3.996.820</b>	<b>2.991.407</b>	<b>6.458.716</b>	<b>21.020.874</b>
Contribution excluding capital, other	945.107	622.715	1.205.984	1.284	2.775.090
Contribution excluding capital, share premium	109.127	0	18.298	127	127.552
Revaluation surplus	764.310	366.908	30.280	0	1.161.498
Reserves	843.713	440.666	469.084	86	1.753.549
Retained earnings and result of the period	44.733	49.705	35.911	20	130.369
Government grants	135	69	299.290	0	299.494
<b>EQUITY</b>	<b>2.707.125</b>	<b>1.480.063</b>	<b>2.058.847</b>	<b>1.517</b>	<b>6.247.552</b>
<b>MINORITY INTEREST</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>5.707</b>	<b>10.646</b>	<b>59.496</b>	<b>196.584</b>	<b>272.433</b>
Amounts payable after more than one year	3.125.581	2.149.002	726.526	4.810.494	10.811.603
Amounts payable within one year	1.475.670	297.948	140.324	1.401.807	3.315.749
Accrued charges and deferred income	259.848	59.161	6.214	48.214	373.437
<b>AMOUNTS PAYABLE</b>	<b>4.861.099</b>	<b>2.506.111</b>	<b>873.064</b>	<b>6.260.515</b>	<b>14.500.789</b>
<b>Total Liabilities</b>	<b>7.573.931</b>	<b>3.996.820</b>	<b>2.991.407</b>	<b>6.458.716</b>	<b>21.020.874</b>

The reconciliation of the financial data 2021 mentioned above based on Belgian GAAP to IFRS

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	4.850.209	3.038.293	-1.811.916
Profit (loss) of the period before taxes	359.673	402.197	42.524
Total Assets	21.020.874	16.699.180	-4.321.694
Total Liabilities	21.020.874	16.699.180	-4.321.694
Equity	6.247.552	7.247.361	999.809

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
- Leases are recognised as an asset and a liability
- The derivative financial instruments are recorded at fair value and an adjustment is recorded for the accrued interest
- Other investments are recorded at their fair value
- Deferred taxes are recorded.

For the electricity segment, two customers achieved together 57% of the turnover and for the gas segment there were two customers that together achieved 55% of the turnover.

#### Statement of profit or loss 2020

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Turnover	2.327.202	551.933	247.385	1.622.300	4.748.820
Other income	54.839	17.484	65.726	94.523	232.572
Operating costs	-2.058.894	-371.032	-316.150	-1.702.174	-4.448.250
<b>Operating profit (loss)</b>	<b>323.147</b>	<b>198.385</b>	<b>-3.039</b>	<b>14.649</b>	<b>533.142</b>
Financial income	1.808	956	87.423	121.663	211.850
Financial costs	-114.847	-49.888	-9.775	-129.330	-303.840
<b>Profit (loss) of the period before taxes</b>	<b>210.108</b>	<b>149.453</b>	<b>74.609</b>	<b>6.982</b>	<b>441.152</b>
Transfer from/transfer to deferred taxes	9	4	396	0	409
Transfer from/transfer to untaxed reserves	13	1	2	0	16
Income taxes	-61.028	-42.618	-5.275	-6.982	-115.903
<b>Profit for the period</b>	<b>149.102</b>	<b>106.840</b>	<b>69.732</b>	<b>0</b>	<b>325.674</b>



Statement of financial position 2020

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Tangible and intangible fixed assets	6.242.298	3.749.170	1.824.016	4.931	11.820.415
Financial fixed assets	1.227	494	441.515	1.617	444.853
<b>FIXED ASSETS</b>	<b>6.243.525</b>	<b>3.749.664</b>	<b>2.265.531</b>	<b>6.548</b>	<b>12.265.268</b>
Amounts receivable after more than one year	39.064	24.810	377.672	3.891.864	4.333.410
Stocks and contracts in progress	0	0	74.000	97.296	171.296
Amounts receivable within one year	665.337	-72.678	175.369	1.450.262	2.218.290
Cash at bank and in hand	845	547	42.917	5.122	49.431
Deferred charges and accrued income	253.355	76.988	2.830	346.194	679.367
<b>CURRENT ASSETS</b>	<b>958.601</b>	<b>29.667</b>	<b>672.788</b>	<b>5.790.738</b>	<b>7.451.794</b>
<b>Total Assets</b>	<b>7.202.126</b>	<b>3.779.331</b>	<b>2.938.319</b>	<b>5.797.286</b>	<b>19.717.062</b>
Contribution excluding capital, other / Share capital	945.850	622.715	1.144.581	1.284	2.714.430
Contribution excluding capital, share premium / Issue premiums	109.127	0	17.791	127	127.045
Revaluation surplus	785.457	377.091	30.938	0	1.193.486
Reserves	866.024	432.762	473.773	86	1.772.645
Retained earnings and result of the period	44.413	35.574	73.573	20	153.580
Government grants	135	1	267.241	0	267.377
<b>EQUITY</b>	<b>2.751.006</b>	<b>1.468.143</b>	<b>2.007.897</b>	<b>1.517</b>	<b>6.228.563</b>
<b>MINORITY INTEREST</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>9.851</b>	<b>11.501</b>	<b>50.443</b>	<b>288.395</b>	<b>360.190</b>
Amounts payable after more than one year	3.390.706	1.318.754	564.638	3.919.032	9.193.130
Amounts payable within one year	834.700	915.225	305.485	1.530.460	3.585.870
Accrued charges and deferred income	215.863	65.708	9.856	57.782	349.209
<b>AMOUNTS PAYABLE</b>	<b>4.441.269</b>	<b>2.299.687</b>	<b>879.979</b>	<b>5.507.274</b>	<b>13.128.209</b>
<b>Total Liabilities</b>	<b>7.202.126</b>	<b>3.779.331</b>	<b>2.938.319</b>	<b>5.797.286</b>	<b>19.717.062</b>

The reconciliation of the financial data 2020 mentioned above based on Belgian GAAP to IFRS

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	4.748.820	2.923.733	-1.825.087
Profit (loss) of the period before taxes	441.152	473.353	32.201
Total Assets	19.717.062	15.826.158	-3.890.904
Total Liabilities	19.717.062	15.826.158	-3.890.904
Equity	6.228.563	6.757.091	528.528



For the electricity segment, three customers achieved 66% of the turnover and for the gas segment there were three customers that together achieved 63% of the turnover.

# Performance of the year

## 4 Operating revenue

(In thousands of EUR)	2021	2020
Distribution and transport grid revenue	2.857.901	2.733.028
Sale of energy	52.025	44.960
Construction works for third parties	39.618	37.718
Other sales	88.749	108.027
<b>Total revenue from contracts with customers</b>	<b>3.038.293</b>	<b>2.923.733</b>
Recuperations	116.195	91.778
Other	51.092	43.629
<b>Other operating income</b>	<b>167.287</b>	<b>135.407</b>
<b>Own construction, capitalized</b>	<b>566.234</b>	<b>428.103</b>
<b>Total operating revenue</b>	<b>3.771.814</b>	<b>3.487.243</b>

### Total revenue from contracts with customers

Revenue from contracts with customers amounts to 3.038.293 k EUR on 31 December 2021 and 2.923.733 k EUR on 31 December 2020, an increase of 114.560 k EUR.

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 distribution and transmission grid fee is set based on the tariff methodology prepared by the VREG for the period 2017 to 2020 and the additional adjustments to these tariffs during the years 2019 and 2020 (see note 'Working in a regulated environment').

The distribution and transmission grid fee amounts to 2.857.901 k EUR at the end of 2021 and 2.733.028 k EUR at the end of 2020.

The distribution grid fee for electricity amounts to 1.542.388 k EUR at the end of 2021 and 1.586.756 k EUR at the end of 2020; the transmission grid fee for electricity amounts to 809.148 k EUR at the end of 2021 and 673.075 k EUR at the end of 2020. This increase is due to the adjustment of the surcharge for financing GSC (at Elia) since March 2021 (see note 'Cost of trade goods').

The distribution grid fee for gas increases and amounts to 506.364 k EUR at the end of 2021 and 473.198 k EUR at the end of 2020. This increase is due to a rise in consumption as a result of the lower temperature (more grade days in 2021).

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 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 twelve months is allowed to the customer. This is a standard warranty that is not seen as a separate performance obligation.

The contracts for public lighting 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 wastewater (2021: 70.757 k EUR; 2020: 69.232 k EUR) by means of a municipal wastewater treatment contribution charged by the water companies (see note "Working in a regulated environment").

The proceeds of the activity distribution cable television distribution decreased (21.244 k EUR) and the revenues related to Infra-X-net and Infra-GIS remained almost constant.

#### **Other operating income**

The recuperations amount to 116.195 k EUR in 2021 and 91.778 k EUR in 2020. This item contains compensations for operating activities performed at customers (2021: 57.470 k EUR; 2020: 51.968 k EUR), reimbursements of general expenses by contractors, insurances or various operating subsidies and recoveries from employees and reimbursement for subsidies for the rational use of energy (2021: 14.313 k EUR; 2020 3.001 k EUR).

The other operating income amounts to 51.092 k EUR in 2021 and 43.629 k EUR in 2020 and mainly comprises allowances for damages and recoveries for grid related costs and public service obligations amounting to 21.644 k EUR at the end of 2021 (2020: 12.354 k EUR). Also gains on allowances recorded in previous periods on trade receivables (2021: 705 k EUR; 2020: 1.381 k EUR) as well as gains on the sale of property, plant and equipment (2021: 3.022 k EUR; 2020: 1.352 k EUR) are included here.

#### **Own construction, capitalized**

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 (144.232 k EUR in 2021 and 152.874 k EUR in 2020) which are also deducted as own construction, capitalized (-144.232 k EUR in 2021 and -152.874 k EUR for 2020).



## 5 Cost of trade goods

(In thousands of EUR)	2021	2020
Cost for transportation	781.052	671.613
Purchase of energy	32.168	33.783
Purchase of goods for resale	204.441	146.295
Purchase of grid losses	30.094	43.347
Certificates for green energy and cogeneration	480.187	524.324
<b>Total</b>	<b>1.527.942</b>	<b>1.419.362</b>

The transmission cost (of electricity from Elia) amounts to 781.052 k EUR at the end of 2021 and 671.613 k EUR at the end of 2020, an increase by 109.439 k EUR. 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. These recharged costs are part of the item 'Distribution and transmission grid revenue' (see note 'Operating revenue' line item 'Distribution and transmission grid revenue'). The cost to purchases of goods for resale increased with 55.146 k EUR amounting to 204.441 k EUR at the end of 2021. During 2021, grid related goods were taken into stock in order to be able to monitor them better. As a result, the monitoring of these materials shifted from direct purchases for operations to this section.

The increase in above mentioned costs was compensated by the cost of green energy and cogeneration certificates which decreases by 44.137 k EUR. These costs mainly include the cost of the number of certificates purchased (in 2021: 7.804.039 certificates of which 2.907.458 GEC and 4.896.581 CHPCs; 2020: 7.503.053 certificates of which 3.240.608 GECs and 4.262.445 CHPCs) and the possible incurred costs of sales (see note 'Trade and other receivables').

## 6 Cost for services and other consumables

(In thousands of EUR)	2021	2020
Cost of purchase network grids	121.005	113.883
Cost for direct purchases	29.079	25.651
Fee for usage of installations and retributions	66.206	74.747
Advertising, information, documentation, receptions a.o.	5.347	4.460
Subsidy for rational use of energy (RUE)	70.903	51.311
Contracts and administration costs	27.379	24.936
Consultancy and other services	98.865	89.123
Other	56.156	53.121
<b>Total</b>	<b>474.940</b>	<b>437.231</b>

Cost for services and other consumables amounts to 474.940 k EUR at 31 December 2021 and 437.231 k EUR at 31 December 2020, an increase of 37.709 k EUR. This increase is mainly due to the increase in the item contractor costs (2021: 110.371 k EUR; 2020: 102.155 k EUR) and the cost of the RUE premiums. Subsidy for rational use of energy (RUE) amounts to 70.903 k EUR at 31 December 2021 and 51.311 k EUR at 31 December 2020, an increase of 19.592 k EUR. These costs reflect the payment of subsidies for RUE requested by individuals and companies.

The item 'Other' comprises the costs for rent that do not meet the definition of a lease, communication, transport, insurance and other.

## 7 Employee benefit expenses

(In thousands of EUR)	2021	2020
Remunerations	409.508	405.522
Social security contributions	108.719	106.397
Contributions to defined benefit plans and other insurances	70.742	81.956
Other personnel costs	26.681	25.413
<b>Total</b>	<b>615.650</b>	<b>619.288</b>

Employee benefit expenses amount to 615.650 k EUR at 31 December 2021 and 619.288 k EUR at 31 December 2020, a decrease of 3.638 k EUR. This decrease is mainly attributable to the amendment for the provision for employee benefits partially recognized through the statement of profit or loss (2021: 44.211 k EUR; 2020: 59.720 k EUR) compensated by a slight increase in the items remuneration and social security contributions for a total of 6.308 k EUR. The post other personnel costs includes the costs for meal vouchers, tariff benefits, medical service and the like.

The average number of employees amounted to 5.680 during 2021.

## 8 Amortization, depreciation, impairments and changes in provisions

(In thousands of EUR)	2021	2020
Amortization of intangible assets	39.304	36.087
Depreciation of property, plant and equipment	463.607	444.260
<b>Total amortization and depreciation</b>	<b>502.911</b>	<b>480.347</b>
Impairment of trade receivables	24.148	9.888
Changes in provisions	468	-13.338
<b>Total</b>	<b>527.527</b>	<b>476.897</b>

The amortization and depreciation amount to 502.911 k EUR at 31 December 2021 and 480.347 k EUR at 31 December 2020, an increase of 22.564 k EUR.

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 impairment of trade receivables in 2021 included additional provisions for unjustified claims for green certificates and additional provisions were also recognised for energy suppliers experiencing payment difficulties.

The changes in provisions for liabilities and charges also includes the recognition of the provision for employee benefits that cannot be recognized under the IAS 19 standard (see note 'Provisions for employee benefits'). During 2021 and 2020, this provision decreased, resulting in a reversal of the provision (2021: -115 k EUR, 2020: -11.439 k EUR).

Furthermore, a net increase of 603 k EUR for 2021 and a net decrease of 1.847 k EUR for 2020 was recorded for the provision for remediation costs. The increase in 2021 is due to the additional provision related to a new site remediation and compensated by the decrease of the provisions due to the uses (remediation and sale of land) and specific elements that reduced the estimate of the remediation costs (see note 'Provisions, other').

## 9 Other operational expenses

(In thousands of EUR)	2021	2020
Loss on disposal/retirement of fixed assets	79.014	57.068
Loss on realization receivables	8.883	12.205
Other	2.998	13.842
<b>Total</b>	<b>90.895</b>	<b>83.115</b>

Other operating expenses amount to 90.895 k EUR at the end of 2021 and 83.115 k EUR at the end of 2020, an increase of 7.780 k EUR. This increase is due to the increase in losses on the sale of fixed assets and the retirement of the fixed assets compensated by the decrease in the item 'Other'. During the year 2020, allocations for the construction of the sewerage fund were included for an amount of 12.040 k EUR (see note 'Operating in a regulated environment').

## 10 Regulated balances and transfers

Since 2011, the Group reports the additions, recoveries and regularisations for transfers in this separate section as 'Operating expenses'.

