FLUVIUS SYSTEM OPERATOR Group

Consolidated Financial Statements IFRS

Year end 31 December 2018

Content

Financial Statements

Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2018	2017
Operating revenue		**1.392.051**	**1.027.178**
Revenue from contracts with customers	4	1.369.772	1.006.062
Other operating income	4	22.279	21.116
Operating expenses		**−1.374.139**	**−1.009.886**
Cost of trade goods		−115.266	−89.056
Cost for services and other consumables	5	−780.323	−554.667
Employee benefit expenses	6	−440.980	−367.179
Depreciation, amortization, impairments and changes in provisions		−35.053	1.672
Other operational expenses		−2.517	−656
Result from operations		**17.912**	**17.292**
Finance income	7	116.165	107.918
Finance costs	7	−123.883	−115.790
Profit before tax		**10.194**	**9.420**
Income tax expenses	8	−10.194	−9.420
Profit for the period		**0**	**0**

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2018	2017
Profit for the period		**0**	**0**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	20	−65.385	5.147
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	13	65.385	−5.147
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**0**	**0**
Total comprehensive income for the period		**0**	**0**

Consolidated statement of financial position

(In thousands of EUR)	Notes	2018	2017
Non-current assets		**4.228.706**	**3.685.531**
Intangible assets	9	2.697	469
Property, plant and equipment	10	16.414	2.392
Investment in joint ventures and associates	11	16	30
Other investments	12, 23	845	832
Rights to reimbursement on post-employment employee benefits	13	256.730	210.947
Long-term receivables, other	14	3.952.004	3.470.861
Current assets		**534.445**	**375.109**
Inventories	15	68.088	33.646
Trade and other receivables	16, 23	327.328	290.671
Receivables cash pool activities	16, 23	136.934	19.402
Cash and cash equivalents	17, 23	2.095	31.390
TOTAL ASSETS		**4.763.151**	**4.060.640**
EQUITY	**18**	**10.500**	**1.099**
Total equity attributable to owners of the parent		**10.407**	**1.006**
Share capital, reserves and retained earnings		10.407	1.006
Non-controlling interest		**93**	**93**
LIABILITIES		**4.752.651**	**4.059.541**
Non-current liabilities		**4.260.875**	**3.660.276**
Interest bearing loans and borrowings	19, 23	3.991.963	3.449.329
Lease liabilities		6.545	0
Employee benefit liabilities	20	224.587	210.947
Derivative financial instruments	21	5.637	0
Provisions	20	32.143	0
Current liabilities		**491.776**	**399.265**
Interest bearing loans and borrowings	19, 23	28.456	0
Lease liabilities		1.787	0
Trade payables and other current liabilities	22, 23	271.482	289.535
Liabilities cash pool activities	16, 23	187.978	96.415
Current tax liabilities	22	2.073	13.315
TOTAL EQUITY AND LIABILITIES		**4.763.151**	**4.060.640**

Consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2017	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 December 2017	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Balance at 1 January 2018	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Merger by incorporation	9.260	141	0	**9.401**	0	**9.401**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**9.260**	**141**	**0**	**9.401**	**0**	**9.401**
Balance at 31 December 2018	**10.175**	**213**	**19**	**10.407**	**93**	**10.500**

Further information was disclosed in the notes ‘Business combination and merger by acquisition’ and 'Equity'.

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2018	2017
Profit for the period		0	0
Amortization of intangible assets		−183	330
Depreciation on property, plant and equipment		2.713	853
Change in provisions (Reversal -; Recognition +)	20	32.143	0
Impairment current assets (Reversal -; Recognition +)	22	380	−2.855
Gains or losses on realization receivables		337	223
Net finance costs	7	7.912	7.872
Gains or losses on sale of property, plant and equipment		1.088	22
Income tax expense	8	10.194	9.420
Operating cash flow before change in working capital and provisions for employee benefits		**54.390**	**15.865**
Change in inventories		−376	1.649
Change in trade and other receivables		38.507	40.784
Change in trade payables and other current liabilities		−64.091	13.490
Change in employee benefits	20	−32.143	0
Net operating cash flow		**−58.103**	**55.923**
Interest paid		−136.635	−107.186
Interest received		122.775	101.376
Financial discount on debts	7	420	365
Income tax paid	8	−21.453	−9.691
Net cash flow from operating activities		**−38.606**	**56.652**
Proceeds from sale of property, plant and equipment		−453	2
Purchase of intangible assets		0	−19
Purchase of property, plant and equipment	9	−2.450	−966
Acquisition of business combinations	3	18.205	0
Net investments in long-term receivables		28	30
Net cash flow used in investing activities		**15.330**	**−953**
Repayment of borrowings	19	−1.750	−150.000
Proceeds from bonds/borrowings	19	0	199.737
Payment of finance lease liabilities		−862	0
Change in current liabilities	19	24.956	−411.308
Change in cash pool	16	−28.363	384.600
Provide long-term loans	19	0	−200.000
Repayment provided long-term loans	19	0	150.000
Net cash flow from/used in financing activities		**−6.019**	**−26.971**
Net increase/decrease in cash		**−29.295**	**28.728**
Cash and cash equivalents at the beginning of period	**17**	**31.390**	**2.662**
Cash and cash equivalents at the end of period	**17**	**2.095**	**31.390**

Notes to the consolidated financial statements

1 Corporate information

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

On 1 July 2018, the new network company Fluvius System Operator cvba was founded from the merger between Eandis System Operator cvba and its peer Infrax cvba. From a legal point of view, it was opted to have Infrax absorbed into Eandis System Operator, with Eandis System Operator cvba changing its name to Fluvius System Operator cvba (see note ‘Business combination and merger by absorption’).
This new utility company will among others be responsible for the construction, management and maintenance of distribution networks for electricity, gas in Flanders, as well as sewerage and cable distribution taken over from the former company Infrax into Fluvius System Operator.

Fluvius’s consolidated financial statements for the year ended 31 December 2018 contain the information of the company and its subsidiary, investments in joint ventures and associates (see note 'List of group entities included in the consolidation '), and together they form the 'Group'. Since the acquisition of Infrax cvba took place on 1 July 2018, the statement of profit or loss will only contain the results of the last six months of the acquired company.

The shareholders of Fluvius are fourteen Mission Entrusted Associations or MEAs in the Flemish Region (Belgium): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas, as well as Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra.
During 2019 further changes to the legal structure will be developed (see note ‘Events after the reporting date’).
Fluvius’s shareholders, together with this ‘Group’ form the ‘Economic Group Fluvius’, which publishes also its IFRS financial statements.

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

The grid assets themselves remain owned by the MEAs, that are also the holders of the electricity and gas distribution system operator licences granted by the Flemish energy regulatory authority, VREG.

Fluvius operates in all cities and municipalities in the Flemish Region (Belgium) but also in 4 municipalities of the Walloon Region.
The multi-utility-approach (several utility services comprised within one entity) will result into financial and operation efficiencies within Fluvius. The better utility works can be coordinated in terms of planning and approach, the less nuisance they cause and the less often streets are to be broken open.

The Group employed on average 4.290 persons during 2018 (2017: 4.262 persons) and calls on 1.377 persons on average that are employed in one of the MEAs of the ex-Infrax Group.

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

The MEAs have appointed Fluvius System Operator as their operating company.
On 26 June 2018 the Flemish energy regulator (VREG) decided to grant permission to the distribution system operators for energy Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, Inter-energa, Iveg and PBE to call on the services of the operating company Fluvius System Operator for electricity and gas. This authorisation shall apply until 25 September 2026.

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

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

This financial report for the financial year ended 31 December 2018 was approved on 28 March 2019 by the Board of Directors.

2 Summary of significant accounting policies

2.1 Statement of compliance and basis of presentation

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

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

2.2 Principles of consolidation

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

Investments in associates are companies in which a significant influence is exercised over the financial and operational policy, but for which there is no control. This is usually evidenced by the ownership of 20 % up to 50 % of the voting rights.

A joint venture is a joint arrangement whereby the Group has joint control of that arrangement. These investments and joint ventures are accounted for in the consolidation using the equity method as from the date on which that significant influence or joint control is obtained until the date on which the significant control or joint control ceases.

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

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

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

2.3 Segment reporting

The Group does not distinguish between different segments, neither at the level of activities, nor geographically, since the Group generates income as the operating company for Flemish MEAs.

2.4 Significant accounting policies

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

a) Revenue recognition

Revenue from contracts with customers

The main revenue stream of the Group results from the passing on of costs to mission entrusted associations in the context of its role. The costs incurred are charged on a monthly basis to the shareholders, being the mission entrusted associations.

The revenue stream from contruction 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. The ESLA activities are offered to the affiliated public authorities (cities and municipalities) at cost in support of the local energy policy

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

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

Other operating revenue
Other operating income mainly include the goundworks in synergy whereby their respective share in the costs is charged to the other utility companies, as well as reimbursement of general expenses incurred by contractors, insurance and other entities.

Finance income and dividends received
Finance income includes mainly interest realized from lending on funds from the bond issuances and from the cash pool activities. This interest is recognized when acquired and for the period to which it refers (taking into account the effective interest rate of the asset), unless collectability is doubtful.

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

b) Expenses

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

The premiums for *Rational Use of Energy (RUE)* paid to private individuals and companies are recognized as an expense in the statement of profit or loss.
These premiums are granted to individuals and companies that invest in energy-efficient applications such as installing insulation, high-efficiency glazing, solar water heater, and others. These premiums are evaluated every year in consultation with the Flemish government and can vary in size and application. 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 interest and other costs incurred in connection with financial transactions such as hedging options are recognized as financial expenses when they occur.

The income tax of the year comprises the tax charge payable. The tax on profit is recognized in the statement of profit or loss. 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 statement of financial position date and any adjustment to current taxes payable from previous years.

c) Intangible assets

Intangible assets are measured at cost less any accumulated amortizations and impairment losses. Intangible assets with a finite useful life are amortized on a straight-line basis over the expected useful life.

The following amortization percentage based on the estimated useful life is used:

Software	20,00%
Capitalized development costs	20,00%

d) Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses. The historical cost comprises the initial purchase price and any costs directly attributable to bringing the asset to the condition necessary for it to be operational in the manner intended by management.

Depreciation
Depreciation is recognized on a monthly basis in the statement of profit or loss on a straight-line basis as of the month following the date of bringing into use. Depreciation is calculated over the estimated useful life of each component of an item of property, plant and equipment.

The applied depreciation percentages on the basis of the average useful life are as follows:

Office furniture and equipment	10,00%
Leasehold improvement	10,00% and 11,12%
Computer equipment and hardware	20,00% and 33,33%
Test equipment (Electronic Vehicles in Action)	50,00%
Charging stations for electric vehicles	10,00%
Motor- & bicycles	20,00%
Other tangible assets	10,00%

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

Gains and losses on sale
Any gain or loss arising from the 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, recovery of the consideration is probable, the associated costs incurred or to be incurred can be estimated reliably, and there is no continuing managerial involvement with the property, plant and equipment.

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

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

Impairment
For each of the Group’s property, plant and equipment it is assessed on each statement of financial position date whether there are any indications of impairment for a particular asset. If any such indications exist, the recoverable amount of the asset has to be estimated.

Impairment has been recognized if an asset’s carrying amount exceeds the recoverable value. Impairment has been charged directly to the statement of profit or loss.

e) Investments in joint ventures and associates
Investments are accounted for at trade date.
These investments are at initial recognition measured at fair value, unless the fair value cannot be reliably determined in which case they are measured at cost.
An impairment is recognized if the carrying amount exceeds the expected realizable value.

f) Other investments

Investments are accounted for at trade date.

Investments in equity securities are undertakings in which the Group does not have significant influence or control. This is the case for companies where the Group holds less than 20% of the voting rights. Such investments are designated as available for sale financial assets and are at initial recognition measured at fair value, unless the fair value cannot be reliably determined in which case they are measured at cost.

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

g) Inventories

Inventories are measured at purchase cost. Their value is determined using the moving weighted average method.

An impairment is carried out for consumption goods or necessities that, due to their obsoleteness, are no longer usable for operational purposes or of which the estimated sale price is below the net realizable value. If items of inventory have not been used for more than a year, a loss of 100,00 % is recorded.

This impairment loss is recognized as an expense in the statement of profit or loss.

h) Trade and other receivables

Trade and other receivables are measured at their amortized cost.

A provision for doubtful debt is recorded on the basis of the expected future losses for a future period of 12 months as from the moment the receivable arises. Claims for which the risk of collection is higher are analysed on their entire term.

The Group has a relatively low risk with regards to invoices to Mission Entrusted Associations due to the support they receive from the Flemish Government. As a consequence of 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 to arrive at the provision of doubtful debts.

An alternative approach is used to arrive at the doubtful debt provision with respect to long-term receivables on Mission Entrusted Associations. In this context, the probability is evaluated that the counterparty – to which the claim relates – is in default, multiplied by the possible non-recoverable loss. This percentage is applied to the outstanding receivables to arrive at possible impairment losses.

The impairment losses are recognized in the statement of profit or loss.

i) Cash and cash equivalents

Cash and cash equivalents comprise the readily available cash resources, deposits that can be immediately withdrawn from credit institutions and other short-term, highly liquid investments (with a maximum maturity of 3 months), that are readily convertible to known amounts of cash. They are stated at face value, which approximates their fair value. For the purpose of the cash flow statement, they are presented as cash and cash equivalents.

j) Loans and borrowings

Interest bearing loans are recognized initially at fair value less related transaction expenses. Subsequent to initial recognition, interest bearing loans are valued 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.

k) Finance lease obligations

Agreements for which the underlying assets reflect the object of a finance lease, a long-term lease obligation must be recognized. They are valued at the lower of their present value of the minimum lease payments and the fair value at the start of the lease. Each lease payment is allocated between the liability, that decreases and as the financial component is charged to the statement of profit or loss of the current year.

l) Employee benefit liability

Pension plans and other post-employment benefits

The contributions for defined contribution plans have been recognized as an expense at the moment when incurred. Up to 2015 these kinds of pension plans were valued by using the intrinsic value and any individual difference between the mathematical reserve and the minimum guaranteed amount was recorded as a liability in the financial statements.
As from 2016 the guaranteed yield was changed to a variable yield (see note 'Pensions and other post-employment benefit plans'). Hence, the provision for defined contribution pension plans is valued according to the 'Projected Unit Credit'-method (PUC) without projection of the future premiums. As from 2018, the employers' portion of the pension plan Enerbel is calculated according to the PUC-method with projection of the future premiums. The contribution of the employee is still calculated via the PUC-method without projection of the future premiums as the employees' contributions are not depending 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.
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
A right of reimbursement on post-employment employee benefits has been recognized as an asset, since it is absolutely certain that another party (the shareholders, Mission Entrusted Associations)

will take over all obligations relating to the personnel rights of the company's employees or retired employees.
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.

m) Derivative financial instruments

The Group uses derivative financial instruments (Interest Rate Swaps - IRS) 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 swap was the estimated amount the Group would receive or pay to end the swap at the balance sheet date, taking into account the actual interest rate and the creditworthiness of the counterparty.

The derivatives do not qualify for hedge accounting.

n) Trade and other liabilities

Trade and other liabilities have been stated at amortized cost.

o) Current tax liabilities

Taxes on the result of the financial year include the taxes due. The taxes contain the expected tax liability on the taxable income of the year and adjustments to the tax liability of prior years. For the calculation of the taxes on the taxable income of the year, the tax rates were used that were enacted (or substantially enacted) by the end of the reporting period.

2.5 Summary of changes in accounting policies applicable as from 2018

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

- IFRS 9 *Financial instruments*
  This standard was issued in the framework of a wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.
  ➢ Classification and valuation: the Group's main financial assets include loans, lent on to the MEAs and currently recorded at amortized cost. These loans are held to obtain contractual cash flows and it is expected to obtain cash flows that only consist of receipts of principal and interest. The Group has analysed the characteristics of the contractual cash flows of each of these loans in detail and concluded that these instruments meet the criteria of IFRS 9 for valuation at amortized cost. Consequently, the current accounting treatment can be preserved under the new standard.
  ➢ Impairments: all trade receivables of the Group are short term receivables and as a result of which an application of the expected credit loss calculation has no impact. The currently used depreciation principles may be maintained under the new standard.
  ➢ Hedge accounting: the Group processed its derivatives at fair value through the statement profit or loss. The new standard will have no impact on the current accounting treatment.

- IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: in this standard a five step model for the recognition of revenue from contracts with customers is introduced. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied this standard retrospectively as per 1 January 2018. The main revenue stream of the Group results from passing on the costs of the development, management and maintenance of the distribution networks for electricity and natural gas; and the cost of other grid utilities to its shareholders, MEAs. This mechanism is performed on the basis of agreed allocation rules. IFRS 15 has no impact on the processing of these proceeds. Consequently, the current accounting treatment will be preserved under the new standard.

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

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

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

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

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

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

- Annual Improvements cycle – 2014-2016

2.6 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’.