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 cost and revenue of the items 'Addition and recuperation transfers' relates to the additional revenue registration (in plus or minus) 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)	2021	2020
Additional transfers	145.086	9.511
Recuperation of transfers	-55.189	-100.726
<b>Total</b>	<b>89.897</b>	<b>-91.215</b>

## 11 Financial results

(In thousands of EUR)	2021	2020
Interest income, banks	4	5
Interest income, derivative financial instruments	25.430	17.657
Other financial income	101.047	100.229
<b>Finance income</b>	<b>126.481</b>	<b>117.891</b>
Interest expenses, non-current loans	158.265	172.677
Interest expenses, current loans and other borrowings	981	2.230
Interest expenses, derivative financial instruments	0	1.088
Other financial expenses	10.001	11.108
<b>Finance costs</b>	<b>169.247</b>	<b>187.103</b>

Finance income amounts to 126.481 k EUR at 31 December 2021 and 117.891 k EUR at 31 December 2020, an increase of 8.590 k EUR. This increase is mainly due to the interest income from derivative financial instruments. These include the changes in fair value (2021: 20.941 k EUR; 2020: 12.009 k EUR) as well as the recognition over time of the proceeds from the derivatives that were sold (2021: 4.489 k EUR; 2020: 5.648 k EUR).

The other financial income contains dividends received and revaluations of participations and shares obtained via the other investments (2021: 54.356 k EUR and 7.701 k EUR; 2020: 53.443 k EUR and 7.858 k EUR). Furthermore, the allowances received from the telecommunication company Telenet were recognized for 31.433 k EUR at the end of 2021; 30.393 k EUR at the end of 2020 (see note 'Long-term receivables, other'), capital grants and financial discounts received from suppliers (177 k EUR at the end of 2021; 312 k EUR at the end of 2020).

The interest expenses on non-current and current loans and borrowings decrease by 15.661 k EUR in comparison to 2020 mainly as a result of declining interest rates and financing at lower interest rates.

The other financial expenses amount to 10.001 k EUR at the end of 2021 and mainly contain the interest expenses on the defined benefit pension plans, incurred issuance costs for loans, interest expense on leases (2021: 1.633 k EUR; 2020: 1.162 k EUR) and miscellaneous bank costs.

Interest expense on derivatives includes the cost of unwinding financial instruments during 2021 (see note "Derivative financial instruments").

## 12 Income taxes

(In thousands of EUR)	2021	2020
Current income tax expenses	-94.174	-114.761
Current income tax expenses on previous year result	-172	-1.142
Deferred income tax benefits (+) / expenses (-)	-5.903	5.280
<b>Total income tax expenses</b>	<b>-100.249</b>	<b>-110.623</b>

### Current income tax expense on the result

Based on the Programme Act of 19 December 2014, the MEAs (except those operating in water and sewerage) 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)	2021	2020
Taxable profit (loss) according to BE-GAAP	360.210	441.577
Portion subject to legal entity tax	-2.054	-3.200
Effect non-deductible expenses	18.542	20.667
<b>Tax basis</b>	<b>376.698</b>	<b>459.044</b>
<b>Total current income tax expenses</b>	<b>-94.174</b>	<b>-114.761</b>

\* Subject to the legal Belgian tax rate of 25,00%

### Deferred taxes

Since the aforementioned law was ratified in 2014, deferred taxes for temporary differences have been 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-Infrac 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, government grants, the impairment losses of trade receivables and the deductibility of impairment losses on final write-offs of receivables.

These rulings were valid through fiscal year 2019 and were extended or modified, as needed, through fiscal year 2024.

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<sup>o</sup> of the 1992 Code on the Income Tax. This prior decision will also apply to the tax year 2020.

In the meantime, a new ruling was obtained for Riobra which confirmed that Riobra is still subject to the legal entity tax (and not to corporate tax) up to and including the financial year 2024.

When Inter-aqua and/or Riobra merge with one or more other ex-Eandis and/or ex-Infrac 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 the 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 affect 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 would be performed.

In the context of the Public Lighting offer to the municipalities, a ruling was obtained to provide legal certainty that the costs (related to the investments, maintenance, energy consumption) are considered as fiscally deductible costs in the corporate income tax and that the resources used in this context do not contain any abnormal or gratuitous advantages. The ruling will apply up to and including the financial year 2030.

On 22 December 2017, the Federal Parliament approved the corporate income tax reform that will lead to a step-by-step reduction of the tax rate of 33,99% from 2018 onwards. The tax rate 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.

(In thousands of EUR)	2021	2020
Property, plant & equipment	-460.548	-473.915
Derivative financial instruments	10.310	15.515
Employee benefit liabilities	111.345	145.566
Provisions	-6.578	-6.872
Receivables	-30.780	-28.076
Other	-90	250
<b>Net deferred tax asset/(liability)</b>	<b>-376.341</b>	<b>-347.532</b>

The movements in the statement of profit or loss and other comprehensive income are as follows  
At the end of 2021:

(In thousands of EUR)	Movements via P&L	Movements via OCI*
Property, plant & equipment	3.352	10.015
Derivative financial instruments	-5.205	0
Employee benefit liabilities	-1.304	-32.917
Provisions, rehabilitation gas sites	294	0
Provisions, other	-2.704	0
Impairment on trade receivables	-336	-4
<b>Deferred tax benefit/(expense)</b>	<b>-5.903</b>	<b>-22.906</b>
<b>Net movement during the year</b>	<b>-28.809</b>	

\* OCI = Other Comprehensive Income

At the end of 2020

(In thousands of EUR)	Movements via P&L	Movements via OCI*
Property, plant & equipment	3.189	9.976
Derivative financial instruments	-2.479	0
Employee benefit liabilities	7.633	-3.860
Provisions, rehabilitation gas sites	5.272	0
Provisions, other	-7.296	0
Impairment on trade receivables	-1.039	1
<b>Deferred tax benefit/(expense)</b>	<b>5.280</b>	<b>6.117</b>
<b>Net movement during the year</b>	<b>11.397</b>	

\*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 460.548 k EUR (2020: 473.915 k EUR) 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 111.345 k EUR (2020: 145.566 k EUR).

The net deferred tax liability is composed of:

(In thousands of EUR)	2021	2020
Deferred tax asset	121.655	161.331
Deferred tax liability	-497.996	-508.863
<b>Deferred tax liability, net</b>	<b>-376.341</b>	<b>-347.532</b>

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

(In thousands of EUR)	2021	2020
<b>Total as at 1 January</b>	<b>-347.532</b>	<b>-358.929</b>
Tax income/(expense) recognised in profit or loss	-5.903	5.280
Tax income/(expense) recognised in OCI	-22.906	6.117
<b>Total at end of reporting period</b>	<b>-376.341</b>	<b>-347.532</b>



## Assets

### 13 Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2021	4.931	472.399	<b>477.330</b>
Acquisitions	93	45.235	<b>45.328</b>
Other	0	0	<b>0</b>
<b>Acquisition value at 31 December 2021</b>	<b>5.024</b>	<b>517.634</b>	<b>522.658</b>
Amortization and impairment at 1 January 2021	4.834	358.193	<b>363.027</b>
Amortization	50	39.254	<b>39.304</b>
Other	0	0	<b>0</b>
<b>Amortization and impairment at 31 December 2021</b>	<b>4.884</b>	<b>397.447</b>	<b>402.331</b>
<b>Net book value 31 December 2021</b>	<b>140</b>	<b>120.187</b>	<b>120.327</b>

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2020	4.931	411.978	<b>416.909</b>
Acquisitions	0	54.540	<b>54.540</b>
Other	0	5.881	<b>5.881</b>
<b>Acquisition value at 31 December 2020</b>	<b>4.931</b>	<b>472.399</b>	<b>477.330</b>
Amortization and impairment at 1 January 2020	4.750	316.309	<b>321.059</b>
Amortization	84	36.003	<b>36.087</b>
Other	0	5.881	<b>5.881</b>
<b>Amortization and impairment at 31 December 2020</b>	<b>4.834</b>	<b>358.193</b>	<b>363.027</b>
<b>Net book value 31 December 2020</b>	<b>97</b>	<b>114.206</b>	<b>114.303</b>

The intangible assets contain the capitalised amounts relating to Fibre-to-the-home (FTTH – concerns the roll-out of fibre), Hydronaut (study for the dimensioning of the global sewerage network), Smallworld GIS (graphic information system for the grid) and, since the formation of the integrated company Fluvius System Operator cv, also costs relating to 'New Foundations' (the new ERP system).

Investments during 2021 mainly concern New Foundations, a public neutral fibre optic network FTTH and studies for sewerage.

During 2021 and 2020, no costs for research were recorded.  
There were no intangible assets with an indefinite useful life.

## 14 Property, plant and equipment

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Assets under construction	Total
Acquisition value at 1 January 2021	418.238	19.091.236	285.968	20.590	827.076	20.643.108
Acquisitions	12.853	351.227	25.188	112	505.239	894.619
Acquisitions from third parties	0	7.224	0	0	103	7.327
Sales and disposals	-949	-304.057	-10.293	4	-942	-316.237
Transfer to others	2.131	375.412	-1.922	50	-376.161	-490
<b>Acquisition value at 31 December 2021</b>	<b>432.273</b>	<b>19.521.042</b>	<b>298.941</b>	<b>20.756</b>	<b>955.315</b>	<b>21.228.327</b>
Depreciation and impairment at 1 January 2021	143.953	8.580.875	234.484	18.777	0	8.978.089
Depreciation	7.491	420.900	20.828	391	0	449.610
Sales and disposals	-495	-223.864	-10.203	-29	0	-234.591
Transfer to others	313	891	-1.694	0	0	-490
<b>Depreciation and impairment at 31 December 2021</b>	<b>151.262</b>	<b>8.778.802</b>	<b>243.415</b>	<b>19.139</b>	<b>0</b>	<b>9.192.618</b>
<b>Net book value at 31 December 2021</b>	<b>281.011</b>	<b>10.742.240</b>	<b>55.526</b>	<b>1.617</b>	<b>955.315</b>	<b>12.035.709</b>

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Assets under construction	Total
Acquisition value at 1 January 2020	429.521	18.890.246	305.221	20.587	772.024	20.417.599
Acquisitions	6.398	288.898	23.347	82	427.177	745.902
Sales and disposals	-5.055	-205.716	-14.549	0	0	-225.320
Transfer to others	-12.626	117.808	-28.051	-79	-372.125	-295.073
<b>Acquisition value at 31 December 2020</b>	<b>418.238</b>	<b>19.091.236</b>	<b>285.968</b>	<b>20.590</b>	<b>827.076</b>	<b>20.643.108</b>
Depreciation and impairment at 1 January 2020	152.875	8.585.127	253.766	18.702	0	9.010.470
Depreciation	6.877	350.954	18.834	379	0	377.044
Sales and disposals	-4.658	-95.243	-14.451	0	0	-114.352
Transfer to others	-11.141	-259.963	-23.665	-304	0	-295.073
<b>Depreciation and impairment at 31 December 2020</b>	<b>143.953</b>	<b>8.580.875</b>	<b>234.484</b>	<b>18.777</b>	<b>0</b>	<b>8.978.089</b>
<b>Net book value at 31 December 2020</b>	<b>274.285</b>	<b>10.510.361</b>	<b>51.484</b>	<b>1.813</b>	<b>827.076</b>	<b>11.665.019</b>

The acquisitions for the investments during 2021 mainly concerned investments for metering equipment including the installations for the digital meter. Furthermore, mainly more investments were recorded compared to 2020 in the electricity segment for the low-voltage grid and the high-voltage grid. For the gas segment, investments remained almost constant, with the largest investments for low-pressure and high-pressure installations.

The commitments for the acquisition of property, plant and equipment at the end of 2021 amounted to 3.431 k EUR and 3.942 k EUR at the end of 2020. A commitment to sell property, plant and equipment existed at the end of 2021 for 142 k EUR and 25 k EUR at the end of 2020. In addition, an asset (part of the Mechelen site) qualifies for sale at the end of 2020.

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

As per 31 December 2021 and 2020, there are no restrictions on title and property, plant and equipment serving as pledge for liabilities.

## 15 Right-of-use assets and lease liabilities

Below is an overview of the right-of-use assets at 31 December 2021:

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Total
Acquisition value at 1 January 2021	24.269	2.594	46.585	73.448
Acquisitions	7.007	523	4.599	12.129
Sales and disposals	-5.460	0	-909	-6.369
Other	0	-286	0	-286
<b>Acquisition value at 31 December 2021</b>	<b>25.816</b>	<b>2.831</b>	<b>50.275</b>	<b>78.922</b>
Depreciation and impairment at 1 January 2021	7.778	1.065	22.459	31.302
Depreciation	4.410	389	9.198	13.997
Sales and disposals	-4.236	0	-774	-5.010
<b>Depreciation and impairment at 31 December 2021</b>	<b>7.952</b>	<b>1.454</b>	<b>30.883</b>	<b>40.289</b>
<b>Net book value at 31 December 2021</b>	<b>17.864</b>	<b>1.377</b>	<b>19.392</b>	<b>38.633</b>

Below is an overview of the right-of-use assets at 31 December 2020

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Total
Acquisition value at 1 January 2020	21.765	2.594	40.829	65.188
Acquisitions	2.621	0	7.631	10.252
Sales and disposals	-117	0	-1.689	-1.806
Other	0	0	-186	-186
<b>Acquisition value at 31 December 2020</b>	<b>24.269</b>	<b>2.594</b>	<b>46.585</b>	<b>73.449</b>
Depreciation and impairment at 1 January 2020	3.761	477	14.991	19.229
Depreciation	4.134	588	9.154	13.876
Sales and disposals	-117	0	-1.686	-1.803
<b>Depreciation and impairment at 31 December 2020</b>	<b>7.778</b>	<b>1.065</b>	<b>22.459</b>	<b>31.302</b>
<b>Net book value at 31 December 2020</b>	<b>16.491</b>	<b>1.529</b>	<b>24.126</b>	<b>42.147</b>

Below are the lease liabilities and the movements during 2021 and 2020:

(in thousands EUR)	2021	2020
<b>Lease liabilities at 1 January</b>	<b>44.807</b>	<b>47.998</b>
Additions	10.491	10.064
Accretion of interest	1.632	1.162
Payments	-15.457	-14.417
<b>Lease liabilities at 31 December</b>	<b>41.473</b>	<b>44.807</b>
Non-current lease liabilities	29.379	32.319
Current lease liabilities	12.094	12.488

The lease liabilities at 31 December 2021 related to land and buildings for 19.184 k EUR (2020: 18.307 k EUR), installation, machinery and equipment for 507 k EUR (2020: 302 k EUR) and furniture and vehicles for 21.782 k EUR (2020: 26.198 k EUR).

The following interest rates were used in determining the lease obligations:

- For buildings: 2,00%, 3,08% and 7,00%
- For IT material: 2,00%
- For vehicles: the interest rates used by the supplier

## 16 Investments in other companies

Investments in joint ventures and associates amount to 2.017 k EUR at the end of 2021 and 2.017 k EUR at the end of 2020. These investments are being held in Atrias cv, Synductis cv and S-Lim cv.

On 9 May 2011, **Atrias cv** 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% (2020: 50%) of the shares representing an amount of 9 k EUR (2020: 9 k EUR).

Atrias is an unlisted company and has no official price quotation.

**Synductis cv** 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 for an amount of 8 k EUR and with a share percentage of 34,47 %.

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** cv (Smart Region Limburg) was founded on 7 Augustus 2017 by Fluvius Limburg (ex 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

Other investments amount to 2.413.967 k EUR at 31 December 2021 and 2.064.271 k EUR at 31 December 2020, an increase of 349.696 k EUR.

The other investments comprise the **participations held in Publi-T** (48,03%) and **Publigas** (30,36%).

At 31 December 2021, the fair value recognition of those participations and the **shares** held amounted to 2.408.975 k EUR with recognition through other comprehensive income for 342.131 k EUR and 7.514 k EUR through finance income.

At 31 December 2020, the fair value of these participations and the shares held amounted to 2.059.330 k EUR with recognition through other comprehensive income for 268.018 k EUR and 7.354 k EUR through financial income.

The MEAs Fluvius Antwerpen, Fluvius Limburg, Gaselwest, Imewo, Fluvius West, Intergem, Iverlek and PBE together own 48,03% of the share capital of Publi-T, the reference shareholder in the Belgian electricity transmission system operator Elia. In June 2019, Elia carried out a capital increase for a total amount of €435 million. Publi-T subscribed to this capital increase for EUR 195,11 million; Publi-T's Board of Directors financed this operation mainly through a capital increase of EUR 165 million. At that time, it was financed via a bridging bank loan.