Derivative financial instruments
Information about major items of uncertainty and critical judgment with regard to the recording of the derivative financial instruments is included in the note ‘Financial instruments: risks and fair value'.

2.7 Standards issued but not yet effective

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

- IFRS 16 *Leases*, effective 1 January 2019
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the statement of profit or loss. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
  The Group has appointed a project-team that is working on the implementation of the new IFRS standard leasing 16 and the adaptation to the IT system. The Group usually assumes the role of lessee. During the first phase, an overview of the existing operational leasing contracts was determined and analysed (the Group manages mainly leases of vehicles, IT equipment and buildings). Furthermore, specific attention and work was carried out to select a tool that can handle the number of contracts and support the corresponding IFRS 16 calculations and journal entries. Its implementation of the IT system is currently on-going.
  The impact on the consolidated figures is an increase of the assets and the lease obligations, because the lease contracts are currently recorded as operating lease costs. The reversal of the operating lease costs and the recording of the lease obligation according to IFRS 16 will lead to an increase in EBITDA, depreciation and financial costs. The calculation of the existing lease contracts on reporting date 31 December 2018 results in a projected increase of assets and liabilities with 37.916 k EUR as per 1 January 2019. This calculation takes into account certain assumptions for the discount rate and the low-threshold values.
  The Group will implement the standard as of 1 January 2019 using *the modified retrospective approach option 2*. The cumulative effect by applying IFRS 16 will therefore be shown at the start date and represents the right of use asset, that in the opening balance sheet equals the lease obligation without adjusting the comparative figures.

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

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

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

- IFRS 17 *Insurance Contracts*, effective 1 January 2021

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material, effective 1 January 2020

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

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

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

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

On 29 March 2018, the IASB has issued Amendments to References to the Conceptual Framework in IFRS Standards. The Conceptual Framework sets out the fundamental concepts of financial reporting that guides the Board in developing IFRS Standards. The amendments apply to entities using IFRS as from 1 January 2020, while the IASB will immediately apply the revised Conceptual Framework for the development of new or revised standard and interpretations.

3 Business combination and merger by absorption

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

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

The number of shares per shareholder in Fluvius System Operator at 31 December 2018 is as follows:

Mission entrusted associations	Amount in euro of voting shares	Amount in euro of non-voting shares	Amount of voting shares	Amount of non-voting shares
Gaselwest	151.886		2.852.920	
IMEA	125.921		2.365.216	
Imewo	205.136		3.853.144	
Intergem	100.169		1.881.507	
Iveka	131.258		2.465.460	
Iverlek	177.811		3.339.885	
Sibelgas	22.944		430.972	
Total ex-Eandis	**915.125**		**17.189.104**	**0**
Infrax West	70.082	1.689.205	1.655.248	28.844.464
Inter-aqua	52.856	1.273.997	1.248.387	21.754.476
Inter-energa	112.397	2.709.140	2.654.680	46.260.642
Inter-media	44.993	1.084.477	1.062.677	18.518.275
Iveg	44.262	1.066.866	1.045.420	18.217.556
PBE	29.508	711.244	696.946	12.145.038
Riobra	14.754	355.622	348.473	6.072.519
Total ex-Infrax	**368.851**	**8.890.551**	**8.711.831**	**151.812.970**
Total	**1.283.976**	**8.890.551**	**25.900.935**	**151.812.970,00**

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

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

All different items in the balance sheet were recognised at fair value.

Property, Plant and Equipment

The Group makes use of a finance lease under IAS 17 *Leases* for their renting contracts related to trucks. An asset will be recognised as being the present value of the future lease payments. In addition, a lease liability (short- and long-term) is recognised whereby the result is recharged and recorded as a receivable on the balance sheet (see note 'Trade and other receivables').

Long-term receivables, other

On 1 July 2018, the long-term receivables amount to 456.318 k EUR.
Those are receivables towards the Mission Entrusted Associations for an amount of 450.000 k EUR being part of the recharge related to the recorded bond loan of 500.000 k EUR. The same conditions apply as those of the respective bond loan.
Furthermore, this item contains the recharge of costs mainly related to the fair value of the derivative (5.831 k EUR) and guarantees deposited (488 k EUR).

The recorded trade and other **receivables** are checked for their fair value. The Group expects to collect all of those receivables.

Loans and other borrowings (Long-term and short-term)
On 1 July 2018 the interest bearing loans and borrowings amount to 543.590 k EUR from which 498.965 k EUR are related to bond loans and 44.625 k EUR to bank loans. The interest bearing loans on long-term amount to 541.840 k EUR and to 1.750 k EUR on short-term.

In order to diversify its financing sources, Infrax cvba issued **bonds,** of 250.000 k EUR each in 2013 and 2014. Thes issuances are part of a European Medium Term Note (EMTN) programme of 500.000 k EUR. launched in 2013 and 2014. Those bonds are listed on the Euronext stock exchange in Brussels. The 2013 bond has a 10 year maturity with a 3,75% coupon; the 2014 bond has a 15 year maturity with a coupon of 2,625%.
The cash and cash equivalents received from those bond loans were partly recharged to the Mission Entrusted Associations (Infrax West, IVEG, Inter-energa, Inter-aqua, PBE and Riobra) under the same terms to those of the respective bond loans. Those recharges create a receivable for the Group of 450.000 k EUR being recorded as a long-term receivable. The principal has to be repaid at maturity date.
Also a **bank loan** of 70.000 k EUR was recorded in 2011 by Infrax cvba with a maturity period of 20 years and a variable interest rate. This loan was, via an interest rate swap, swapped to a fixed interest rate. On 1 July 2018 an amount of 44.625 k EUR is still outstanding on the long-term, whereas an amount of 1.750 k EUR is recorded as short-term because it will be reimbursed in 2019.
All outstanding loans are expressed in euro.
For all the bond loans, each of the MEAs (shareholders of the Infrax-Group) is guarantor on a several but non-joint basis, but limited to its proportional share in the capital of Infrax.
The Mission Entrusted Associations use these funds primarily to fund their ongoing investment in the distribution networks and as working capital for its issuer (Infrax cvba).

Derivative financial instruments are recognised at fair value and their related charges are recorded via deferred charges. The total liability as per 1 July 2018 amounts to 5.831 k EUR.
The Group has entered into an interest rate swap in order to convert the variable interest rate on a long-term loan into a fixed interest rate. The interest rate swap relates to the loan of originally 70.000 k EUR with a maturity of 20 years and entered into force on September 2011.

All **other** items were investigated and no adjustments are required for changes to fair value.

No conditional reimbursement of assets due to indemnification has been identified.

The consolidated IFRS financial statements for the accounting year ending at 31 December 2018 contain the figures of the last six months after the incorporation at 1 July 2018. The acquired company recharges all its costs to its shareholders, the Mission Entrusted Associations. The total amount of charges which are recorded in accordance with Belgian GAAP for the first semester of 2018 amounts to 262.085 k EUR and are recognised in equity.

Performance of the year

4 Operating revenue

(In thousands of EUR)	2018	2017
Recharge of costs to the Mission Entrusted Associations	1.365.158	1.000.481
Construction works for third parties	4.614	5.581
Revenue from contracts with customers	**1.369.772**	**1.006.062**
Other operating revenue	**22.279**	**21.116**
Total	**1.392.051**	**1.027.178**

The total operating revenue has increased, when compared to 2017, with 364.873 k EUR from 1.027.178 k EUR to 1.392.051 k EUR mainly explained by the merger.

Revenue from contracts with customers
The proceeds from passing on costs to the MEAs are recognized on a monthly basis. The proceeds from construction works for third parties are recognized at some point in time.

The Group realized most of its revenue from management fees invoiced mainly to the Mission Entrusted Associations. The pass-through via the management invoices reflects all costs necessary in order to carry out its duties as an independent service delivery company for the operation of the electricity and gas grids and other grid-related activities.
The billing of 'Construction works for third parties' comprises revenue from various executed works for third parties for a.o. energy services to local authorities (ESLA) and public lighting.

Hereunder is the detail of the pass-through to the major customers (mainly MEAs) generating more than 10% during the period:

	2018		2017	
Company	Revenue in k EUR	% relative to revenue	Revenue in k EUR	% relative to revenue
Gaselwest	210.035	15,3%	194.037	19,3%
IMEA	122.434	8,9%	109.799	10,9%
Imewo	257.091	18,8%	233.164	23,2%
Iveka	153.071	11,2%	137.880	13,7%
Iverlek	220.223	16,1%	203.820	20,3%
Other	406.918	29,7%	127.362	12,7%
Total	**1.369.772**	**100,0%**	**1.006.062**	**100,0%**

Information regarding the performance obligations in contracts with clients is summarized below:

Energy Services for Local Authorities (ESLA)
The contracts with customers are generally from three promises. The first promise is to perform a study of possible energy savings. After this study, works are started up and the Group is responsible

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

Public lighting
The contracts with customers include generally 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 operating revenue'** mainly comprises groundworks in synergy, whereby their respective share in the costs is charged to the other utility companies as well as repayments of general costs of contractors, insurance companies and other entities.

5 Cost for services and other consumables

(In thousands of EUR)	2018	2017
Cost contractors for grid construction and maintenance	385.011	234.880
Cost for direct purchases	104.707	68.115
Fee for usage of installations including charges	82.605	63.283
Advertising, information, documentation, receptions a.o.	9.737	6.672
Subsidy for rational use of energy (RUE)	51.197	62.804
Contracts and administration costs	12.204	12.584
Consultancy and other services	80.783	58.222
Other	54.079	48.107
Total	**780.323**	**554.667**

The cost for services and other consumables increases with 225.656 k EUR compared to 554.667 k EUR in 2017 and amounts to 780.323 k EUR in 2018.

The costs for the rational use of energy (RUE) amount to 51.197 k EUR in 2018 and 62.804 k EUR in 2017. These costs reflect the payment of the premiums for RUE applied for by individuals and companies. For 2018, especially roof insulation premiums were applied.
As of 2017, the Flemish authorities apply stricter technical conditions in the field of energy when repaying RUE premiums.

The item 'Other' comprises the costs for rent, communication, transportation, insurance, seminars and other.

All of these costs have been recharged mainly to the Mission Entrusted Associations.

6 Employee benefit expenses

(In thousands of EUR)	2018	2017
Remunerations	267.533	261.585
Social security contributions	65.187	67.326
Contributions to defined benefit plans and other insurances	7.918	16.610
Other personnel costs	100.342	21.658
Total	**440.980**	**367.179**

The employee benefit expenses amounted to 440.980 k EUR in 2018, an increase of 73.801 k EUR compared to 367.179 k EUR in 2017. This increase is mainly explained by the item 'Other personnel costs' in which the personnel costs of the acquired company are captured. Those costs will be charged through to the individual MEAs.

The average number of employees amounted to 4.290 persons in 2018.

7 Financial results

(In thousands of EUR)	2018	2017
Interest income distribution system operators	116.262	107.454
Interest income banks	28	5
Interest income, derivative financial instruments	194	0
Other financial income	−319	459
Total financial income	**116.165**	**107.918**
Interest expenses distribution system operators	0	68
Interest expenses banks	544	965
Interest expenses bond loans	114.392	107.371
Other financial expenses	8.947	7.386
Total financial expenses	**123.883**	**115.790**

The interest income was principally realized from the interest on the loans to the Mission Entrusted Associations, as well as the interest on the cash pool activities with the Mission Entrusted Associations.

Other financial income mainly comprises financial discounts (420 k EUR in 2018; 365 k EUR in 2017).

The interest expenses were the result of the interest on the bond loans, loans with the banks and partly from the cash pool activities with the Mission Entrusted Associations.

The other financial expenses comprise costs related to debt, financial costs for rent, interest costs on defined benefits liabilities and various bank costs.

8 Income tax expenses

(In thousands of EUR)	2018	2017
Current income tax expenses	−9.670	−10.062
Current income tax expenses on previous year result	−524	642
Total income tax expenses	**−10.194**	**−9.420**

(In thousands of EUR)	2018	2017
Profit before tax	10.194	9.420
Effect non-deductible expenses	22.495	20.182
Effect deductible expenses	0	−1
Tax basis	**32.689**	**29.601**
Total current income tax expenses	**−9.670**	**−10.062**

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

Total income tax expenses amount to 10.194 k EUR at the end of 2018 and 9.420 k EUR at the end of 2017. This increase is the result of the higher amount of non-deductible expenses on which the tax calculation is based.
The income tax expenses of 10.194 k EUR (2017: 9.420 k EUR) consist of prepaid taxes for the financial year 2018 (7.699 k EUR; 2017: 4.337 k EUR), the estimated income taxes for 2018 (1.970 k EUR; 2017: 5.725 k EUR) and a regularisation for the previous financial years (2018: 525 k EUR; 2017: -642 k EUR).
In total, 21.454 k EUR of taxes were paid during 2018 (2017: 9.691 k EUR) relating on the one hand to previous financial years (2018: 13.755 k EUR; 2017: 5.354 k EUR) and on the other hand to prepaid taxes (2018: 7.699 k EUR; 2017: 4.337 k EUR).

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

Assets

9 Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2018	4.768	0	**4.768**
Acquisitions from third parties	0	28.431	**28.431**
Other	0	−25.646	**−25.646**
Acquisition value at 31 December 2018	**4.768**	**2.785**	**7.553**
Amortization and impairment at 1 January 2018	4.299	0	**4.299**
Acquisitions from third parties	0	25.747	**25.747**
Amortization	281	−464	**−183**
Other	0	−25.007	**−25.007**
Amortization and impairment at 31 December 2018	**4.580**	**276**	**4.856**
Net book value at 31 December 2018	**188**	**2.509**	**2.697**

The amounts reported as Acquisitions from third parties relate to the amounts acquired from the business combination and merger by absorption (see note ‘Business combination and merger by absorption’).
The amounts in the item ' Other ' concern the write-down of development costs of 'smart meters’

(In thousands of EUR)	Licences and similar rights	Total
Acquisition value at 1 January 2017	4.749	**4.749**
Acquisitions	19	**19**
Acquisition value at 31 December 2017	**4.768**	**4.768**
Amortization and impairment at 1 January 2017	3.969	**3.969**
Amortization	330	**330**
Amortization and impairment at 31 December 2017	**4.299**	**4.299**
Net book value at 31 December 2017	**469**	**469**

10 Property, plant and equipment

(In thousands of EUR)	Installation, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Others	Total
Acquisition value at 1 January 2018	185	69.364	0	1.564	**71.113**
Acquisitions	0	2.046	633	404	**3.083**
Acquisitions from third parties	0	26.245	8.003	1.165	**35.413**
Acquisition value at 31 December 2018	**185**	**97.655**	**8.636**	**3.133**	**109.609**
Depreciation and impairment at 1 January 2018	40	68.010	0	671	**68.721**
Depreciation	18	1.653	853	189	**2.713**
Acquisitions from third parties	0	21.299	0	465	**21.764**
Sales and disposals	0	−3	0	0	**−3**
Depreciation and impairment at 31 December 2018	**58**	**90.959**	**853**	**1.325**	**93.195**
Net book value at 31 December 2018	**127**	**6.696**	**7.783**	**1.808**	**16.414**

The amounts reported as Acquisitions from third parties relate to the amounts acquired from the business combination and merger by absorption (see note ‘Business combination and merger by absorption’).

(In thousands of EUR)	Installation, machinery and equipment	Furniture and vehicles	Others	Total
Acquisition value at 1 January 2017	70	68.799	1.490	**70.359**
Acquisitions	115	709	142	**966**
Sales and disposals	0	−144	−68	**−212**
Acquisition value at 31 December 2017	**185**	**69.364**	**1.564**	**71.113**
Depreciation and impairment at 1 January 2017	25	67.401	630	**68.056**
Depreciation	15	729	109	**853**
Sales and disposals	0	−120	−68	**−188**
Depreciation and impairment at 31 December 2017	**40**	**68.010**	**671**	**68.721**
Net book value at 31 December 2017	**145**	**1.354**	**893**	**2.392**

As of 31 December 2018 and 2017 there were no limitations on ownership and on property, plant and equipment which serve as guarantee for obligations.

There were no engagements for the acquisition of property, plant and equipment at the end of 2018 and 2017.

11 Investments in other companies

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

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

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

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

12 Other investments

The other investments amount to 832 k EUR at the end of 2018 (2017: 832 k EUR).
The other investments comprise the participations still held by the Group in the business centres situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes and Waregem) and Imewo (business centres Bruges, Ghent, Meetjesland and Ostend). Besides, the Group has a participation in the company Duwolim cvba, which aims to reduce energy consumption at home.

13 Rights to reimbursement on post-employment employee benefits

The costs related to the employee benefit liabilities are recoverable from the Distribution System Operators. At the end of 2018 the rights to reimbursement on the long-term employee benefits amounted to 256.730 k EUR and 210.947 k EUR at the end of 2017 (see note ‘Pensions and other post-employment benefit plans’).