Publi-T's shareholders were asked to take a stand in the course of the third quarter of 2019. The relevant MEAs of the Fluvius Economic Group decided to approve the proposed capital increase of Publi-T, resulting in a joint investment of 79.253 k EUR, paid up on 29 January 2020.

In order to finance the capital increase of Publi-T, new shares were issued during 2020 in the respective MEA. The participating municipalities were invited to subscribe, although these shares will only be definitively created and allocated in 2021. The new Publi-T shares were already entitled to dividends in 2020. However, the net profit of these shares was transferred in full to 2021, pending the allocation based on the new shares that would be allocated at that time.

Each participant could choose between financing through the contribution of own resources or (internal) financing without contribution of own resources, i.e. using the available liquidities (retained earnings) of the respective MEA and/or, if necessary, debt financing through a bank loan (if these liquidities are lacking or are insufficient).

On 26 January 2021, an agreement was concluded on a bank loan for an amount of 35.400 k EUR, for a period of five years, with annual fixed repayments and at a fixed interest rate of 0,30%.

The dividend policy was also adjusted to reflect the principle to distribute 85% of the expected net profit (according to Belgian GAAP) of the reference year 2018 on the shares (existing and new) should now take place on the basis of the reference year 2021. Furthermore, it was determined how much of this 85% must be used to repay the loan over five years.

Further information on the settlement of the financing of the capital increase of Publi-T has been incorporated into the notes on 'Equity'.

The other investments comprise the participations held by the Group in the **business centres** situated in the distribution area of Gaselwest (business centres Kortrijk, Flemish Ardennes and Waregem), Imewo (business centres Bruges and Ghent) and PBE (business centres Leuven and Tienen).

During 2021, the business centre Ostend was sold (loss of 25 k EUR, of which 16 k EUR through other comprehensive income) and during 2020 the business centre Zennevallei was sold (19 k EUR).

In addition, participations in **companies** are held by Fluvius West (service company Leiedal, West-Vlaamse Intercommunale and Intercommunale Centrum voor Informatica (CEVI) VZW), by Fluvius Limburg and Fluvius Antwerpen (service company Cipal) and by the Group in the companies EthiasCo, Duwolim cv and Poolstok.

The fair value recognition of these investments amounts to 4.992 k EUR at 31 December 2021 (2020: 4.941 k EUR) whereby 187 k EUR is recognized at first inception in other comprehensive income and 36 k EUR via financial cost (2020: 687 k EUR is recognized at first inception in other comprehensive income and 75 k EUR via financial cost).

## 18 Long-term receivables

Long-term receivables, other amount to 551.959 k EUR at 31 December 2021 and 567.917 k EUR at 31 December 2020, a decrease of 15.958 k EUR.

The receivables on more than one year mainly consist of receivables towards the telecommunication company Telenet (2021: 442.450 k EUR; 2020: 452.039 k EUR). The decrease in these receivables is mainly due to the payments by Telenet compensated by the recognition of the remuneration for the further investments in accordance with the contracts

The receivables were recognised within the framework of the following agreements.

On 24 June 1996, four Flemish cable intermunicipalities Inter-media, PBE, Fluvius 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 into 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 services 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 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 (2021: 59.532 k EUR; 2020: 65.612 k EUR), for ESCO (Energy Service Company) (2021: 6.059 k EUR; 2020: 6.426 k EUR) and to the company Atrias cv (2021: 42.750 k EUR; 2020: 42.744 k EUR) (see note 'Related parties').

## 19 Inventories

(In thousands of EUR)	2021	2020
Raw materials and consumables	146.331	102.705
Accumulated impairment on inventories	-5.215	-5.409
<b>Total</b>	<b>141.116</b>	<b>97.296</b>

The inventory increased as a result of the build-up of materials following the roll-out of digital meters, the installation of led for public lighting and the inventory of grid-related goods. Furthermore, longer delivery periods were anticipated due to the raw material shortage as a result of the economic recovery after the pandemic.

The net write-back on impairment losses amounted to 194 k EUR in 2021 (2020: 884 k EUR net write-back). These amounts were included in the profit or loss account.

## 20 Trade and other receivables

(In thousands of EUR)	2021	2020
Trade receivables - gross	833.450	628.933
Impairment	-155.393	-131.288
<b>Total trade receivables - net</b>	<b>678.057</b>	<b>497.645</b>
Total other receivables	408.153	290.033
<b>Total trade and other receivables</b>	<b>1.086.210</b>	<b>787.678</b>

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)	2021	2020
<b>Trade receivables from distribution grid activities</b>		
Outstanding debt	533.773	300.254
Impairment	-9.267	0
<b>Trade receivables social customers</b>		
Outstanding debt	121.028	123.297
Impairment	-77.621	-82.674
<b>Other trade receivables</b>		
Outstanding debt	144.129	155.844
Construction works for third parties	20.052	32.538
Impairment	-68.551	-48.614
<b>Trade receivables public authorities, state and country</b>	<b>7.387</b>	<b>9.520</b>
<b>Other</b>	<b>7.127</b>	<b>7.480</b>
<b>Total trade receivable - net</b>	<b>678.057</b>	<b>497.645</b>

The net trade receivables from distribution grid activities increase by 224.252 k EUR to 524.506 k EUR. The increase in outstanding receivables is due to invoices for December 2021 that were exceptionally delayed, meaning that the payment deadline falls in 2022. As a result of the energy crisis in 2021 (see note 'Use of estimates and judgements'), write-downs had to be recognised for the energy suppliers who experienced payment difficulties and an additional provision was also recognised according to the principles of IFRS 9 'Financial Instruments' - expected credit losses.

The net amount of trade receivables from social customers amounts to 43.407 k EUR in 2021 and 40.623 k EUR in 2020.

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 energy certificates are also recorded in this line item.

In the context of improperly requested payments, additional provisions had to be included for the sales of GECs.

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.

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

(In thousands of EUR)	2021	2020
VAT receivable	13.783	9.346
Receivables municipalities	13.469	8.456
Green energy and cogeneration certificates	202.528	114.916
Receivables options	3.012	3.433
Other current receivables	54.409	51.755
Complement to annual energy sales	68.450	59.372
Financial reconciliation	2.345	0
Deferred charges	17.982	10.780
Accrued income	32.175	31.976
<b>Total other receivables</b>	<b>408.153</b>	<b>290.033</b>

Total other receivables amount to 408.153 k EUR at the end of 2021 and 290.033 k EUR at the end of 2020, an increase of 118.121 k EUR. This increase was mainly due to an increase of the receivables for unsold green energy and combined heat and power certificates or cogeneration certificates (GEC and CHPC or CGC) amounting to 87.612 k EUR.

The **GECs and CHPCs** amount to 202.528 k EUR at the end of 2021 compared to 114.916 k EUR at the end of 2020.

The MEAs are required on the basis of the Energy Decree (article 7.1.6) to buy renewable energy certificates, which are offered by the owners of solar panels and cogeneration plants. The minimum support for solar panels varies between 450 euro and 90 euro; for cogeneration support amounts to between 27 euro and 31 euro.

The electricity suppliers are obliged to deliver a specific quantity of green electricity and cogeneration certificates to the regulator; the exact quantity of certificates is determined in relation to a certain percentage of the energy delivered. Hence, the MEAs 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 MEAs for the certificates. From June 2019 onwards, the Flemish Government decided to value the GECs at 93 EUR and the CHPCs at 27 and 31 EUR (which is equal to the minimum support in function of the period to which they relate). The resulting cost is included in the post 'Cost of trade goods'.

Due to this adjustment in the Energy Decree those certificates should as from 2018 be sold at least once a year instead of several times a year.

In 2021, sales were organised via two auctions in the first and third quarter of 2021. GECs were sold for the amount of 191.966 k EUR and CHPs for the amount of 32.971 k EUR. The average price for a GSC was 91,98 EUR and for a CHP 25,22 EUR.

Mini-competitions were also organised by the Vlaams EnergieBedrijf where only GECs were sold for an amount of 8.370 k EUR.

In December 2021, the Group received an amount of 91.512 k EUR as a result of the purchase and destruction of GECs by 'Vlaams Energie- en Klimaatagentschap' (VEKA) and VREG on the basis of the DAEB arrangement.

In 2020, sales were organised via two auctions in the first and third quarter of 2020. GECs were sold for the amount of 197.521 k EUR and CHPs for the amount of 32.839 k EUR. The average price for a GSC was 91,85 EUR and for a CHP 26,02 EUR.

Mini-competitions were also organised by the Vlaams EnergieBedrijf and Amsterdam Capital Trading where only GECs were sold for an amount of 18.200 k EUR. In August 2020 and in December 2020, the Group received an amount of 120.000 k EUR as a result of the purchase and destruction of GECs and CHPs by VEKA and VREG on the basis of the DAEB arrangement.

The other current receivables mainly include the receivable from the telecommunications company Telenet for 48.632 k EUR at the end of 2021 and 46.563 k EUR at the end of 2020 (see note 'Long-term receivables, other').

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

The **financial reconciliation** concerns a recoverable amount for costs incurred for minimum deliveries of gas as well as recoverable amounts for energy deliveries at the social rate.

The **deferred charges and accrued income** mainly concern debit balances with suppliers (2021: 11.188 k euro; 2020: 6.385 k euro) and grid fees receivables from dropped customers (2021: 32.024 k euro; 2020: 29.168 k euro).

## 21 Cash and cash equivalents

Cash and cash equivalents amount to 89.336 k EUR at 31 December 2021 and 31.328 k EUR at 31 December 2020, an increase of 58.008 k EUR.

Cash and cash equivalents comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash.

Due to the borrowing during the year 2021, these 'surpluses' of cash were temporarily held as cash. All resources are reported in EUR.

## Liabilities

### 22 Equity

The various components of equity and the movements from 1 January 2020 to 31 December 2021 were reflected in the 'Statement of changes in equity'.

Contributions excluding capital, other amount to 2.749.249 k EUR at 31 December 2021 and 2.688.588 k EUR at 31 December 2020, an increase of 60.661 k EUR.

The contribution of the Group represents the sum of the contributions of the MEAs and evolves as follows:

(In thousands of EUR)	Contributions excluding capital, other	Contributions excluding capital, issue premiums	Total
<b>1 January 2020</b>	<b>2.678.818</b>	<b>126.884</b>	<b>2.805.702</b>
Public lighting	-22.166	0	-22.166
Sewerage	-740	-30	-770
<b>Repayment of equity</b>	<b>-22.906</b>	<b>-30</b>	<b>-22.936</b>
Incorporation of unavailable reserves	126	0	126
Public lighting	28.940	0	28.940
Sewerage	3.610	49	3.659
<b>Proceeds from contribution excluding capital</b>	<b>32.676</b>	<b>49</b>	<b>32.725</b>
<b>31 December 2020</b>	<b>2.688.588</b>	<b>126.903</b>	<b>2.815.491</b>
Public lighting	-528	0	-528
<b>Repayment of equity</b>	<b>-528</b>	<b>0</b>	<b>-528</b>
Increase of contribution Publi-T	54.680	0	54.680
Incorporation of unavailable reserves	70	0	70
Sewerage	5.631	508	6.139
Public lighting	808	0	808
<b>Proceeds from contribution excluding capital</b>	<b>61.189</b>	<b>508</b>	<b>61.697</b>
<b>31 December 2021</b>	<b>2.749.249</b>	<b>127.411</b>	<b>2.876.660</b>

**The incorporation of unavailable reserves** is, in accordance with the articles of association of Fluvius West, an annual allocation of shares for municipal interventions to bring into the underground low-voltage networks and cable television networks in order to reduce the number of air lines. This allocation is made on the basis of the underlying value of a share on 31 December of the previous year.

- Main transactions in 2020

Distribution of equity by Fluvius Limburg

On 22 October 2019, the MEA granted its approval on the proposed offer for the project Public Lighting 2.0. During 2019, approval was given to the principles for settlement of the 2019 drawing

rights and to the transitional measure on treatment of surpluses of the drawing rights until 2024. Within this framework and during 2019, approval in principle was also granted for the possible reduction of the equity of the MEA (possibility of 'capital reduction') up to the amount of 26 million EUR (22 million EUR as a reduction of capital (available contribution) associated with the public lighting shares and 4 million EUR reduction of the (available) reserves). This adjustment to equity took place in financial year 2020.

Furthermore, there was the decrease in 'Contributions other than capital, other' following the **exit of the province** from Riobra and an adjustment of the final valuation as at 31 December 2020 for the contribution of the sewage infrastructure of a municipality (Pelt) as at 31 December 2018.

As a result of the continuation of the takeover of **public lighting** by the municipalities (Public Lighting 2.0 project), several municipalities contributed their public lighting installations during 2020.

As a result of the **contribution of the sewerage** activity by the municipality of Pittem, the 'Contribution outside capital, other' was increased by 3.610 k EUR and a 'Contribution, issuance premium' of 49 k EUR was recorded. The final valuation took place in 2021.

- Main transactions in 2021

As a result of the merger on 1 January 2019 of **Deinze and Nevele**, the merged city of Deinze was served by two different MEAs, being Gaselwest and Imewo. As of 1 January 2021, a partial demerger and the acquisition was carried out in favour of Imewo. This transaction has no impact on the financial results of the Group. As a result of this transaction, the ratio of the number of shares to equity was adjusted, which changed the number of shares.

A net increase in capital relating to **public lighting** of 280 k EUR is the result of a capital decrease due to the exit of the municipality of Kortemark from this segment for 528 k EUR and a capital increase of 808 k EUR as a result of the contribution in kind of the public lighting by the municipality of Bornem.

In 2019, Elia proceeded with a capital increase of 435 million EUR. **Publi-T** then decided to proportionally co-subscribe to this capital increase for a total amount of 195,11 million EUR, of which 165 million EUR was financed by a capital increase of its own. For the nine concerned entities of the Fluvius Economic Group, this amounted to 79,3 million EUR. This amount was financed from the cash pool of Fluvius System Operator pending structural financing. In 2021, the final financing of the Publi-T capital increase was finalised within the relevant OV.

At Fluvius Antwerp, Gaselwest, Imewo, Intergem, Iveka and Iverlek, this was done by issuing new shares. When subscribing for shares, the shareholders could choose between financing via a contribution of own resources, financing via the DSO (i.e. using the liquidities available in the 'Strategic Participations' segment) and/or, if necessary, debt financing via a bank loan.

Below is the schematic overview:

TOTAL Contribution excluding capital, other	Own funds	Available funds	Transfer from retained earnings (1)	Transfer contribution excluding capital, other (2)	Transfer from reserves (1)(3)	Financial assistance (3)
15.213	8.243	6.158		812		
<b>28.090</b>			28.090			
<b>10.400</b>					10.400	
<b>1.789</b>						1.789
<b>55.492</b>	<b>8.243</b>	<b>6.158</b>	<b>28.090</b>	<b>812</b>	<b>10.400</b>	<b>1.789</b>

(1) See 'Financial Statements - Condensed Consolidated Statement of Changes in Equity'

(2) Transfer within 'Contributions excluding capital, other' from the Electricity segment to the Publi-T segment

(3) Financing via a bank loan for 12.189 k EUR

The municipalities that have opted to finance all or part of their subscription with their own funds, have paid the amounts owed (8.243 k EUR) in early 2021. Likewise, 6.158 k EUR of the available funds of the Publi-T segment were used.

For the financing via the use of the available liquidities in the 'Strategic Participations' segment, an incorporation or a transfer took place within the DSOs' own equity: transfer from the retained earnings for an amount of 28.090 k EUR and 812 k EUR of 'Contribution excluding capital, other' from the Electricity segment to the Publi-T segment.