14 Short- and long-term receivables, other

(In thousands of EUR)	2018	2017
Receivable from MEA following lending-on funds from issuance bonds with private investors (retail)	370.000	370.000
Receivable from MEA following lending-on funds from issuance bonds with institutional investors (stand alone)	440.000	440.000
Receivable from MEA following lending-on funds from issuance bonds with European institutional investors (EMTN program*)	3.110.500	2.660.500
Other	31.504	361
Total long-term receivables	**3.952.004**	**3.470.861**

*Euro Medium Term Note (EMTN) programme – see note 'Financial instruments'

The long-term receivables increase from 3.470.861 k EUR at the end of December 2017 to 3.952.004 k EUR at the end of December 2018 because of the inclusion of financing activities of the acquired company. Those receivables are lent to the MEAs and to a subsidiary.

The terms of the long-term loans to the Mission Entrusted Associations were identical to those of the respective bond loans (see note 'Interest bearing loans and borrowings').

15 Inventories

(In thousands of EUR)	2018	2017
Trade receivables - gross	74.453	39.526
Impairments on trade receivables	−6.365	−5.880
Total	**68.088**	**33.646**

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

16 Trade and other receivables, receivables cash pool activities

(In thousands of EUR)	2018	2017
Trade receivables - gross	267.447	159.006
Impairments on trade receivables	−14.823	−3.586
Trade receivables - net	**252.624**	**155.420**
Other receivables	**74.704**	**135.251**
Total trade and other receivables	**327.328**	**290.671**
Receivables cash pool activities	**136.934**	**19.402**

The trade receivables consist mainly of receivables with the Mission Entrusted Associations and energy suppliers and amount to 130.707 k EUR in 2018 and 117.309 k EUR in 2017. This increase in the receivables from the Mission Entrusted Associations is the result of the merger with ex-Infrax. The charges made by this network company are charged through Fluvius System Operator to the MEAs.
Besides, receivables are recorded relating to an external customer group. Based on the valuation principles, an impairment of 14.823 k EUR (2017: 3.586 k EUR) had to be recorded (See note 'Financial instruments: policy').

The decrease in the 'Other receivables' is mainly due to a decrease of the receivable for a VAT amount to be recovered from the members of the VAT group (2018: 13 k EUR; 2017: 71.275 k EUR). As a result of the merger and legal regulations, the MEAs are not part anymore of the members of the VAT group and which explains the decrease in receivables.
The VAT receivable amounts to 35.422 k EUR (2017: 5 k EUR).
The other receivables also contain accrued interest from the Mission Entrusted Associations on the bonds that were recharged.

The item 'Receivables cash pool activities' comprises the balances on the accounts of the Mission Entrusted Associations related to the cash pool and should be evaluated together with the item 'Liabilities cash pool activities'.

The information regarding outstanding balances with the associate was included in note 'Related parties'

17 Cash and cash equivalents

Cash resources amount to 2.095 k EUR in December 2018 (2017: 31.390 k EUR) and comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash.
All resources are reported in euro.

Liabilities

18 Equity

The separate components of shareholders' equity and the movements therein from 1 January 2017 until 31 December 2018 are included in the 'Statement of changes in equity'.

The share capital at end of December 2018 amounts to 10.175 k EUR (2017: 915 k EUR) and was fully subscribed and paid up.
The shares are nominative in the name of the Mission Entrusted Associations and are distributed in accordance with the information included in note 'Business combination and merger by acquisition'.

The total share capital related to the voting shares, consists of the fixed part, amounting to 27.952,00 EUR (2017: 18.550,00 EUR) and the variable part, amounting to 1.256.023,84 EUR (2017: 896.574,84 EUR) at the end of December 2018.
The variable part of the capital is the result of the acquisition of the activities and employees of the subsidiary Indexis cvba as at 1 January 2016 (896.574,84 EUR) and by the acquisition of the activities of Infrax cvba on 1 July 2018 (359.449,00 EUR).
The share capital related to non-voting shares in the books of the acquired company amounts to 8.890.551 EUR (See note 'Business combination and merger by absorption').

The reserves increase with 141 k EUR and amount to 213 k EUR at the end of 2018 (2017: 72 k EUR).
The legal reserve was formed out of profits to be distributed at a rate of 5,00% up to a maximum of 10,00% of the assigned capital.
As a result of the merger with Infrax cvba, reserves amounting to 82 k EUR were incorporated and a share premium of 59 k EUR arose.

The Group's results are in all cases without profits or losses, since all operational costs can be billed through to mainly the Mission Entrusted Associations.

The non-controlling interest at the end of 2018 amounts to 93 k EUR (2017: 93 k EUR) comprising the participation held by Farys/TMVW in De Stroomlijn.

19 Interest-bearing loans and borrowings

(In thousands of EUR)	2018	2017
Long-term loans	**3.991.963**	**3.449.329**
Current portion of long-term loans	3.500	0
Short-term loans	24.956	0
Short-term loans	**28.456**	**0**
Total	**4.020.419**	**3.449.329**

At the balance sheet date of 2018, the interest bearing loans and borrowings increase with 571.090 k EUR from 3.449.329 k EUR at 31 December 2017 to 4.020.419 k EUR at 31 December 2018.

The increase is mainly explained by two EMTN bond loans and one bank loan being acquired in the course of the merger.
The negative cashpool balance of 24.956 k EUR per end of 2018 was financed by the available credit facility.

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

(In thousands of EUR)	2018		2017	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	**3.449.329**		**3.808.473**	
Movements on non-current loans (LT)				
Incorporation of long-term loans	541.840	0	0	0
Proceeds of non-current loans	0	0	199.737	0
Change in non-current loans	0	2.544	0	2.440
Transfer of short-term portion of LT loan to ST	0	−1.750	0	0
Movements on current loans (ST)				
Proceeds of current loans	24.956	0	0	0
Incorporation of short-term loans	3.500	0	0	0
Transfer of short-term portion from LT loan to ST	0	1.750	0	0
Change in current loans	0	0	0	−12
Repayment of short-term portion of long-term loan	−1.750	0	−150.000	0
Repayment current loans	0	0	−411.309	0
Total movements	**568.546**	**2.544**	**−361.572**	**2.428**
Total at end of reporting period	**4.020.419**		**3.449.329**	

Loans on long-term

All outstanding loans are expressed in euro and have a fixed interest rate, except for the bank loan. The latter has a monthly variable interest rate and was swapped to a fixed interest rate by proceeding the interest rate swap (see note ‘Derivative financial instruments’).

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

At the end of 2018

(In thousands of EUR)	2018	Initial amount	Current interest rate %	Maturity
Bond issue - retail	369.760	370.000	2,00 - 4,25	2020 - 2025
Bond issue - EMTN*	3.145.560	3.160.500	1,75 - 4,50	2021 - 2033
Bond issue - private**	435.518	440.000	2,60 - 3,55	2027 - 2044
Bank loans - with derivative instrument	44.625	70.000	3,31	2.031
Total	**3.995.463**	**4.040.500**		
Current portion of long-term debt	−3.500	0		
Total long-term loans	**3.991.963**	**4.040.500**		

At the end of 2017

(In thousands of EUR)	2017	Initial amount	Current interest rate %	Maturity
Bond issue - retail	369.714	370.000	2,00 - 4,25	2020 - 2025
Bond issue - EMTN*	2.644.335	2.660.500	1,75 - 4,50	2021 - 2033
Bond issue - private**	435.280	440.000	2,60 - 3,55	2027 - 2044
Total	**3.449.329**	**3.470.500**		
Current portion of long-term debt	0	0		
Total long-term loans	**3.449.329**	**3.470.500**		

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

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

During the course of 2018 no additional bonds nor additional bank loans were issued by the Group.

Loans on short-term
The loans on short-term contain the portion of the long-term loans which are repayable within one year (3.500 k EUR on year-end 2018, 0 k EUR on year-end 2017) and the loans drawn with financial institutions as reported below:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	(1)	200.000	24.956	175.044	0,60%
Fixed loans	NA	50.000	0	50.000	NA
Total on 31 December 2018		**972.000**	**24.956**	**947.044**	
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	NA	200.000	0	200.000	NA
Fixed loans	NA	100.000	0	100.000	NA
Total on 31 December 2017		**1.022.000**	**0**	**1.022.000**	

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

All short-term loans are subscribed by Fluvius System Operator in the name and on behalf of the Mission Entrusted Associations who stand surety for their part and act as joint co-debtor except for the bank overdrafts.