Furthermore, an amount of 10.400 k EUR from the reserves was incorporated. Since these reserves already served to cover previous investments, a loan was taken up by these DSOs. For debt financing via a bank loan, a bank loan was concluded on 26 January 2021 with a term of 5 years and fixed annual annuities at an interest rate of 0,3% and a DSO took up an amount of 12.189 k EUR. These debts were processed in the long term (9.766 k EUR) and short term (2.423 k EUR). The repayment of this receivable is not made by means of annual withdrawals from the municipalities but with the net profits from the 'Strategic Participations' segment which, according to the distribution plan for 2021- 2025, cannot be paid out in cash. Doing so, the reserves will be replenished with 10.400 k EUR after 5 years. For an amount of 1.789 k EUR of the loan, no incorporation of reserves was possible and a different regime applied. This financing was recognised as 'financial assistance' and hence a receivable was recognised against the relevant shareholder. These amounts were recorded as a long term (1.434 k EUR) and a short term (356 k EUR) receivable. The settlement of the repayments and interest charges are directly charged to the municipalities.

To finance the new Publi-T shares in Fluvius Limburg, Fluvius West and PBE no capital increase was made. These DSO's have made use of debt financing via the bank loan and have subscribed to 23.229 k EUR, processed for 18.611 k EUR as long term and 4.618 k EUR as short term (in total, 35.418 k EUR was financed via a bank loan - see note 'Interest bearing loans and borrowings, current and non-current'). The remaining part of their participation in Publi-T (the investments before 2019 amounting to 73,23 million EUR) continued to be financed by the cash pool of Fluvius System Operator. Therefore, in June 2021 it was decided for these DSOs to structurally fund this amount through an allocation of part of Fluvius System Operators' bond issue of 14 June 2021.

The capital increase of 5.604 k EUR relates to the participation on 1 January 2021 of the municipality of Lennik for its sewerage activity into Riobra.

In December 2021, the final valuation took place for the contribution by the municipality of Pittem of its sewerage infrastructure to Fluvius West. An additional payment of 27 k EUR was made for the sewerage shares.



The table below gives an overview of the contributions of each MEA at the end of 2021 and 2020.

MEA	Contribution excluding capital, other	Contribution excluding capital, other (in thousands of EUR)	Contribution excluding capital, other	Contribution excluding capital, other (in thousands of EUR)
	Number		Number	
	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Gaselwest	32.199.677	360.730	32.813.559	359.930
Imewo	28.778.177	359.348	31.578.050	332.542
Intergem	17.082.942	127.890	16.797.630	120.806
Iveka	11.303.032	132.653	11.297.336	132.539
Iverlek	41.694.383	292.778	41.100.230	279.981
Sibelgas	3.264.362	70.924	3.264.362	70.924
Fluvius OV	984	24	984	24
Fluvius West	9.979.580	249.490	9.996.813	249.920
Fluvius Limburg	23.539.449	581.914	23.539.449	581.914
Fluvius Antwerpen	30.313.625	417.822	30.195.297	409.936
PBE	2.573	8	2.573	8
Riobra	6.279.475	155.668	6.053.425	150.064
<b>Total</b>	<b>204.438.259</b>	<b>2.749.249</b>	<b>206.639.708</b>	<b>2.688.588</b>

The shares in Sibelgas are shares C.

On 31 December 2021, the contribution outside capital, other amounts to 2.749.249 k EUR. The contributions are represented by shares with or without nominal value, depending the MEA.

The shares are in the names of the participating municipalities. The participants are not jointly and severally liable. They are only liable for the obligations of the MEA up to the amount of their subscriptions.

The shares are divided by activity: electricity, gas, sewerage, cable networks, heat, strategic participations and public lighting. Each participant must subscribe and pay up at least one share per activity they are joining.

The distribution system operators that only carry out regulated activities for electricity and natural gas distribution are Gaselwest, Fluvius Antwerpen, Imewo, Fluvius West, Fluvius, Intergem, Iveka, Iverlek, PBE (only electricity) and Sibelgas. These MEAs also carry out district heating.

The MEAs that carry out sewerage activities are Fluvius West, Fluvius Limburg, Fluvius Antwerpen and Riobra.

The MEAs that carry out the cable television are Fluvius West, Fluvius Limburg, Fluvius Antwerpen and PBE.

The MEAs have also issued profit certificates. Only the profit certificates of Fluvius West and Fluvius Limburg and certain shares, except for the sewerage and public lighting activities, are entitled to dividends.

The shares (situation at the end of 2020) are divided into preference shares (503.822 shares at Fluvius Antwerp), non-preference shares (200.246.596 shares) and non-voting shares (5.889.290 shares).

### Contribution outside capital, issuance premium

Following the incorporation of the financing associations (9.389 k EUR), the merger by absorption of the ex-Infrac Group (115.589 k EUR) and the contribution of the sewerage activity of the municipality of Pelt (1.876 k EUR) and the municipality of Pittem (49 k EUR), the issuance premium amounted to 126.903 k EUR at 31 December 2020.

On 31 December 2020, this item increased with 508 k EUR to 127.411 k EUR as a result of the participation of the municipality of Pittem.

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

(In thousands of EUR)	Legal reserves	Unavailable reserves	Available reserves	Total
<b>Total at 1 January 2020</b>	<b>67.984</b>	<b>492.528</b>	<b>1.176.797</b>	<b>1.737.309</b>
<b>Repayment of equity</b>	<b>0</b>	<b>-1.440</b>	<b>-2.215</b>	<b>-3.655</b>
<b>Proceeds from contribution excluding capital</b>	<b>0</b>	<b>-126</b>	<b>0</b>	<b>-126</b>
Movements regarding the profit distribution	0	0	-14.091	<b>-14.091</b>
Movement of revaluation surplus value	0	34.585	0	<b>34.585</b>
Repayment of equity	-67.984	0	67.984	<b>0</b>
Addition/decrease reserves	-67.984	34.585	53.893	<b>20.494</b>
<b>Total at 31 December 2020</b>	<b>0</b>	<b>525.433</b>	<b>1.228.475</b>	<b>1.753.908</b>
Increase of contribution Publi-T	0	1.789	-12.189	<b>-10.400</b>
Movements to the reserves	0	-70	0	<b>-70</b>
<b>Proceeds from contribution excluding capital</b>	<b>0</b>	<b>1.719</b>	<b>-12.189</b>	<b>-10.470</b>
Movements regarding the profit distribution	0	0	-40.598	<b>-40.598</b>
Movement of revaluation surplus value	0	31.987	0	<b>31.987</b>
Movements to the reserves	0	-113	0	<b>-113</b>
<b>Addition/decrease reserves</b>	<b>0</b>	<b>31.987</b>	<b>-40.598</b>	<b>-8.611</b>
<b>Total at 31 December 2021</b>	<b>0</b>	<b>559.139</b>	<b>1.175.688</b>	<b>1.734.827</b>

A legal reserve has been formed amounting to 67.984 k EUR at the end of 2019. As a result of changes in Belgian legislation and an amendment to the articles of association, this reserve was transferred to the available reserve.

Since 2008, amounts have been 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.



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

(In thousands of EUR)	2021	2020
Related to employee benefit liabilities	-113.023	-486.651
Related to rights to reimbursement on post-employment employee benefits	-1.492	240.468
Related to fair value other investments	1.966.534	1.624.387
Related to deferred tax liabilities	-318.876	-295.970
<b>Total other comprehensive income</b>	<b>1.533.143</b>	<b>1.082.234</b>

The movement in other comprehensive income (2021: 450.909 k EUR; 2020: 289.573 k EUR) stems from the movements during the accounting period (see 'Statement of comprehensive income'). Also, 40 k EUR of other comprehensive income was recorded at the time of the merger of Integan into Fluvius Antwerp (see note 'Adjustments to the structure of the Economic Group Fluvius').

Non-controlling interest amounts to 100 k EUR at 31 December 2021 and 100 k EUR at 31 December 2020.

The **non-controlling interest** is held by Farys/TMVW in De Stroomlijn and the interest in 2019 obtained by De Watergroep in De Stroomlijn (7 k EUR).

### Dividend

In accordance with the articles of association, the profit (according to Belgian accounting principles) is distributed to each participant in proportion to the equity value of the shares A and profit certificates C.

#### Dividend policy 2021-2024 and pay-out

Up to and including the financial year 2021, various rules apply to the respective DSOs concerning the payment of dividends. The DSOs with a ratio (based on BE-GAAP figures) shareholders' equity to Regulated Asset Base (RAB) of more than 40%, receive an additional dividend for the financial year 2021 amounting to 20% on the already communicated regulated dividend. If applicable to the specific DSO, the payment of this additional dividend is explained separately.

For Imewo, Gaselwest, Intergem, Iverlek, Iveka, Fluvius Antwerpen and Sibelgas, 11/12th of the dividend from the regulated activities is paid as interim dividend in the current year and the remainder, being 1/12th, as final dividend in the following year. For the non-regulated activities [Publi-T, Publigas, Elia (only Intergem) and cable television (only Fluvius Antwerpen)], 90% of the non-regulated dividend is paid as interim dividend in the current year and 10% as final dividend in the following year. A one-off extra dividend Publi-T that resulted from the creation and allocation of new shares in March 2021 will be paid out in full in December 2021. The public lighting lump sum is fully deducted from the interim dividend.

At PBE, 50% of the dividend from regulated and non-regulated activities is paid as an interim dividend in December of the current year and 50% as a final dividend in the following year. The 20% increase will be paid at the same time as the dividend for the 2021 financial year that has already been communicated; 50% as an interim dividend in December of the current year and 50% as a final dividend in June of the following year. The lump sum for public lighting is entirely deducted from the available funds.

At Fluvius West, the payment of the dividend for the regulated activities consists of a first interim dividend paid in June of the current year, a second interim dividend paid in December of the current year and a final dividend paid in the following year. The Publi-T dividend is paid at the same time as the regulated electricity dividend. The 20% increase is paid out together with the balance in June

2022. The lump sums of public lighting will be entirely deducted from the interim dividend in December 2021.

At Fluvius Limburg, up to and including the payment year 2020, the dividend for the total activity of electricity together with the dividend for Publi-T was paid out in full in the current year and the dividend for gas and cable television in the following year. Discussions about the payment method in 2021 are ongoing.

From the 2022 financial year, a uniform distribution will be introduced between interim dividend and final dividend. Both the dividends from regulated and non-regulated activities for a given financial year are paid out for 90% as interim dividend in December of that year and for 10% as final dividend in June of the following year. However, the lump sums of public lighting are deducted in full from the interim dividend. The above standardisation must exclude Fluvius Limburg in the context of the ongoing discussions.

During the 2021 financial year, dividends amounting to 285.197 k EUR were paid out, of which 240.409 k EUR related to 2021 and 44.788 k EUR from a dividend that was approved but not paid out in 2020.

During the 2020 financial year, dividends amounting to 311.052 k EUR were paid out, of which 308.816 k EUR related to 2020 and 2.236 k EUR from a dividend that was approved but not paid out in 2019.

The table below shows the approved and/or paid out dividends per MEA in 2021 and 2020.

MEA (In thousands of EUR)	2021	2020
Gaselwest	45.839	46.686
Imewo	47.712	46.940
Intergem	22.083	21.860
Iveka	14.823	15.073
Iverlek	43.812	43.473
Sibelgas	4.733	6.532
Fluvius West	16.652	16.762
Fluvius Limburg	41.786	61.970
PBE	6.365	6.065
Fluvius Antwerpen	41.392	45.691
<b>Total</b>	<b>285.197</b>	<b>311.052</b>

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 2021 amounted to 57.584 k EUR and will be included in the 2022 accounts, the dividend balance for 2020 amounted to 44.788 k EUR and was included in the 2021 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)	2021	2020
<b>Long-term loans</b>	<b>5.977.365</b>	<b>5.280.508</b>
Current portion of long-term loans	733.515	735.366
Short-term loans	485.228	572.600
<b>Short-term loans</b>	<b>1.218.743</b>	<b>1.307.966</b>
<b>Total</b>	<b>7.196.108</b>	<b>6.588.474</b>

Long and short-term loans amount to 7.196.108 k EUR at 31 December 2021 and 6.588.474 k EUR at 31 December 2020, an increase of 607.634 k EUR.

This increase is explained in the overview 'movements of long and short-term loans'.

The funds borrowed during 2021 have been used to refinance the matured bond loan of 500.000 k EUR and to repay bank loans amounting to 235.573 k EUR. Furthermore, the participation in Publi-T was financed for 35.418 k EUR as a result of Elia's capital increase. In addition, dividends were paid out for 292.393 k EUR. Finally, Fluvius continued to finance for the benefit of its MEAs the digital meter project, general investments, investments for public lighting and its heat activity.

The funds borrowed during 2020 have been used to refinance the matured bond loan of 170.000 k EUR. Furthermore, the need for financing is related to the funds provided to the MEAs to repay bank loans amounting to 235.110 k EUR and to finance their participation in Publi-T as a result of Elia's capital increase. That financing amounted to 79.253 k EUR. There was also a cash payment of 36.690 k EUR as a result of the acquisition of the public lighting infrastructure of several municipalities, the payment of dividends by the MEAs for 294.804 k EUR and a capital decrease in the public lighting activities of Fluvius Limburg for 25.820 k EUR. Finally, for the benefit of the MEAs, Fluvius is also fully funding the digital meter project. The green bond is specifically for four defined green projects (see further "long-term loans").



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

(In thousands of EUR)	2021		2020	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	6.588.474		6.288.792	
<b>Movements on non-current loans (LT)</b>				
Proceeds of non-current loans	1.426.463	0	598.608	0
Change in non-current loans	0	3.313	0	3.661
Transfer of short-term portion of LT loan to ST	0	-732.919	0	-735.602
<b>Movements on current loans (ST)</b>				
Proceeds of current loans	485.228	0	572.600	0
Transfer of short-term portion from LT loan to ST	0	732.919	0	735.602
Change in current loans	0	-4.221	0	-5.597
Repayment of short-term portion of long-term loan	-730.549	0	-405.090	0
Repayment current loans	-572.600	0	-464.500	0
<b>Total movements</b>	<b>608.542</b>	<b>-908</b>	<b>301.618</b>	<b>-1.936</b>
<b>Total at end of reporting period</b>	<b>7.196.108</b>		<b>6.588.474</b>	

### Long-term loans

This item includes the loans related to the issuance of private placements, bond loans since 2010 and the withdrawal of bank loans.

All outstanding loans are expressed in EUR.

The bank loans were mainly concluded at fixed interest rates, but there are also some bank loans at variable interest rates and some loans with a derivative structure.

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 contribution of its former working company (ex-Eandis or ex-Infrac). The portion in the share capital was fixed at the moment of issuance and remains fixed over the remaining term of the bond loans.

As a result of the merger (ex-Eandis and ex-Infrac to Fluvius System Operator) of 1 July 2018, the acquired EMTN bond loans registered on the name of Infrac cv only have the MEAs of ex-Infrac as guarantor. Similarly, for the bonds issued by Eandis System Operator cv, only the MEAs that belonged to the former Economic Group Eandis acts as guarantors.

For issues of the 2020 EMTN programme, the principle is that all MEAs that are part of the Fluvius Economic Group each provide a guarantee on a non-joint and non-inclusive basis but limited to the proportional share of the operating company's contribution.