20 Employee benefit liability

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

Until 2017, defined contribution plans were valued according to the Projected Unit Credit (PUC) method without projection of future contributions. As of 2018, the employer contributions with respect to O.F.P. Enerbel will be calculated according to the PUC method with projection of future

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

The pension funds are not subject to the Solvency II regulation of insurance companies and can obtain better expected returns by diversification of their investments. Hence, 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%

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

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

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

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

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. The Belgian legislation and the pension regulations provide that the dedicated assets should only finance the relevant benefits. This results in determining an **asset ceiling**. The determination of the asset ceiling takes into consideration the projected total benefit payable under the assumptions and as per the pension plan rules.

Right of reimbursement
Since the expenses related to the employee benefits are reclaimable from the Mission Entrusted Associations, rights of reimbursement, equal to the employee benefit liability reported in the balance sheet, are recognized.

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

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

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

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

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

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

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

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

Accounting treatment

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 is working on a ‘renewed’ pension plan for which the timing and implementation cannot yet be determined precisely.

As a result, an amount of 32.143 k EUR was no longer included as a provision for employee benefits (with a positive effect on ‘Employee charges’ in the profit and loss statement), hence a constructive obligation was recognised on the balance sheet caption ‘Other provisions’ (and on the ‘Changes in provisions’ in the profit and loss statement).

Amounts recognized in comprehensive income

(In thousands of EUR)	2018	2017
Current Service cost (employer only) - tax on service cost included	−35.201	−24.396
Interest expense	−11.297	−12.120
Interest income - interest income from asset ceiling excluded	7.126	8.623
Curtailments	−100	0
Past service cost	−18.131	0
Actuarial gains and (losses) recognised immediately in profit or loss	1.604	4.272
Total costs included in profit or loss	**−55.998**	**−23.622**
Actuarial (gains) losses on liabilities:		
changes in financial assumptions	28.393	−7.484
changes in demographic assumptions	4.796	−7.342
effect of experience adjustments	4.888	−26.279
Actuarial (gains) losses on assets	54.574	−8.220
Taxes on unfunded employee benefit obligations	1.345	0
Effect of variation of the asset ceiling	−28.611	44.178
Total costs included in other comprehensive income	**65.385**	**−5.147**

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	653.071	−673.263	−20.192
Pensions - unfunded status	32.453	0	32.453
Healthcare costs, tariff benefits - unfunded status	156.623	0	156.623
Other long-term employee benefits - funded status	71.833	0	71.833
Impact on minimum funding requirement/effect of asset ceiling	0	16.013	16.013
Total defined benefit obligation and long-term employee benefits at 31 December 2018	**913.980**	**−657.250**	**256.730**
Pensions - funded status	622.763	−645.527	−22.764
Pensions - unfunded status	25.547	0	25.547
Healthcare costs, tariff benefits - unfunded status	160.828	0	160.828
Other long-term employee benefits - funded status	62.525	−15.189	47.336
Total defined benefit obligation and long-term employee benefits at 31 December 2017	**871.663**	**−660.716**	**210.947**

Changes in the present value of the obligation

(In thousands of EUR)	2018	2017
Total at 1 January	−871.663	−930.883
Actuarial gains (losses) - financial assumptions	−26.611	3.155
Actuarial gains (losses) - demographic assumptions	−9.342	18.009
Actuarial gains (losses) - experience adjustments	−519	25.133
Acquisitions/disposals	−13.004	0
Curtailments	7.308	0
Current service cost - taxes included	−35.201	−24.396
Participant contributions	−2.162	−2.394
Interest cost	−11.297	−12.120
Benefit payments - taxes included	67.987	51.834
Past service cost	−18.131	0
Total at 31 December before tax on unfunded obligations	**−912.635**	**−871.663**
Taxes on unfunded obligations	−1.345	0
Total at 31 December	**−913.980**	**−871.663**

Changes in the fair value of the plan assets

(In thousands of EUR)	2018	2017
Total at 1 January	704.894	671.520
Actuarial gains (losses) - correction on assets at 1 January	−15.360	−27.799
Return on plan assets (excluding interest income)	−39.215	35.098
Acquisitions/disposals	11.198	0
Curtailments	−7.408	0
Interest income	7.572	8.623
Employer contributions - taxes included	77.406	66.891
Participant contributions	2.162	2.394
Benefit payments - taxes included	−67.987	−51.834
Total at 31 December	**673.262**	**704.894**
Irrecoverable surplus (effect of asset ceiling)	−16.013	−44.178
Total at 31 December	**657.250**	**660.716**

Changes in the asset ceiling

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

Changes in other comprehensive income

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

Classification of the plan investments on the balance sheet date

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

Category	Elgabel %	Other %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
Investments quoted in an active market	**78,14**	**76,55**	**78,80**	**77,33**	**83,94**	**78,94**
Shares (Eurozone)	16,42	13,18	17,77	9,10	13,92	16,14
Shares (Outside eurozone)	21,36	21,93	21,12	0	24,67	21,26
Government bonds (Eurozone)	0	0	0	20,85	0	0,44
Other bonds (Eurozone)	25,97	26,67	25,68	45,34	29,21	26,76
Other bonds (Outside eurozone)	14,39	14,77	14,23	2,04	16,14	14,34
Unquoted investments	**21,86**	**23,45**	**21,20**	**22,67**	**16,06**	**21,06**
Real estate	2,74	2,82	2,71	3,90	2,64	2,75
Qualifying insurance contracts	3,29	0	0	0	0	0
Cash and cash equivalents	15,83	4,38	2,84	6,06	2,91	3,24
Other	0	16,25	15,65	12,71	10,51	15,07
Total in %	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)	**332.559**	**42.060**	**202.753**	**14.216**	**81.675**	**673.263**

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

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

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

(In thousands of EUR)	2018	2017
Breakdown of defined benefit obligation by type of plan participants	**−913.980**	**−871.663**
Active plan participants	−700.098	−619.633
Terminated plan participants with deferred benefit entitlements	−19.607	−29.000
Retired plan participants and beneficiaries	−194.276	−223.030
Breakdown of defined benefit obligation by type of benefits	**−913.980**	**−871.663**
Retirement and death benefits	−685.524	−648.310
Other post-employment benefits (medical and tariff reductions)	−156.623	−160.828
Jubilee bonuses (Seniority payments)	−71.833	−62.525

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

(In thousands of EUR)	Effect: increase (-) / decrease (+)
Discount rate (+0,25%)	22.779
Inflation (+0,25%)	−20.333
Salary increase (+0,10%)	−7.062
Health care increase (+0,10%)	−1.579
Tariff advantages (+0,50%)	−4.936
Life expectancy of pensioners (+1 year)	−11.704
Expected return on assets (+0,10%)	706

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 companies.
These assumptions are challenged on a regular basis.
Exceptional events (such as modification of the plan, change of assumptions, too short degree of coverage...) can eventually lead to additional payments by the Group.

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

The Group estimates to contribute 3.406 k EUR to the defined benefit pension plans in 2018 and 11.667 k EUR to the defined contribution plans.

21 Derivative financial instruments

The Group has entered into an interest rate swap in order to convert the variable interest rate on long-term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 5.637 k EUR in 2018.

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

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

Overview of the derivative financial instruments as per 31 December 2018
An interest rate swap within the framework of the original 70.000 k EUR loan with a maturity of 20 years concluded in September 2011 entered into force in September 2011.

22 Trade payables and other liabilities, liabilities cash pool activities, current tax liabilities

(In thousands of EUR)	2018	2017
Trade debts	96.434	87.021
Invoices to be received	50.164	34.630
Subtotal	**146.598**	**121.651**
VAT	11	36.587
Taxes payable on remuneration	1.621	1.587
Remuneration and social security	66.894	70.791
Other current liabilities	56.358	58.919
Total trade payables and other current liabilities	**271.482**	**289.535**
Liabilities cash pool activities	**187.978**	**96.415**
Current tax liabilities	**2.073**	**13.315**

The items relating to trade payables and other current liabilities decrease with 18.053 k EUR from 289.535 k EUR at end 2017 to 271.482 k EUR at end 2018, mainly due to the decrease of the VAT balances payable partly compensated by the increase of the trade debts as a result of the merger. The other current liabilities mainly comprise the costs to be attributed, principally relating to the finance costs for issuing bonds, car fleet and Information & Communication Technology projects.

The payable cash pool activities amount to 187.978 k EUR at year end 2018 and 96.415 k EUR at year end 2017 (see note 'Trade and other receivables, receivables cash pool activities').

The payment term and conditions for these payables are as follows:
For the standard trade contracts the average payment term was 39 days and for contractors 30 days after invoice date.
The Value Added Tax payable and the withholding tax payable were due 20 and 15 days respectively after the end of the month. All amounts were paid on their expiry date.