Overview of the long-term loans by category.  
At the end of 2021

(In thousands of EUR)	2021	Initial amount	Current interest rate %	Maturity
Bond issue - retail	199.887	200.000	2,00 - 2,00	2025 - 2025
Bond issue - EMTN*	4.443.387	4.460.500	0,25 - 4,50	2021 - 2033
Bond issue - private**	446.233	450.000	1,05 - 3,55	2023 - 2044
Bank loans - fixed interest rate	1.276.396	2.608.345	0,14 - 5,27	2021 - 2036
Bank loans - floating interest rate	12.215	70.518	0,00 - 1,88	2021 - 2033
Bank loans - with derivative instrument	332.762	1.104.322	2,07 - 4,75	2022 - 2036
<b>Total</b>	<b>6.710.880</b>	<b>8.893.684</b>		
Current portion of long-term debt	-733.515			
<b>Total long-term loans</b>	<b>5.977.365</b>	<b>8.893.684</b>		

At the end of 2020

(In thousands of EUR)	2020	Initial amount	Current interest rate %	Maturity
Bond issue - retail	199.853	200.000	2,00 - 2,00	2025 - 2025
Bond issue - EMTN*	3.748.852	3.760.500	0,25 - 4,50	2021 - 2033
Bond issue - private**	445.995	450.000	1,05 - 3,55	2023 - 2044
Bank loans - fixed interest rate	1.196.665	2.476.476	0,64 - 5,27	2021 - 2036
Bank loans - floating interest rate	16.775	70.578	0,00 - 1,88	2021 - 2033
Bank loans - with derivative instrument	407.734	1.104.322	2,07 - 4,75	2022 - 2036
<b>Total</b>	<b>6.015.874</b>	<b>8.061.876</b>		
Current portion of long-term debt	-735.366			
<b>Total long-term loans</b>	<b>5.280.508</b>	<b>8.061.876</b>		

\* EMTN: EUR 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).

Overview of the long-term loans borrowed during 2021 and 2020:

(In thousands of EUR)	2021	2020	Initial amount	Interest rate %	Maturity
Bond issue - EMTN*	99.577	0	100.000	0,81	2033
Bond issue - EMTN*	496.332	0	500.000	0,25	2028
Bond issue - EMTN*	595.416	0	600.000	0,63	2031
Bank loans - Fixed interest rate	199.809	0	200.000	0,14	2028
Bank loans - Fixed interest rate	35.418	0	35.418	0,30	2026
<b>Total 31 December 2021</b>	<b>1.426.552</b>		<b>1.435.418</b>		
Bond issue - EMTN*	598.759	598.619	600.000	0,25	2030
<b>Total 31 December 2020</b>	<b>598.759</b>	<b>598.619</b>	<b>600.000</b>		

\* EMTN: EUR Medium Term Note (is a programme to provide to the Group the flexibility to issue bond loans with different maturities).

The return at issue price represents the gross actuarial yield at issue.  
The capital of the debenture is repayable at maturity.

**During 2021**, long-term financing was raised for a nominal amount of 1.435.418 k EUR, of which a bank loan and bond loans were issued via the operating company and a bank loan was drawn via the MEAs:

- ✓ A private bond loan was issued for 100.000 k EUR with an issue price of 99,659%, with a term of 12 years, at a fixed coupon rate of 0,81% and fully repayable on its maturity date of 8 April 2033.
- ✓ An institutional bond was issued in the amount of 500.000 k EUR with an issue price of 99,289%, with a maturity of 7 years, at a fixed coupon rate of 0,25% and fully reimbursable at maturity on 14 June 2028.
- ✓ Finally, an institutional bond was issued for 600.000 k EUR at an issue price of 99,251%, with a maturity of 10 years, at a fixed coupon rate of 0,625% and repayable in full on the maturity date of 24 November 2031.
- ✓ At the end of 2020, an agreement was concluded with the EIB to provide a total withdrawable loan amounting to 425.000 k EUR for the roll-out of digital electricity meters by Fluvius. From this, an amount of 200.000 k EUR was drawn in 2021.
- ✓ A bank loan of 35.418 k EUR was borrowed for a term of 5 years, at a fixed interest rate of 0,30%, repayable in annual instalments with final maturity in 2026.

**During 2020**, a bond was issued by the Group for 600.000 k EUR with an issue price at 99,921%, a maturity of 10 years, at a fixed coupon rate of 0,25% and fully repayable on the maturity date of 2 December 2030. More specifically, it concerns a green bond, which means that the proceeds raised will be used for clearly defined investment projects with a sustainability added value, as described in the Fluvius Green Financing Framework. This green bond of Fluvius complies with the Green Bond Principles (GBP) issued by ICMA (International Capital Market Association). The sustainability aspects of this bond, the Environmental, Social and Governance (ESG) policy of Fluvius System Operator and its compliance with the GBP have been independently verified and certified in a so-called 'Second Party Opinion' by the specialised agency ISS ESG. Four investment programmes were selected for the 2020-2030 green bond: i) the refurbishment of public lighting with led technology, ii) the roll-out of the digital meter for electricity, iii) sewerage projects for

expansion or renewal and iv) adjustments to the electricity distribution network to enable the connection of decentralised, renewable production facilities.

At the end of 2021, an agreement was reached with the EIB on a second loan contract for 150.000 k EUR. This is a first tranche within a total loan facility of 350.000 k EUR made available by the EIB, which will be drawn by Fluvius in 2022. Fluvius System Operator is borrowing the amounts to finance investment works for the energy transition for its shareholders in the period 2022-2026. These investments should further prepare the Flemish grid infrastructure for the grid management of the future. With this, the European Investment Bank (EIB) wants to further support the green and sustainable transformation in Europe, which fits into the framework of the EU Green Deal.

The EIB loan is guaranteed by the ten individual MEAs of Fluvius System Operator with electricity activities each in proportion to the share that the relevant association holds in the total contribution but **corrected for the exclusion of Riobra**, which has no electricity activities.

The amounts drawn must never exceed 50% of the estimated total cost of the investment programme.

### Short-term loans

The loans on short-term contain the portion of the long-term loans which are repayable within one year (733.515 k EUR at year end 2021, 735.366 k EUR at year end 2020) 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	(1)	500.000	300.000	200.000	-0,35%
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	Daily	200.000	160.228	39.880	0,40%
Fixed loans	NA	25.000	0	25.000	NA
Loans from third parties	NA	25.000	25.000	0	0,00%
<b>Total on 31 December 2021</b>		<b>950.000</b>	<b>485.228</b>	<b>464.880</b>	
Commercial paper	(1)	500.000	500.000	0	-0,01%
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	Daily	200.000	47.600	152.400	0,40%
Fixed loans	NA	25.000	0	25.000	NA
Loans from third parties	NA	25.000	25.000	0	0,00%
<b>Total on 31 December 2020</b>		<b>950.000</b>	<b>572.600</b>	<b>377.400</b>	

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

(1) At 31 December 2020: maturities between 22 January 2021 and 12 February 2021; at 31 December 2019: maturities between 10 January 2020 and 31 March 2020

NA Not Applicable

All short-term loans, except loans from third parties, are subscribed by Fluvius System Operator in the name and on behalf of the MEAs.

No collateral is given in respect to the bank overdrafts (and in 2021 for a straightloan contract totalling 160.120 k EUR and a debit position on the current accounts of 108 k EUR; 2020: 47.600 k EUR). Concerning the other loans, the MEAs guarantee their contribution to the capital and act in solidarity as joint debtors.

## IBOR reform

A fundamental reform of the major interest rate benchmarks is to be implemented, with some interbank offered rates (IBORs) being replaced by alternative near-risk-free rates.

The Group has financial instruments that will be reformed as a result of this global initiative. The main IBOR used by the Group at the reporting date is the EURIBOR (Euro Interbank Offered Rate). In addition, the Eonia is also used. The alternative reference rate for the Eonia is known and will be the €STER. For the Euribor, its administrator, the European Money Markets Institute (EMMI), initiated a transition to a new methodology for calculating Euribor in 2019. Since the end of 2019, Euribor is calculated using a new hybrid methodology based on a combination of transactions in the market and quotes from banks. The manager believes that the new calculation of Euribor does not change the underlying interest rate. Since 2 July 2019, EMMI has been licensed by the Belgian regulator. Obtaining this licence confirms that EMMI meets the requirements of the European Benchmark Regulation and is also included in the European register of ESMA (European Securities and Markets Authority), allowing the benchmark to be used beyond 1 January 2020. Currently, the expectation within the sector is that after the reform in 2019, the Euribor will be used for at least another five years until 2024. After these five years, the Euribor benchmark can still be replaced. So EURIBOR has been reformed, but the general expectation within the financial sector is that EURIBOR can continue to be used in the coming years. Publications were issued in the last quarter of 2020. The first, which is preferred, deals with the EURIBOR fallback rate and adjustment of the spread for each product category to potentially avoid value transition in case a fallback scenario were to be triggered. The second discusses the possible events that could be considered triggers of a transition to or activation of respective fallback interest rates. The banks also monitor developments in the market and will inform their clients in a timely manner if necessary. The Authority for the Financial Markets supervises the implementation of the EU Benchmark Regulation by the banks.

## Evaluation of the conversion

The only contract related to the Eonia expired on 31 December 2021. This contract was renewed on 3 December 2021 and, for the time being, still relates to the Eonia and Euribor reference rates. As there is currently no concrete decision to stop using the Euribor, the risk of contracts being converted or terminated is considered very low in the period until 2024. After 2024, this currently concerns the short-term loans (the Commercial Paper programme, the straight loan contract) and the bank loans with derivative structure.

Below is the overview of the long and short-term loans on 31 December 2021 and 31 December 2020 that are Euribor related.

(In thousands of EUR)	31 December 2021	31 December 2020	Issuance	Interest rate %	Maturity
Bank loans - with derivative structure	88.293	103.604	250.000	4,18	2026
Bank loans - with derivative structure	83.312	97.197	250.000	3,55	2027
Bank loans - with derivative structure	43.932	46.860	74.000	3,22	2036
Bank loans - with derivative structure	34.125	37.625	70.000	3,31	2031
<b>Total</b>	<b>249.661</b>	<b>285.287</b>	<b>644.000</b>		

The long-term portion of these loans on 31 December 2021 amounts to 213.253 k EUR (31 December 2020: 249.661 k EUR).



## 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.

As of 2018, the employer contributions with respect to O.F.P. Enerbel are calculated according to the PUC method with projection of future contributions. The employee contributions are 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, the reserves and a compensation of the group insurance was transferred during 2016 to a pension fund (OFP Powerbel/OFP Enerbel) as a cash-balance plan with a minimum guaranteed return of 3,25%

As from 2018, executives were offered the opportunity to move 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.

On April 1, 2019, the entire contractual staff of the ex-Infrac MEAs and of ex-Integan were taken over by Fluvius System Operator. The employees of ex-Infrac and ex-Integan retain their fixed contribution scheme at Ethias. The pension obligations of ex-Infrac executives, who have switched to the Fluvius SO status, and ex-Integan executives have been included in the existing structure Cash Balance plan Powerbel New. The executives who have not switched to the Fluvius SO status, retain their fixed contribution scheme at Ethias. Ex-Infrac executives will each year be given the option to switch to Fluvius SO status. In that case they will be affiliated to the Cash Balance Powerbel New plan. Employees who will be promoted to executives in the future will also be affiliated to the Cash Balance Powerbel New Plan.

The fixed contribution plan at Ethias is managed horizontally, as a result of which a return guarantee of 1,75% is applied to the premiums from 2016 and a return guarantee of 3,25% for the 2016

premiums. The evaluation of the plan is done according to the PUC method but without projection of 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% (the guaranteed return in a cash-balance Best-off plan is the maximum between 3.25% and the average return of the fund).

Following negotiations on sector level, an agreement was reached in 2020 on a "renewed" pension plan - the Master Plan. On 1 October 2020, the conditions of the Master Plan were fixed in a Collective Labour Agreement: as of 1 January 2022 changes will be effective to the defined benefit plan Elgabel for baremised employees with old employment conditions; also as of 1 January 2022 the solidarity fund within the O.F.P. Elgabel was abolished and became part of the O.F.P. Elgabel; the possibility was included to transfer possible surpluses of the O.F.P. Elgabel, under certain conditions, to another pension fund and improvements were also made to the fixed contribution plan-Enerbel.

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' (NSSO - 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. As a result of the subscription, the basic pension will be spread across numerous public administrations. The current pensions are largely taken over by the NSSO and the new pensions are in any case at the expense of the NSSO. The employer's contributions payable are in line with the basic contributions determined by the NSSO, supplemented by a empowerment contribution. The existing reserves in the own pension funds remain the property of the MEAs and will be used to co-finance the expected increase of the basic contribution and the empowerment contribution.

This insurance aims to secure the basic 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 acquisition date 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.

On 1 March 2019, the permanent staff of ex-Integan was taken over by one of the ex-Infrax MEAs, as a result of which the pension schemes of this MEA became applicable to these staff members as well. In 2020, improved pension arrangements were developed for this group of personnel.

On 1 April 2019, the entire statutory staff was transferred from the ex-Infrax MEAs to Fluvius OV.

The Group also grants **post-retirement allowances** being reimbursement of healthcare costs and tariff benefits.

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. 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 and the current tariff methodology 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 208.061 k EUR at the end of December 2021 (2020: 443.513 k EUR).

### **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.

Prospective mortality tables were used to reflect improvements in life expectancy in the future, as defined in the IAS 19 standard.

*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 are summarized below. Depending on the status of the staff members, the pension plans and the related discount rates differ, as do the expected salary increases and staff turnover.

	2021	2020
Discount rate - pensions DB, cash balance, other contributions	0,47%	0,00%
Discount rate - pensions DC, health benefits, tariff advantages, leave	1,02%, 1,14%	0,45%, 0,49% 0,25%, -
Discount rate - others	0,19%, 0,46%	0,01%
Expected average salary increase (inflation excluded) - old*	0,40%, 0,70%	0,40%, 2,10%
Expected average salary increase (inflation excluded) - new**	1,91%, 2,15%	1,90%, 2,10%
Expected average salary increase (inflation excluded) - additional	1,75%	1,75%
Expected average salary increase (inflation excluded) - additional statutory staff	1,05%	0,94%
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
	IA BE	IA BE
	Prospective	Prospective
Mortality table used	Tables	Tables
Turnover - old*	0,36%, 0,54%	0,29%, 0,58%
Turnover - new**	2,20%, 2,85%	2,72%
Turnover - statutory staff	0,00%	0,00%
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

\* Old: relates to executive staff recruited before 1 January 2002 and management staff recruited before 1 May 1999

\*\* New: relates to executive staff hired after 1 January 2002 and management staff hired after 1 May 1999

### Accounting treatment

Within the context of working longer, certain benefits which were granted for early retirement can no longer be recognised as a provision for employee benefits. The Group has developed a "renewed" pension plan to address this issue. The implementation of this plan was for the most part carried out in 2021.

The 2021 and 2020 figures take into account this renewed pension plan and its terms, but there remains a small part for which no agreement has been reached yet. The amounts of those anticipatory benefits for 1.321 k EUR (2020: 1.436 k EUR) were no longer included as a provision for employee benefits but recognised as a constructive obligation for which they were presented on the balance sheet in the caption '**Other provisions**'.

The notes below include for 2021 and 2020 only the provision for employee benefits according to IAS19.

The movements of the other provisions (115 k EUR for 2021) generate only a movement through the statement of profit or loss and is included in the note 'Depreciation and amortization, changes in provisions'.

Furthermore, an amount of 208.061 k EUR at the end of 2021 (2020: 443.513 k EUR) was recognized as a '**Reimbursement right**', as it can be recovered through future tariffs.