Financial instruments

23 Financial instruments: policy

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, for compliance with the guidelines on risk management and reporting.

The Group's functioning as the operating company for the Mission Entrusted Associations limits to a large degree the risks and their possible negative impact.

Equity structure
The Group's equity structure consists of equity and the financial liabilities.
Apart from the legally required minimum levels for equity that are applicable for Fluvius System Operator and its subsidiaries, investments in joint ventures and associates the Group is not subject to any externally required qualifications for its capital structure.

Within the Group short-term financing has been called upon to support the working capital. The long-term loans are contracted by Fluvius System Operator to finance the MEAs and are lent through at the same conditions as the contracted loans.

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 maximum credit risk is each financial asset's balance sheet value.
The Group recharges its costs mainly to its shareholders, its non-controlling interests and the associates, whereby it limits its credit risk.

Ageing analysis of trade receivables past due, but not impaired

(In thousands of EUR)	2018	2017
0 - 30 days	6.915	6.915
31 - 60 days	1.919	1.919
61 - 90 days	1.084	1.084
91 - 120 days	1.213	1.213
>120 days	6.624	6.624
Total overdue	**17.755**	**17.755**

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2018	2017
Total at 1 January	−3.586	−6.440
Charge of impaired receivables	−3.688	−3.688
Write back of impaired receivables	6.542	6.542
Total at 31 December	**−732**	**−3.586**

Currency risk
The Group is not substantially exposed to currency risk 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 calls upon several banks to attract resources on short term. Commercial paper was issued within the framework of a treasury bill programme. Fixed advances and commercial papers can be called on with a maturity of one week up to twelve months, as well as fixed loans (straight loans) with a maturity between one day up to one year. All loans have fixed interest rates during the term of the loan except for the bank overdraft that has a variable interest rate.

The Group enters into long-term loans to finance the MEAs. These long-term loans were fully lent on at the same conditions as the contracted loans.
The MEAs use these resources to finance the investments in the distribution grids, to refinance loans and to pay interest as well as working capital. Ex-Eandis, however, also used a part of the net proceeds of these loans at the end of 2014 to pay the fee in the name and on behalf of the public administrations to Electrabel as part of the latter's exit out of the MEAs of ex-Eandis.

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

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

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

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

Eandis successfully issued bonds in the framework of its 5.000.000 k EUR Euro Medium Term Note (EMTN) programme launched in 2011 and which runs through 2021.
At the end of 2018, an amount of 2.660.500 k EUR or 53,21% was issued. Since year end 2014 no more bonds were issued under this programme.
Infrax issued bonds in the framework of its 500.000 k EUR EMTN programme launched in 2013. A first part was issued for 250.000 k EUR in 2013 (to mature in 2023) and a second part of 250.000 k EUR was launched in 2014 (to mature in 2029).
All funds from the bond loans, except for 50.000 k EUR, were fully lent on to the MEAs at the same conditions as the bond loans. The resulting receivables for the Group are included in notes 'Short-term receivables, other' and 'Long-term receivables, other'.
An overview of the loans is included in note 'Interest-bearing loans and borrowings'. The bank loan of 44.625 k EUR was not lent through.

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

(In thousands of EUR)	2018	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	369.760	0	169.973	0	199.787
Bond issue - EMTN	3.145.560	0	499.307	994.674	1.651.579
Bond issue - private	435.518	0	0	0	435.518
Bank loans - with derivative structure	44.625	3.500	7.000	7.000	27.125
Total	**3.995.463**	**3.500**	**676.280**	**1.001.674**	**2.314.009**

At the end of 2017

(In thousands of EUR)	2017	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	369.714	0	169.960	0	199.754
Bond issue - EMTN	2.644.335	0	0	996.093	1.648.242
Bond issue - private	435.280	0	0	0	435.280
Total	**3.449.329**	**0**	**169.960**	**996.093**	**2.283.276**

Interest rate risk
The Group has entered into long-term loans with a fixed interest rate.
The resulting financial costs for Fluvius System Operator are all passed on to MEAs and are reported as a financial income except for the financial costs related to EMTN bond loan of 50.000 k EUR and the bank loan of 44.625 k EUR, which were not lent through.

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

(In thousands of EUR)	2018	2017
In 2018	0	106.424
In 2019	123.804	106.424
In 2020	123.691	106.424
In 2021	116.344	99.199
In 2022	93.724	76.699
In 2023	79.857	72.698
In 2024 and beyond	457.867	405.171
Total	**995.287**	**973.039**

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

Fair value

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

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

The following methods and assumptions were used to estimate the fair values:
Cash and short-term deposits, trade receivables, 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.
The derivative financial instruments are interest rate swaps. The valuation techniques are swap models that use fair 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 the quoted bond loans is based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other) at the reporting date.

The fair value of the quoted bonds, issued for a total amount of 3.530,5 million EUR varies according to the market interest rate. The fair value at 31 December 2018 amounts to 3.407,6 million EUR and differs from the amount that will be reimbursed and the carrying value.

The fair values at 31 December 2018 are as follows:

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

The fair values at 31 December 2017 are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 3	Book value
Other investments	0	984	832
Cash and cash equivalents	31.390	0	31.390
Total receivables	290.671	0	290.671
Receivables cash pool activities	19.402	0	19.402
Total	**341.463**	**984**	**342.295**
Loans on long-term	3.847.603	0	3.449.329
Total current liabilities, other	302.850	0	302.850
Liabilities cash pool activities	96.415	0	96.415
Total	**4.246.868**	**0**	**3.848.594**

Other information

24 Related parties

Transactions between Fluvius System Operator and its subsidiaries have been eliminated in the consolidation process and are therefore not included in the present note.
The total remunerations paid to the management committee and the directors for 2018 amounted to 4.015.511 k EUR and 3.698.619 EUR for 2017. The post-employment benefits included in the total remuneration mentioned amounted to 634.936 k EUR for 2018 and 697.823 EUR for 2017. There are no other benefits in kind, share options, credits or advances in favour of the directors.

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

(In thousands of EUR)	2018	2017
Amount of the transactions		
Recharge of costs to non-controlling interest companies	5.787	4.471
Recharge of costs from non-controlling interest companies	194	454
Amount of outstanding balances		
Trade receivables	1.658	569
Trade payables	3	10

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

(In thousands of EUR)	2018	2017
Amount of the transactions		
Recharge of costs to associates	2.434	2.026
Recharge of costs from associates	11.202	11.475
Amount of outstanding balances		
Trade receivables	26.482	18.830
Trade payables	1.486	1.847

Transactions of the Group with its shareholders (Mission Entrusted Associations) were as follows:

(In thousands of EUR)	2018	2017
Amount of the transactions		
Recharge of costs to the Mission Entrusted Associations	1.365.164	1.000.481
Recharge of costs from the Mission Entrusted Associations	172.305	20.340
Interest income Mission Entrusted Associations	115.327	107.454
Interest expenses Mission Entrusted Associations	0	68
Amount of outstanding balances		
Non-current assets, employee benefits	256.730	210.947
Non-current assets, other	3.926.136	3.470.500
Trade receivables, invoices to be issued	130.707	117.309
Other receivables, cash pool	−51.044	−77.013
Other receivables, accrued financial income bond loan	30.465	37.690
Trade payables	21.264	19.703
Receivable VAT-unit	0	70.591
Guarantees and securities received		
Concerning financial obligations	792.000	822.000

All invoices to and from the Mission Entrusted Associations are payable within 30 days after invoice date.

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

During 2018 the parent company Fluvius System Operator paid fees of 74 k EUR to the statutory auditor and an amount of 378 k EUR for other assignments. The other assignments were approved by the Audit Committee.

25 Commitments and contingencies

(In thousand of EUR)	2018	2017
Rent deposits, buildings	1.585	1.463
Other bank guarantees	125	125
Total guarantees given	**1.710**	**1.588**
Guarantees obtained from contractors and suppliers	**27.052**	**25.485**

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

The Group rented several buildings and adjoining parking lots for a total value of 6.933 k EUR in 2018 and 6.063 k EUR in 2017, as well as vehicles for a value of 6.847 k EUR in 2018 and 4.681 k EUR in 2017.

The future minimum lease payments (included as operational lease liability) relate to buildings, vehicles and other material.
The contracts relating to buildings contain renewal clauses and they have an average duration of two years.

The future minimum lease payments amount to 23.181 k EUR.
As from 1 January 2019 future minimum lease payments will be valued in accordance with the new leasing standard IFRS16 (see note ‘Standards issued but not yet effective’).