### Amounts recognized in comprehensive income

(In thousands of EUR)	2021	2020
Current Service cost (employer only) - tax on service cost included	-68.405	-67.816
Interest expense	-7.718	-16.682
Interest income - interest income from asset ceiling excluded	4.057	10.134
Past service cost	0	-48.753
Actuarial gains and (losses) recognised immediately in profit or loss	-8.129	5.507
<b>Total costs included in profit or loss</b>	<b>-80.195</b>	<b>-117.610</b>
Actuarial (gains) losses on liabilities:		
changes in financial assumptions	-229.483	139.870
changes in demographic assumptions	1.343	-5.345
effect of experience adjustments	-29.922	-28.879
Actuarial (gains) losses on assets	-129.685	-4.192
Effect of variation of the asset ceiling	14.120	-16.017
<b>Total costs included in other comprehensive income</b>	<b>-373.628</b>	<b>85.437</b>

## Amounts recognized in the balance sheet

(In thousands of EUR)	Present value of funded defined benefit obligation	Fair value of plan assets	Total
Pensions - funded status	1.639.873	-1.538.265	101.608
Pensions - unfunded status	75.730	0	75.730
Healthcare costs, tariff benefits - unfunded status	211.062	0	211.062
Other long-term employee benefits - funded status	25.626	-21.112	4.514
Other long-term employee benefits - unfunded status	130.282	0	130.282
Impact on minimum funding requirement/effect of asset ceiling	0	36.234	36.234
<b>Total defined benefit obligation and long-term employee benefits at 31 December 2021</b>	<b>2.082.573</b>	<b>-1.523.143</b>	<b>559.430</b>
Pensions - funded status	1.900.510	-1.435.011	465.499
Pensions - unfunded status	81.995	0	81.995
Healthcare costs, tariff benefits - unfunded status	241.082	0	241.082
Other long-term employee benefits - funded status	27.318	-20.701	6.617
Other long-term employee benefits - unfunded status	89.208	0	89.208
Impact on minimum funding requirement/effect of asset ceiling	0	22.114	22.114
<b>Total defined benefit obligation and long-term employee benefits at 31 December 2020</b>	<b>2.340.113</b>	<b>-1.433.598</b>	<b>906.515</b>

## Changes in the present value of the obligation

(In thousands of EUR)	2021	2020
Total at 1 January	-2.340.113	-2.195.889
Actuarial gains (losses) - financial assumptions	234.588	-141.725
Actuarial gains (losses) - demographic assumptions	-1.134	7.410
Actuarial gains (losses) - experience adjustments	16.479	25.142
Acquisitions/disposals	-112	-432
Current service cost & taxes included	-68.405	-67.816
Participant contributions	-2.120	-2.196
Interest cost	-7.718	-16.682
Benefit payments & taxes included	85.962	100.828
Past service cost	0	-48.753
<b>Total at 31 December before tax on unfunded obligations</b>	<b>-2.082.573</b>	<b>-2.340.113</b>
Taxes on unfunded obligations	0	0
<b>Total at 31 December</b>	<b>-2.082.573</b>	<b>-2.340.113</b>

### Changes in the fair value of the plan assets

(In thousands of EUR)	2021	2020
Total at 1 January	1.455.712	1.459.881
Actuarial gains (losses) - correction on assets at 1 January	31.053	21.925
Return on plan assets (excluding interest income)	98.632	-8.699
Additions/disposals	94	718
Interest income	4.057	10.317
Employer contributions & taxes included	33.705	53.323
Participant contributions	2.120	2.196
Benefit payments & taxes included	-65.996	-83.949
<b>Total at 31 December</b>	<b>1.559.377</b>	<b>1.455.712</b>
Irrecoverable surplus (effect of asset ceiling)	-36.234	-22.114
<b>Total at 31 December</b>	<b>1.523.143</b>	<b>1.433.598</b>

### Changes in asset ceiling

(In thousands EUR)	2021	2020
Total at 1 January	22.114	37.948
Interest income	0	183
Changes in asset ceiling	14.120	-16.017
<b>Total at 31 December</b>	<b>36.234</b>	<b>22.114</b>

### Changes in other comprehensive income

(In thousands EUR)	2021	2020
Total at 1 January	486.651	401.214
Other comprehensive loss (gain)	-373.628	85.437
<b>Total at 31 December</b>	<b>113.023</b>	<b>486.651</b>



## 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 2021

Category	Elgabel %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Other %	Total %
<b>Investments quoted in an active market</b>	<b>78,04</b>	<b>81,80</b>	<b>84,85</b>	<b>82,80</b>	<b>89,11</b>	<b>84,52</b>
Shares (Eurozone)	16,44	9,04	12,52	12,45	17,31	15,56
Shares (Outside eurozone)	20,63	1,35	24,68	18,72	13,12	14,64
Government bonds (Eurozone)	0,00	21,29	0,00	13,65	30,81	19,04
Other bonds (Eurozone)	25,76	47,23	30,51	25,89	20,18	25,43
Other bonds (Outside eurozone)	15,20	2,90	17,15	12,34	7,69	9,85
<b>Unquoted investments</b>	<b>21,96</b>	<b>18,20</b>	<b>15,15</b>	<b>16,94</b>	<b>10,89</b>	<b>15,48</b>
Real estate	2,41	4,08	2,27	2,40	4,52	3,62
Cash and cash equivalents	4,06	1,36	3,08	4,38	6,37	4,93
Other	15,50	12,76	9,80	10,16	0,00	6,94
<b>Total in %</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>
<b>Total (In thousands of EUR)</b>	<b>430.579</b>	<b>171.244</b>	<b>10.525</b>	<b>182.543</b>	<b>764.486</b>	<b>1.559.377</b>

The classification of the plan investments in function of the major category at the end of 2020

Category	Other %	Elgabel %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
<b>Investments quoted in an active market</b>	<b>89,74</b>	<b>78,34</b>	<b>81,80</b>	<b>84,85</b>	<b>82,80</b>	<b>84,73</b>
Shares (Eurozone)	18,66	16,14	9,04	12,52	13,20	16,16
Shares (Outside eurozone)	13,47	21,77	1,35	24,68	21,44	15,44
Government bonds (Eurozone)	31,80	0,00	21,29	0,00	7,74	18,46
Other bonds (Eurozone)	12,47	25,92	47,23	30,51	26,83	22,14
Other bonds (Outside eurozone)	13,33	14,52	2,90	17,15	13,58	12,53
<b>Unquoted investments</b>	<b>10,26</b>	<b>21,66</b>	<b>18,20</b>	<b>15,15</b>	<b>17,20</b>	<b>15,27</b>
Real estate	0,03	2,49	4,08	2,27	2,49	1,50
Cash and cash equivalents	0,67	3,51	1,36	3,08	3,27	1,88
Other	9,56	15,66	12,76	9,80	11,45	11,89
<b>Total in %</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>
<b>Total (In thousands of EUR)</b>	<b>693.617</b>	<b>419.227</b>	<b>169.199</b>	<b>17.009</b>	<b>156.660</b>	<b>1.455.712</b>

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

(In thousands of EUR)	2021	2020
<b>Breakdown of defined benefit obligation by type of plan participants</b>	<b>-2.082.573</b>	<b>-2.231.495</b>
Active plan participants	-1.878.557	-1.737.556
Terminated plan participants with deferred benefit entitlements	-156.550	-173.097
Retired plan participants and beneficiaries	-305.006	-320.843
<b>Breakdown of defined benefit obligation by type of benefits</b>	<b>-2.082.573</b>	<b>-2.231.495</b>
Retirement and death benefits	-1.982.505	-1.887.691
Other post-employment benefits (medical and tariff reductions)	-241.082	-235.563
Jubilee bonuses (Seniority payments)	-116.526	-108.241

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%)	90.334
Inflation (+0,25%)	-61.594
Salary increase (+0,10%)	4.421
Healthcare increase (+0,10%)	-289
Tariff advantages (+0,50%)	-12.830
Employee turnover (+0,50%)	-5.817
Life expectancy of pensioners (+1 year)	-50.607

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, insufficient coverage...) can eventually lead to additional payments by the Group.

The average duration of the defined benefit obligation at 31 December 2021 is 8 years (2020: 8 years) and for the defined contribution obligation at 31 December 2021 15 years (2020: 19 years).

The Group estimates to contribute 21.892 k EUR to the defined benefit pension plans in 2022 and 12.135 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.

Derivative financial instruments amount to 41.776 k EUR at 31 December 2021 and 62.717 k EUR at 31 December 2020, a decrease of 20.941 k EUR.

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.

The changes in the fair value are recognized in the income statement (see note 'Financial results').

### *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 from ex-Infrac:

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.

The following contracts were unwound during 2020:

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 January 2006 entered into force in December 2008.

## 26 Provisions, other

(In thousands of EUR)	Site remediation	Other	Total
<b>Total at 1 January 2020</b>	<b>9.163</b>	<b>12.947</b>	<b>22.110</b>
Used	-1.847	-11.491	-13.338
<b>Total at 31 December 2020</b>	<b>7.316</b>	<b>1.456</b>	<b>8.772</b>
Additions	1.000	0	<b>1.000</b>
Used	-397	-135	-532
<b>Total at 31 December 2021</b>	<b>7.919</b>	<b>1.321</b>	<b>9.240</b>

The provisions comprise the obligations recognized for the **remediation** of the former gas factory sites and other contaminated sites. The MEAs own several gas factory sites 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 sites 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 2021 an amount of 6.346 k EUR (2020: 11.597 k EUR) was pledged to OVAM.

The Group is working on the possible sale of certain contaminated sites. In this context, several sites have already been sold and letters of intent have been entered into with potential buyers. On certain sites already sold, remediation duties still remain for an amount of 710 k EUR in 2021 and 710 k EUR in 2020 (see note 'Contingencies').

The increase of the provision for site remediation was due to an additional amount for a new site remediation compensated by the uses (decontamination carried out) and more specific elements that allowed estimating the clean-up costs.

The Soil Decree (Article 31) requires an exploratory soil survey to be carried out for uninvestigated land with a potential for historical soil contamination. One of the important objectives of the soil policy is to have started the remediation of all historical soil contamination by 2036.

In order to achieve the objective of research and decontamination of land with historical soil pollution by 2036, the amendment to the decree provides for an instrument to also inventory the unexamined risk land so that the soil quality of all land with historical risk activities is known.

Since the period from exploratory soil investigations to the soil decontamination works can take up to eight years, it is important to complete the soil investigations by 2028.

In order to spread the implementation of these exploratory soil surveys over time, an amending decree provides for a phased implementation of the obligation to carry out exploratory soil surveys by the end of 2021, the end of 2023 and the beginning of 2027.

The Group will do what is necessary to comply with this obligation to carry out exploratory soil investigations and will take the necessary measures in this respect, if necessary.

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. An amount of 12.875 k EUR at the end of 2019 was no longer recorded as a provision for employee benefits. However, a constructive obligation is recorded for

this amount on the item 'Provisions, other'. During 2020, the Group finalised the 'renewed' pension plan, as a result of which the provision of 12.875 k EUR in 2019 could be reduced to 1.436 k EUR and based on the actuarial computations at the end of 2020 amounts to 1.321 k EUR.

## 27 Government grants

(In thousands of EUR)	2021	2020
Total at 1 January	294.726	269.677
Received during the year	48.128	30.638
Write-back during the year	0	-489
Released to the income statement	-6.193	-5.100
<b>Total at 31 December</b>	<b>336.661</b>	<b>294.726</b>

Government grants amount to 336.661 k EUR at 31 December 2021 and 294.726 k EUR at 31 December 2020, an increase of 41.935 k EUR. The increase results from the additional received government grants.

The Flemish Region (Vlaams Gewest) and the Flemish Energy and Climate Agency have granted capital subsidies to the MEAs for various projects. These support measures are part of the projects 'green energy' and sewerage investment activities. 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)	2021	2020
Trade debts	353.828	355.912
VAT and other taxes payable	36.168	27.112
Remuneration and social security	90.385	92.195
Advances Soclev clients and other	50.240	48.140
Transfer tariff	185.793	107.374
Other current liabilities	170.447	169.884
<b>Total</b>	<b>886.861</b>	<b>800.617</b>

Trade payables and other current liabilities amount to 886.861 k EUR at 31 December 2021 and 800.617 k EUR at 31 December 2020, an increase of 86.244 k EUR. The increase is mainly explained by the increase of transfers (see note 'Working in a regulated environment') and the VAT and other taxes payable.

The transfer tariffs amount to 1875.793 k EUR at the end of 2021 and 107.374 k EUR at the end of 2020 and reflect the corrections to revenue that qualify to be recognised as recovery via the

distribution network tariff in subsequent years. (See note 'Working in a regulated environment - The settlement mechanism').

VAT payable and other tax liabilities mainly include VAT payable (2021: 23.090 k EUR; 2020: 24.048 k EUR), withholding tax (2021: 12.947 k EUR; 2020: 2.833 k EUR).

The other current liabilities mainly include the accrued costs (2021: 70.050 k EUR; 2020: 67.693 k EUR) of which the financial costs for the bond loans (2021: 35.414 k EUR; 2020: 41.026 k EUR) and the other debts to the municipalities (2021: 57.126 k EUR; 2020: 50.260 k EUR) including the dividends that have not yet been approved.

The terms and the conditions for the debts are as follows:

For the standard trade debts the average payment term amounted to 30 days and the contractors were paid, as part of the measures to alleviate the COVID-19 impact, on 14 days between April 2020 and the end of August 2020

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)	2021	2020
Current income tax expenses	94.174	114.761
Advances paid	-74.927	-97.287
Deductible withholding tax	-16.539	-16.428
<b>Tax liability/(asset) current year</b>	<b>2.708</b>	<b>1.046</b>
<b>Tax liabilities/(assets)</b>	<b>-10.624</b>	<b>3.192</b>
<b>Current tax liabilities/(assets)</b>	<b>-7.916</b>	<b>4.238</b>

The net amount of taxes to be received amounts to 7.916 k EUR at the end of 2021 (2020: 4.238 k EUR net amount payable) of which 11.845 k EUR as a receivable (2020: 10.669 k EUR) and 3.929 k EUR as a tax liability (2020: 14.907 k EUR).

During 2021, a total of 106.500 k EUR (2020: 110.348 k EUR) taxes were paid.

# 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 Local Government.

This decree (22 December 2017) stipulates that a legal person governed by private law may participate in the capital of the associations under certain conditions.

The purpose of the Group is to maintain a strong balance sheet structure and to ensure that the Fluvius Group can retain a 'good' investment grade 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 2021 and 2020, 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*

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2021	2020
<b>Balance at 1 January</b>	<b>-131.288</b>	<b>-121.362</b>
Other	0	-38
Charge of impaired receivables	-33.410	-18.961
Write-back of impaired receivables	9.305	9.073
<b>Balance at end of the period</b>	<b>-155.393</b>	<b>-131.288</b>

#### *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. The commercial papers and the fixed loans have a maturity of one day up to twelve months. The fixed loans (straight loans) can have a maturity of one day or one month to twelve months, whereby the minimum maturity depends on the borrowing bank. Fixed advances can be requested with a duration from one week to twelve months. All loans have fixed interest rates except for the bank overdraft that has a variable interest rate.

These funds are mainly drawn to finance a negative cash pool balance (see note 'Interest bearing loans and borrowings').

The Group borrows on a long-term basis mainly to finance its ongoing investments in the distribution grids including the roll-out of the digital meter chain and the acquisition and replacement of the public lighting infrastructure, to finance shareholdings, to refinance loans, to pay interests and for working capital purposes. During 2014, the collected cash of these debentures was also used to pay the exit fee relating to Electrabel's exit from the Eandis MEAs' equity.

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 a rating. Fluvius has chosen in 2018 to obtain a **rating** from the rating agencies Moody's and 'Creditreform Rating AG' (Creditreform).

On 10 September 2020, Moody's confirmed the **A3 rating** for Fluvius, but changed the rating outlook from stable to **negative**. This decision was mainly motivated by Moody's expectation that, without mitigating measures, the credit ratios of Fluvius's shareholders could come under pressure in the 2021-2024 tariff period as a result of the energy regulator VREG's decision on the adjusted 2021-2024 tariff methodology.

On 10 November 2021, Moody's confirmed that the rating outlook was adjusted to **stable**. This adjustment was due to the fact that Fluvius was able to take measures to counter the lower allowed income of the MEAs for the regulatory period 2021-2024, implement a change in dividend policy as from 2022 and obtain an allocation of EUR 22 million as advances from the Flemish energy regulator for the investments in smart meters. The assessment of the overall credit risk of Fluvius also took into account the fact that the Flemish Community (Aa3 stable as of 9 December 2021) has a strong interest in maintaining a solid financial strength of the MEAs, given their essential role in the Flemish economy.

Moody's also assigned an ESG (Environmental, Social and Governance) Credit Impact Score (CIS) of 3 (on a scale of 1 to 5).

Since January 2017, the rating with Creditreform is **A+** with stable outlook. Creditreform also adjusted the rating outlook to **negative** on 27 October 2020.

Fluvius, via 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 2019, an amount of 2.980.500 k EUR or 59,61% had been issued. Since year end 2014 no more bonds were issued under this programme.

On top of this, Fluvius – via Infracore - issued 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). This EMTN programme was therefore fully utilised.

On 1 July 2020, a **new** EUR 5.000.000 k EMTN programme was launched by Fluvius System Operator cv that has a maturity of 10 years, extendable by Fluvius with an additional 24 months. The current loans are issued within this programme. The issues are guaranteed by the Group's eleven MEAs and will have a minimum maturity of one year.

At the end of 2021, an amount of 1.800.000 k EUR or 36,00 % of the programme's total amount had already been issued.

The EMTN Base Prospectus also provides for the possibility to issue **green bonds**, whereby the net proceeds of an issue are used to finance (or refinance) eligible Green Projects. For this purpose, Fluvius has prepared a Green Financing Framework which contains a description of investment projects that are eligible for green financing, how the climate and sustainability benefits will be measured, and how verification and reporting will be undertaken.

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 2021

(In thousands of EUR)	2021	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	200.000	0	0	200.000	0
Bond issue - EMTN	4.460.500	500.000	750.000	400.000	2.810.500
Bond issue - private	450.000	0	10.000	0	440.000
Bank loans - fixed interest rate	1.276.576	152.900	279.563	214.391	629.722
Bank loans - floating interest rate	12.215	4.508	5.885	648	1.174
Bank loans - with derivative instrument	332.762	76.651	118.022	78.292	59.797
<b>Total</b>	<b>6.732.053</b>	<b>734.059</b>	<b>1.163.470</b>	<b>893.331</b>	<b>3.941.193</b>
<b>Total bullet payment</b>	<b>5.341.343</b>	<b>500.000</b>	<b>760.000</b>	<b>630.843</b>	<b>3.450.500</b>
<b>Total excluded bullet payment</b>	<b>1.390.710</b>	<b>234.059</b>	<b>403.470</b>	<b>262.488</b>	<b>490.693</b>

At the end of 2020

(In thousands of EUR)	2020	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	200.000	0	0	200.000	0
Bond issue - EMTN	3.760.500	500.000	1.250.000	250.000	1.760.500
Bond issue - private	450.000	0	10.000	0	440.000
Bank loans - fixed interest rate	1.185.402	149.390	290.200	233.007	512.805
Bank loans - floating interest rate	16.775	4.560	7.418	3.337	1.460
Bank loans - with derivative instrument	418.997	81.623	147.708	90.331	99.335
<b>Total</b>	<b>6.031.674</b>	<b>735.573</b>	<b>1.705.326</b>	<b>776.675</b>	<b>2.814.100</b>
<b>Total bullet payment</b>	<b>4.425.543</b>	<b>499.793</b>	<b>1.257.236</b>	<b>469.391</b>	<b>2.199.124</b>
<b>Total excluded bullet payment</b>	<b>1.606.131</b>	<b>235.780</b>	<b>448.090</b>	<b>307.284</b>	<b>614.976</b>

*Information concerning the repayment schedule of the lease obligations*

The Group has lease obligations at 31 December 2021 for a total amount of 41.473 k EUR. Of this, 12.094 k EUR is repayable within one year, 18.172 k EUR is payable within a period of more than one year to three years, within a period of more than three years to five years 6.670 k EUR is repayable and 4.537 k EUR is payable after five years.

The Group has lease obligations at 31 December 2020 for a total amount of 44.807 k EUR. Of this, 12.488 k EUR is repayable within one year, 28.676 k EUR is payable within a period of two to five years and 3.643 k EUR is payable after five years.

*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 was 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)	2021	2020
In 2021	0	161.389
In 2022	137.839	131.499
In 2023	117.358	110.542
In 2024	86.501	79.873
In 2025	80.355	74.045
In 2026	72.004	65.889
In 2027 and beyond	366.621	339.038
<b>Total</b>	<b>860.678</b>	<b>962.274</b>

#### *Other*

More information about the risks of the Group and its shareholders is included in the EMTN base prospectus edition 2021 concerning the issue of a bond loan (retail) and the investor presentation of November 2021. These documents can be consulted on the website [www.fluvius.be](http://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 at 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 have been 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 an 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 is 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 4.660,5 million EUR varies according to the market interest rate. The fair value at 31 December 2021 amounts to 4.897,6 million EUR and differs from the amount that will be reimbursed and the carrying value.

The fair values as at 31 December 2021 are as follows

(In thousands of EUR)	Fair value			Book value
	Level 1	Level 2	Level 3	
Other investments	45.481	2.363.494	4.992	2.413.967
Long-term receivables, other	551.959	0	0	551.959
Green energy and cogeneration certificates (GEC & CGC)	202.528	0	0	202.528
Trade and other receivables excluding GEC and CGC	883.682	0	0	883.682
Cash and cash equivalents	89.336	0	0	89.336
<b>Total</b>	<b>1.784.831</b>	<b>2.363.494</b>	<b>4.992</b>	<b>4.153.317</b>
Loans on short-term	1.229.855	0	0	1.218.743
Loans on long-term	6.224.517	0	0	5.977.365
Lease liabilities	41.473	0	0	41.473
Derivative financial instruments	0	41.776	0	41.776
Total current liabilities, other	890.790	0	0	890.790
<b>Total</b>	<b>8.386.635</b>	<b>41.776</b>	<b>0</b>	<b>8.170.147</b>

The fair values at 31 December 2020 are as follows:

(In thousands of EUR)	Fair value			Book value
	Level 1	Level 2	Level 3	
Other investments	38.967	2.020.364	4.940	2.064.271
Long-term receivables, other	567.917	0	0	567.917
Green energy and cogeneration certificates (GEC & CGC)	114.916	0	0	114.916
Trade and other receivables excluding GEC and CGC	672.762	0	0	672.762
Cash and cash equivalents	31.328	0	0	31.328
<b>Total</b>	<b>1.425.890</b>	<b>2.020.364</b>	<b>4.940</b>	<b>3.451.194</b>
Loans on short-term	1.326.823	0	0	1.307.966
Loans on long-term	5.658.163	0	0	5.280.508
Lease liabilities	44.807	0	0	44.807
Derivative financial instruments	0	62.717	0	62.717
Total current liabilities, other	815.524	0	0	815.524
<b>Total</b>	<b>7.845.317</b>	<b>62.717</b>	<b>0</b>	<b>7.511.522</b>

The other investments included in level 3 concern business centres and other companies. 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.

## 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 295.292,36 EUR for 2021 and 308.783 EUR for 2020.

The total remunerations paid to the management committee and the directors (Fluvius System Operator Group) amounted to 4.264.522 EUR for 2021 and 3.987.593 EUR for 2020. The post-employment benefits included in the total remuneration mentioned amounted to 205.203 EUR for 2021 and 199.416 EUR for 2020. 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 De Watergroep (starting 2019) were as follows:

(In thousands of EUR)	2021	2020
<b>Amount of the transactions</b>		
Recharge of costs to non-controlling interest companies	89.292	80.941
Recharge of costs from non-controlling interest companies	1.864	1.619
<b>Amount of outstanding balances</b>		
Trade receivables	2.892	1.009
Trade payables	5	122

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

(In thousands of EUR)	2021	2020
<b>Amount of the transactions</b>		
Recharge of costs to associates	2.198	2.461
Recharge of costs from associates	25.401	22.995
<b>Amount of outstanding balances</b>		
Trade receivables	46.570	45.485
Trade payables	2.757	417

#### *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 2021, the fees to the statutory auditor amount to 299 k EUR, an amount for legal mandates of 587 k EUR and for tax and other advice an amount of 227 k EUR. The fee for other assignments was approved by the Audit Committee.

## 32 Contingencies

(In thousands of EUR)	2021	2020
Rent deposits, buildings	1.442	1.391
Other bank guarantees	884	151
Pledge trade receivables	6.346	11.597
<b>Total guarantees given</b>	<b>8.672</b>	<b>13.139</b>
Guarantees obtained from contractors and suppliers	80.805	48.899
Goods held by third parties in their own name but at risk for the Group	183	107
Obligation to purchase property, plant and equipment	3.431	3.942
Obligation to sell property, plant and equipment	142	25
Obligation to remediate	710	710

Outstanding orders in 2021 amounted to 50.071 k EUR (2020: 16.348 k EUR).

Furthermore, there is also a legal dispute pending between the MEAs and Essent concerning free distribution of green electricity (0 k EUR for 2021; 3.533 k EUR for 2020), with Infrabel and the Flemish Region on grid displacements (0 k EUR in 2021; 93 k EUR in 2020) and disputes with various parties (for a total of 27.249 k EUR in 2021; 21.319 in 2020). The increase in this last item is due to the inclusion of all, including the small, disputes of all the companies of the Group.

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 claimed in the Court of First Instance of Antwerp to have the contracts annulled. This claim was rejected at first instance (judgment of 6 April 2009). Proximus then 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.

The aforementioned agreements contain a safeguard mechanism chargeable to Telenet, thus limiting the liability for the cable companies. 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.

As at 18 December 2017, the Court of Appeal of Antwerp rejected the claim of Proximus entirely. At the end of June 2019, Proximus filed an appeal in cassation against this judgment.

On 22 January 2021, the Court of Cassation ruled on this appeal and decided that the judgment of the Court of Appeal of Antwerp should be partially annulled.

The partial annulment only relates to the point that the Court of Appeal of Antwerp did not sufficiently justify the annulment of the agreement between Telenet and the MEAs but does not express an opinion on this point. In order to examine and rule on this, the case is sent to the Court of Appeal of Brussels.

On 16 June 2021 Proximus sued Telenet and the cable operators in appeal after cassation. By means of these proceedings, Proximus claimed the nullity of the agreements between Telenet and the cable companies. In addition, Telenet again claims damages (provisionally estimated at 1 euro) for the erroneous conclusion and maintenance of the agreements. Furthermore, Proximus seeks the cessation of the execution of the agreements and asks for a preliminary ruling in the event that

it is considered that no legal remedy/indemnity would be possible for Proximus due to the violation of the principles of equality and transparency, or whether this would be reconcilable with Articles 49 and 56 of the Treaty on the functioning of the European Union, the general legal principle of effective and efficient legal protection or judicial protection of the rights conferred by European Union law, and the general legal principle of the priority of European Union law over the internal legal rules of a Member State.

On 3 September 2019, a gas explosion occurred in Wilrijk, Ridderveld. One fatality is regretted. At the hearing before the Antwerp Correctional Court on 17 March 2021, the Public Prosecutor asked for the acquittal of both managers (CEO and Director 'Grid operations'), because the Public Prosecutor believes that they cannot be held responsible for the events. For Fluvius System Operator itself, the Prosecutor demanded a simple declaration of guilt. Fluvius itself argued extensively to show that the company, its managers and employees were not at fault in these tragic events. The court judged on 27 April 2021, acquitting both managers criminally. Criminal suspension of sentence was pronounced for Fluvius System Operator and Fluvius was convicted of all civil claims. This conviction has since been appealed. The hearing is scheduled for 18 May 2022.

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**

No material events occurred after the balance sheet date that would require disclosure or amendments of the financial statements as at 31 December 2021.

#### **Volatility on (energy) markets**

Since the last quarter of 2021 and even more so during the first quarter of 2022, we have noticed an increased volatility on the financial markets and the energy market. This is evidenced by a.o. increasing inflation and interest rates, and in sharp price rises for electricity and especially gas. Since the start of the armed conflict in Ukraine, these evolutions have even been more outspoken. For Fluvius this means a.o. that:

- ✓ future financing and refinancing for (the entities of) the Fluvius Economic Group will probably become more expensive than in the recent past when interest rates were at low levels;
- ✓ meanwhile the fair value of the investments and the pension funds have substantially decreased since year-end 2021;
- ✓ the affordability of electricity and gas for more Flemish end users might become problematic, which increases the risk of non-payment of bills, and which will presumably push more end users temporarily into the system of the social energy supplier (i.e. the distribution system operator);
- ✓ specific energy suppliers might get into financial problems in the said circumstances, leading to them being denied access to the distribution grids and Fluvius having to take up the role of supplier-of-last-resort for their end customers;
- ✓ the global impact of the said market circumstances cannot be fully assessed at this moment; management is closely monitoring these evolutions and will take – whenever useful and needed – appropriate policy measures, in consultation with the relevant stakeholders;
- ✓ for the period January/February 2022, a remarkable decline in gas consumption was registered. Compared to the same period in 2021 gas consumption decreased in absolute figures from a daily average of 95 kWh to 80 kWh in January, and from 82,5 kWh to 67,5 kWh in February. In percentage terms and taking into account temperature differences between both years, the monthly consumption were 5% and 16% lower respectively. These consumption data are based on the anonymous data from 100.000 digital gas meters. We see a decline in



gas consumption in all end consumer categories. Most probably the elevated gas prices have incentivized end consumers to adapt their consumption pattern.

### 34 List of group entities included in the consolidation

Below the list of group entities included in the consolidation:  
**At 31 December 2021 and 31 December 2020**

Subsidiary	Office	Number of shares owned	Voting rights
<b>Mission entrusted associations *</b>			
Fluvius Antwerpen	Antwerpsesteenweg 260, 2660 Antwerpen-Hoboken		
Fluvius Limburg	Trichterheideweg 8, B-3500 Hasselt		
Gaselwest	President Kennedypark 12, B-8500 Kortrijk		
Imewo	Brusselsesteenweg 199, B-9090 Melle		
Fluvius West	Noordlaan 9, B-8820 Torhout		
Intergem	Administratief Centrum (AC), Franz Courtensstraat 11, B-9200 Dendermonde		
Iveka	Koningin Elisabethlei 38, B-2300 Turnhout		
Iverlek	Aarschotsesteenweg 58, B-3012 Wilsele-Leuven		
PBE	Diestsesteenweg 126, B-3210 Lubbeek		
Riobra	Oude Baan 148, B-3210 Lubbeek		
Sibelgas	Stadhuis, Grote Markt, 1800 Vilvoorde		
<b>Subsidiaries</b>			
Fluvius System Operator cv	Brusselsesteenweg 199, B-9090 Melle	100,00	100,00
De Stroomlijn cv	Brusselsesteenweg 199, B-9090 Melle	62,17	62,17
Interkabel Vlaanderen cv	Trichterheideweg 8, B-3500 Hasselt	100,00	100,00
<b>Investment in joint ventures and associates</b>			
Atrias cv	Kanselarijstraat 17a, B-1000 Brussel	50,00	50,00
Synductis cv	Brusselsesteenweg 199, B-9090 Melle	34,47	34,47
S-Lim cv	Trichterheideweg 8, B-3500 Hasselt	50,00	50,00
<b>Other companies</b>			
Fluvius OV	Trichterheideweg 8, B-3500 Hasselt	N/A	N/A

\*Contact address: Brusselsesteenweg 199, B-9090 Melle

The Fluvius Economic Group also contains the company **Fluvius OV**. As from 1 April 2019, all statutory employees of the ex-Infrac companies are employed by this company. These employees are seconded to Fluvius System Operator cv. All ex-Infrac municipalities are shareholder in Fluvius OV.

The company Fluvius System Operator cv 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](http://www.fluvius.be).



## 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 cv 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, Infrac West, Interenerga, IVEG and PBE to call on the services of operating company Fluvius System Operator cv 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.

No amendments were made to the distribution grid tariffs as a result of the changes in the structure of the MEAs. The VREG decided that the distribution grid tariffs of the MEAs prior to the unbundling/merger remain applicable during the regulatory period (until 31 December 2020).

#### • **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 electricity and gas distribution in the Flemish region.

The distribution system operators must submit their tariff proposals within this framework. Every year, the regulator sets the allowed 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.