The Group is involved in legal disputes for which the risk of loss is possible but not likely. Currently, the possible timing of the settlements cannot be estimated reliably.

26 Events after the reporting date

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

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

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

The extended differences between the Flemish and Walloon region have led to a shift in which the Walloon municipalities, currently being part of the Flemish MEAs, will join ORES Assets cvba per January 2019, the Walloon distribution system operator. Because of this, a partial demerger by acquisition of the activity electricity and gas of Gaselwest on the municipal territory of Celles, Comines-Warneton, Ellezelles and Mont-de-l’Enclus will take place. The valuation and determination of the exchange ratio was calculated based on the figures per 30 June 2018. This exchange ratio will then be finally applied to the financial figures per 31 December 2018.

27 List of group entities included in the consolidation

Subsidiary	Registered office	Number of shares owned	voting rights
Parent			
Fluvius System Operator cvba	Brusselsesteenweg 199, B-9090 Melle		
Subsidiary			
De Stroomlijn cvba	Brusselsesteenweg 199, B-9090 Melle	64,03	64,03
Investment in joint ventures and associates			
Synductis cvba	Brusselsesteenweg 199, B-9090 Melle	33,28	32,82
Atrias cvba	Ravensteingalerij 4, B-1000 Brussel	50,00	50,00

Information concerning the parent company

The following information is extracted from the statutory Belgian GAAP financial statements of the parent company, Fluvius System Operator cvba and is presented in abridged form. The financial statements include the 12 months figures of the acquired company Infrax.
These statutory financial statements, together with the report of the Board of Directors to the General Assembly of Shareholders as well as the auditor's report, will be filed with the National Bank of Belgium within the legally foreseen time limits according to the Belgian company code. These documents are also available as from 26 April 2019 on the website www.fluvius.be or on request at the following address: Brusselsesteenweg 199, 9090 Melle.

The statutory auditor's report is unqualified and certifies that the financial statements of Fluvius System Operator cvba are prepared in accordance with Belgian GAAP.

Condensed balance sheet **In thousands of EUR**	**2018**	**2017**
Fixed assets	**10.295**	**1.705**
Intangible fixed assets	2.509	0
Tangible fixed assets	5.922	317
Financial fixed assets	1.864	1.388
Current assets	**4.737.201**	**4.058.300**
Amounts receivable after more than one year	3.945.528	3.470.500
Stocks and contracts in progress	68.088	33.646
Amounts receivable within one year	427.543	267.920
Cash at bank and in hand	3.877	32.132
Deferred charges and accrued income	292.165	309.239
Total assets	**4.747.496**	**4.060.005**
Equity	**10.407**	**1.007**
Capital	10.175	915
Other equity components: reserves, share premium, retained earnings	232	92
Provisions for liabilities and charges	**256.730**	**210.947**
Amounts payable	**4.480.359**	**3.848.051**
Amounts payable after more than one year	3.991.963	3.449.329
Amounts payable within one year	434.741	343.585
Accrued charges and deferred income	53.655	309.239
Total liabilities	**4.747.496**	**4.060.005**

Condensed income statement **In thousands of EUR**	**2018**	**2017**
Turnover	1.633.676	1.046.024
Operating profit (loss)	14.003	13.617
Financial result	−3.961	−4.363
Income taxes	−10.041	−9.254
Profit for the period	**0**	**0**

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Independent auditor's report to the general meeting of Fluvius System Operator CVBA for the year ended 31 December 2018

As required by law and the Company's by-laws, we report to you as statutory auditor of Fluvius System Operator CVBA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of the financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of 19 May 2017, in accordance with the proposition by the Board of Directors and on recommendation of the audit committee and the workers council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2019. We performed the audit of the Consolidated Financial Statements of the Group during 7 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Fluvius System Operator CVBA, which consists of the consolidated statement of the financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2018 and the disclosures, which show a consolidated balance sheet total of € 4.763.151 thousands and of which the consolidated income statement shows a result of the year of € 0 thousands.

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

Basis for the unqualified opinion

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

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

We have obtained from the Board of Directors and the officials of the Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Employee benefit liability

- Description of the matter and audit risk:

The employee benefit liability amounts to € 224,6 million as at 31 December 2018. The Group recognizes the provision for the long-term employee benefits based on the requirement of IAS19 Pensions. The plans of the Group are described in note 20 of the Consolidated Financial Statements.

The valuation of this provision is complex and requires judgments of management. Due to its complexity, the Company is assisted by an external actuary for the calculation of the provision. The valuation of the provision is based on the personnel data included in the pension plans and to which certain actuarial assumptions are applied such as expected inflation, discount rates, projected average salary increases and personnel turnover.

A change in these assumptions or the use of incorrect personnel data would have a material impact on the Consolidated Financial Statements.

Therefore, the valuation of the employee benefit liability is a key audit matter in our audit.

- Summary of audit procedures performed:

Our audit procedures included, amongst others:

- An analysis of the existing plans within the Group and discussion with management of potential changes to these plans.
- Testing of the underlying **personnel data** by means of an analytical review compared to prior year and by a reconciliation (of o.a. gender, salary, age and gender) of a sample to underlying documentation.
- Assessing the competence and independence of the external actuary.
- Involving our internal actuarial specialists to assess the appropriateness of the actuarial models used in accordance with IAS19 and to assess the reasonableness of the significant assumptions (expected inflation, discount rates, projected average salary increases, mortality tables and personnel turnover) used to value the provision.
- Assessment of the adequacy and completeness of the Group's disclosures in note 20 of the Consolidated Financial Statements.

Financing activities

- Description of the matter and audit risk:

The balance sheet of the Group is significantly affected by the Group's financing activity. As at 31 December 2018, the long term interest bearing loans and borrowings of the Group amount to € 3.992,0 million and the short term interest bearing loans and borrowings to € 28,5 million, as described in note 19 of the Consolidated Financial Statements. These interest bearing loans and borrowings are subsequently used to grant interest bearing loans to the Distribution System Operators ("DSO's"), for a total amount of € 3.920,5 million classified as long term receivable outstanding, as described in note 14 of the Consolidated Financial Statements. Given the magnitude of these amounts compared to total assets and total liabilities on the one hand and the follow-up and the assessment of management regarding the repayment capacity of the DSO's on the other hand, this is considered as a key audit matter for our audit.

- Summary of audit procedures performed:

We performed following procedures:

- Assessing the accounting treatment of the interest bearing loans and receivables and corresponding transaction costs.
- Reconciling the interest cost and interest income of these loans with the respective terms and conditions as included in the underlying agreements.
- Reconciling the nominal amounts of the loans with underlying contracts, confirmations and payments.
- We received from management of the Group, the long term financing plan for the Group, including those of the Distribution System Operators in order to determine the repayment capacities. These plans were assessed taken into consideration the statutory financial statements of the DSO's as well as discussions with management and those charged with governance.
- Assessing the adequacy and completeness of notes 14 and 19 of the Consolidated Financial Statements.

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Merger by absorption with Infrax CVBA

- Description of the matter and audit risk:

Per decision of the General Assembly on 28 June 2018 and with effective date 1 July 2018, the Company merged with Infrax CVBA, the network company linked to the other Distribution System Operators of the Flemish Region.
This merger has a significant impact on the Consolidated Financial Statements of the Group and is as therefore to be considered as a non-recurring complex transaction for which management had to make important estimates and assumptions.
As a consequence, we consider this transaction a key audit matter in our audit.

- Summary of audit procedures performed:

Our audit procedures include, amongst others:

- Analysis of the legal and corporate documentation related to this transaction
- Audit of the opening balance sheet of Infrax CVBA at transaction date, i.e. 1 July 2018
- Audit of the conversion of the accounting policies of Infrax CVBA in agreement with the accounting policies of the Group which are in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS")
- Audit of the accounting treatment of the merger in accordance with IFRS 3
- Assessment of the adequacy and completeness of the Group's disclosures in note 3 of the Consolidated Financial Statements.

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

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

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company s ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the 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 about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company 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 or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

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

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

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as well as to report on these elements.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements and has been in prepared accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Director's report and other information included in the annual report,

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, we do not need to report any material inconsistencies. In addition, we do not express any form of reasonable assurance regarding the individual elements included in the annual report.

The non-financial information required by article 119 §2 of the BCC has been included in the Board of Director's report on the Consolidated Financial Statements, which is part of section B of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative standards (hereafter "GRI"). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with GRI. Furthermore, we do not express any certainty about individual elements included in this non-financial information.

Independence matters

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

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

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Gent, 1 April 2019

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
Represented by

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

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