The endogenous costs are the costs of expanding and managing the distribution grid. The MEA has control over these costs. These costs include operating costs, depreciation and the cost of capital. The difference between the revenue from the distribution grid tariffs for the endogenous costs and the actual endogenous costs constitutes the profit for the MEA. This profit can be used to remunerate the shareholders for their contribution (dividend distribution) and to finance investments. However, the income from the distribution grid tariffs is capped, creating an incentive to efficiently use the available resources. The allowed income from the endogenous costs is determined on the basis of this efficiency incentive and a trend calculation. The difference between the actual endogenous costs and income can be either a bonus or a malus for the grid operator.

The exogenous costs are costs over which the MEA has no control. They mainly include Elia's transmission grid tariffs as well as the costs of transit, fees to be paid to cities and municipalities, RUE premiums, costs (including capital cost reimbursement) to buy the GECs and CHPs, reduction of the regulatory asset/liabilities and the costs of non-capitalised supplementary pensions. These costs are passed on in the distribution grid tariffs. The allowed income of the exogenous costs is

equal to the expected amount of costs. The difference between the actual exogenous costs and revenues is settled later (in a subsequent tariff period).

### **Tariff methodology 2017-2020**

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

The tariff methodology includes among others

- Adjustments to the parameters for the remuneration for the cost of capital (i.e. a compensation for the resources that the shareholders have invested): equity to 5,24 % (before tax 7,94%), 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 corporate income tax rate, the WACC was adapted to 4,90% for the accounting year 2018 and 4,80% for 2019
- 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 2020**

On 8 October 2019, the VREG decided on the determination of the allowed income of the electricity and natural gas distribution system operators from their periodic distribution grid tariffs 2020 in accordance with the tariff methodology 2017-2020. The allowed income, which serves as the basis for determining the tariffs, falls by 3,70% for electricity and by 2,90% for natural gas.

On 16 December 2019, the VREG approved the distribution grid rates for electricity and natural gas for Flanders for the period from 1 January 2020 to 31 December 2020. The reduction in the distribution grid rates is the result of the lower expectation of the costs of the public service obligations and the reduction of the historical surpluses (in favour of the end consumers).

### **Regulated tariff methodology 2021-2024**

The Energy Decree stipulates that the regulator must consult with the system operator before deciding on a new tariff methodology.

Formal consultation between Fluvius and the VREG started in the first half of 2020. The VREG is holding public market consultations and will decide whether or not to take account of the comments on the new tariff methodology for the 2021-2024 period.

On 13 August 2020, the VREG published the tariff methodology for the distribution of electricity and natural gas for the period 2021-2024.

The VREG proposed an adjustment to the tariff structure so that, in future, it will better reflect the costs of using the grid and allocate the costs to the grid users in a more balanced way. As a result, the grid costs from 2022 onwards will be charged on the basis of capacity (kW peak) instead of volume (kWh consumed).

The VREG also proposes a new cost of capital which will lead to a reduction (WACC before tax 3,50% instead of 4,80%) in the remuneration of debt and equity capital and the remuneration of capital gains (by imposing a partial remuneration in which the costs of revaluation capital gains can no longer be included). This concerns a gradual, but complete phasing out over eight years (or two tariff periods). The DSOs are also required to realise higher savings than previously forecast and

to achieve annual productivity improvements as a result of the merger (in 2018 of ex-Eandis with ex-Infrac).

Furthermore, the VREG sets the allowed income on the basis of the trend in endogenous costs in the period 2015-2019. This will cause a discrepancy between the costs incurred and the corresponding income for the large projects (accelerated roll-out of digital meters by 2024). The VREG expects to absorb this discrepancy by the introduction of an advance payment scheme.

For this reason, Fluvius submitted another request to the VREG to review its decisions and also asked for an adjustment to the allowed income in order to receive an advance payment as a result of the accelerated roll-out of the Digital Meter Chain.

The VREG has now agreed to an advance payment scheme for 2021 (42.830 k EUR), but a scheme for the subsequent years still needs to be determined and the settlement method still needs to be clarified. The advances granted will have to be taken back at a later date, resulting in a decrease of the allowed income. With regard to the capital cost allowances and the imposed savings, the regulator intends to carry out the necessary studies/benchmarking exercises in this respect.

### **Tariffs 2021**

On 8 October 2020, the VREG decided on the determination of the allowed income of the electricity and natural gas distribution system operators from their periodic distribution grid tariffs 2021 in accordance with the 2021-2024 tariff methodology.

On 15 December 2020, the VREG approved the distribution grid rates for electricity and natural gas for Flanders for the period from 1 January 2021 to 31 December 2021.

The reduction in the distribution grid rates is the result of the lower reimbursement of the cost of capital, the adjustment in the remuneration for revaluation surpluses and the savings imposed as a result of the merger.

- **Additional information**

At the start of 2019, the Brussels **Court of Appeal** declared the DSOs' demand to annul the VREG decision of August 2018 on the size and destination of the **regulatory transfers 2010-2014** admissible but unfounded. In 2016 up to and including 2018 however, 20% of the regulatory transfers relating to this period could already be taken back during each period. The reversals for 2019 and 2020 included in the tariffs have been adjusted as a result of this decision so that in 2019 and 2020 respectively 50% of the outstanding regulatory transfers at the end of 2018 relating to the balances for 2010-2014 are taken back.

### **The Constitutional Court annuls the reversing electricity meter decree**

On 14 January 2021, the Constitutional Court annulled various clauses of the Flemish digital energy meter decree. In particular, the Court annulled the temporary maintenance of the compensation mechanism (the 'reversing electricity meter') and the prosumer tariff.

This ruling has far-reaching consequences for Fluvius and other market parties.

Fluvius has made some specific agreements with the Flemish government and energy regulator VREG whereby the conversion to the digital meter for prosumers was immediately suspended. For prosumers who already have a digital meter, the prosumer tariff is cancelled and their consumption will be invoiced on the basis of the electricity volumes actually consumed from the grid. They will no longer receive compensation for the injected electricity.

The VREG has meanwhile adjusted the 2021-2024 tariff methodology.

On 9 July 2021, the Flemish Government gave its final approval to the retroactive investment premium for owners of solar panels who have not yet been able to sufficiently recover their investment. Also on 9 July 2021, the Flemish Government gave its second approval in principle to provide an additional premium for owners of heat pumps as their main heating source in combination with solar panels, on top of the retroactive premium for solar panels. Both premiums must be applied for through the services of Fluvius.

### **Measures and effects of the 2021-2024 tariff methodology**

The new tariff methodology for the period 2021-2024 has a negative impact on the DSOs' regulated revenues and their profitability. The reasons for this are the decrease in the Weighted Average Cost of Capital (WACC) and the decrease in the remuneration base. This is because the remuneration on the surplus value on the Regulated Asset Base (RAB) will be phased out over a period of eight years. As a result, the DSOs receive fewer resources to carry out their tasks and assignments and the dividend to the shareholders is reduced.

The Group worked out actions in different areas to be able to preserve the 'financial health' of the DSOs.

Several **mitigating measures** were taken, including the application for an **advance payment scheme**. As the Allowed Income was determined by VREG on the basis of the trend in endogenous costs in the period 2015-2019, a discrepancy between the costs incurred and the corresponding revenues arises in the event of an accelerated cost increase. This is particularly the case when large new projects are started up, such as the roll-out of the digital meters.

The VREG acknowledged this problem and, by means of advances, increased the endogenous income of 2021 by 42.830 k EUR (14.040 k EUR for electricity and 28.790 k EUR for gas). Each year, the VREG will determine the amount of the advances. The repayment method still has to be worked out.

Furthermore, the Group has developed additional financial criteria for **capital expenditure** and a programme has been initiated to achieve the **cost savings** imposed by VREG of 150 million EUR by 2024.

In order to keep the equity of the various DSOs and the Group as strong as possible, a modified **dividend policy** (for the electricity and gas segment) has been developed on the basis of the ratio (calculations using BE-GAAP figures) of Equity to Regulated Asset Base. This innovation will be applied from 2022 onwards (see also note 'Equity').

### **Tariffs 2022**

On 22 December 2021, the VREG published the distribution grid tariffs for 2022. These tariffs for electricity and gas, which determine the Allowed Income of the DSOs, are lower than in 2021. This decrease was made possible by government decisions on the sale of GEC, charging for public service obligations and the transformation of federal surcharges into special excise duties.

From 1 July 2022, tariffs for electricity will be based on capacity with the tariff largely based on the average highest monthly power instead of the kWh consumed per year.

- **Accounting treatment**

The regulatory transfers are recognised 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)	2021	2020
Transfers 2019	0	-2.231
Transfers 2020	0	-11.478
Transfers 2021	-14.824	0
<b>Total federal contribution</b>	<b>-14.824</b>	<b>-13.709</b>
Balances from 2015	0	-50
Balances from 2016	38	74
Balances from 2017	-1.234	-2.119
Balances from 2018	-37.519	-75.339
Balances from 2019	-9.140	-18.275
Balances from 2020	5.904	2.044
Balances from 2021	-129.018	0
<b>Total regulatory balances</b>	<b>-170.969</b>	<b>-93.665</b>
<b>Total amount recoverable</b>	<b>-185.793</b>	<b>-107.374</b>
<b>of which reported as Current assets/(liabilities)</b>	<b>-185.793</b>	<b>-107.374</b>

Reconciliation of the settlement mechanism.

(In thousands of EUR)	2021	2020
<b>Regulatory assets/(liabilities) at 1 January</b>	<b>-107.374</b>	<b>-210.566</b>
Recovered transfers from 2010 - 2014	0	1.922
<b>Total movements regulatory assets</b>	<b>0</b>	<b>1.922</b>
Paid to/received from CREG	11.478	11.977
Recovered transfer	2.231	474
Additional transfers from 2020	0	-11.478
Additional transfers from 2020	-14.824	0
<b>Total movements federal contribution</b>	<b>-1.115</b>	<b>973</b>
Additional transfer from 2019	0	-77
Additional transfer from 2020	-1.243	2.044
Additional transfer from 2021	-129.018	0
Recovered transfer from 2015	50	-100
Recovered transfer from 2016	-36	-8.108
Recovered transfer from 2017	885	15.961
Recovered transfer from 2018	37.820	85.765
Recovered transfer from 2019	9.135	4.812
Recovered transfer from 2020	5.103	0
<b>Total movements regulatory balances</b>	<b>-77.304</b>	<b>100.297</b>
<b>Total movements</b>	<b>-78.419</b>	<b>103.192</b>
of which - movement through the income statement	-89.897	91.215
of which - paid to/received from CREG federal contribution	11.478	11.977
<b>Regulatory assets/(liabilities) at the end of the reporting period</b>	<b>-185.793</b>	<b>-107.374</b>

On 21 September 2021, the VREG has confirmed the results of the reporting on the regulatory transfers up to and including 2020.

We hereby draw attention to the fact that the regulatory balances with respect to the accounting year 2021 were estimated, taking into account all available information. However, these amounts will only be final after approval of these balances by the VREG. This uncertainty includes the fact that the control by the regulator could still lead to additional differences which then 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.

On 28 January 2021, the IASB published an exposure draft for the Regulatory Assets and Regulatory Liabilities 'Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*'. The company reviews the evolution of this exposure draft and will evaluate the effect with the used valuation and reporting method.

## 36 Sewerage

### Operation

The sewerage activity of the Group is stipulated in the **Water Decree**, now included in the so-called Water Code (Decree on integrated water policy).

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 (drinking water consumers) and in 2006 to the municipal remediation fee (own water winners). The Decree 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 or remediation fee in the municipality concerned and to the extent that the expenses are not being subsidized or financed by the Flemish Region.

The participating municipalities of the Group contributed all of their sewerage infrastructure, rights and obligations (capex) to the DSOs (Fluvius Limburg, Fluvius West, Riobra and Fluvius Antwerpen). As a consequence, the Group is responsible for the execution of all works (capex and opex) on the sewerage grid.

The proceeds from the sewerage activity can be divided into three broad categories.

The first category are the **remediation contributions** received from the water companies. In accordance with the circular (LNE2013/2), these contributions and reimbursements can only be used for investments in the sewerage grid or maintenance expenditures related to the sewerage grid.

The second category are the **contributions** in the case of new connections. This contribution will be obtained by the land owner if the existing roads are used and sewerage was already installed in the past. If land is allotted and no roads existed before, the land owner must finance the sewerage infrastructure himself and then transfer it to the Group free of charge.

A third category are **capital grants**. If the projects are considered a priority by the Flemish Region, via the Flemish Environment Agency (Vlaamse Milieumaatschappij - VMM) as regulator, a grant can be obtained that amounts to 75% of the allowed investments, the so-called 'subsidisable works'. The Group carries out the works and collects the grant from the Flemish Region. After completion of 20% of the works, a first tranche of 80% of the subsidy can be applied for. The balance of the subsidy is paid at the time of final delivery. If Flemish subsidies cannot be obtained, a municipality can decide to start the project and can subsidize the investments 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.

The proceeds of the sewerage fund can only be used within the guidelines set out in the Ministerial circular for the municipal remediation contribution and compensation.

### Regulation

The sewerage activity is subject to the supervision by the Flemish Environment Agency (VMM), which acts as a regulator for both economic and environmental monitoring.



The municipal remediation contribution and compensation is legally capped at 1,4 times the intermunicipal contribution.

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



## **Independent auditor's report 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 2021**

We report to you as independent auditor on the consolidated financial statements of the Economical Group Fluvius. This report includes our opinion on consolidated statement of the financial position as at 31 December 2021, 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 as at 31 December 2021 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable. The Consolidated Financial Statements of the Economical Group Fluvius consist of eleven Flemish Mission Entrusted Associations (MEAs): Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Fluvius West, Fluvius Limburg, Fluvius Antwerpen, PBE and Riobra who have joint control over Fluvius System Operator CV and its subsidiaries (De Stroomlijn CV, Synductis CV and Atrias CV) and Fluvius OV (all together "the Companies").

### **Report on the audit of the Consolidated Financial Statements**

#### **Unqualified opinion**

We have audited the Consolidated Financial Statements of Economical Group Fluvius, that comprise of consolidated statement of the financial position as at 31 December 2021, 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 2021 and the disclosures, which show a consolidated balance sheet total of € 16.699.180 thousands and of which the consolidated income statement shows a profit for the year of € 301.948 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 2021, and of its consolidated results and its consolidated cash flows for the year then ended, prepared 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 to independence.

We have obtained from 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 certain matters**

Without qualifying our opinion, we draw the attention to note 35 of the Consolidated Financial Statements which describes the specificities of the regulatory framework and tariffs and the related accounting treatment, as well as the uncertainties related to the balances resulting from the tariff settlement mechanism that are not yet approved by the Flemish electricity and gas regulator, the VREG.

#### **Responsibilities of the management committee for the preparation of the Consolidated Financial Statements**

The management committee 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 and for such internal controls relevant to 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 Consolidated Financial Statements, the management committee is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The management committee should prepare the financial statements using the going concern basis of accounting, unless the management committee either intends to liquidate the Company 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 whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and 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.

In performing our audit, we comply with the legal, regulatory and normative framework that applies to the audit of the Consolidated Financial Statements in Belgium. However, a statutory audit does not provide assurance about the future viability of the Company and the Group, nor about the efficiency or effectiveness with which the management committee has taken or will undertake the Company's and the Group's business operations. Our responsibilities with regards to the going concern assumption used by the management committee are described below.

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 resulting from fraud is higher than when such misstatements result from errors, 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 Company's internal control;
- ▶ evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the management committee as well as the underlying information given by the management committee;
- ▶ conclude on the appropriateness of the management committee's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 Company to cease to continue as a going-concern;
- ▶ evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a

true and fair view of the underlying transactions and events.

We communicate with the management committee 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 audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Consolidated Financial Statements.

Ghent, 30 March 2022

EY Bedrijfsrevisoren BV  
Statutory auditor  
Represented by

Marnix Van Dooren \*  
Partner  
\*Acting on behalf of a BV

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