ECONOMIC GROUP EANDIS

Condensed Consolidated Interim IFRS Financial Statements

30 June 2018

Content

Interim Financial Statements

Condensed consolidated statement of profit or loss

(In thousands of EUR)	Notes	30 June 2018	30 June 2017
Operating revenue	**5**	**1.500.961**	**1.514.039**
Revenue		1.326.487	1.340.124
Other operating income		32.655	28.115
Own construction, capitalized		141.819	145.800
Operating expenses		**−1.234.126**	**−1.234.425**
Cost of trade goods	6	−520.759	−504.982
Cost for services and other consumables	7	−179.709	−152.593
Employee benefit expenses	8	−182.715	−203.146
Depreciation, amortization, impairments and changes in provisions	9	−182.022	−162.322
Other operational expenses		−24.112	−21.761
Regulated transfers	10	−144.809	−189.621
Result from operations		**266.835**	**279.614**
Finance income	11	29.846	11.815
Finance costs	12	−82.590	−80.418
Profit before tax		**214.091**	**211.011**
Income tax expenses	13	−73.177	−81.586
Profit for the period		**140.914**	**129.425**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2018	30 June 2017
Profit for the period		**140.914**	**129.425**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	23	−61.926	37.009
Fair value other investments	3	22.363	0
Deferred tax gains (losses)	13	24.482	−5.741
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**−15.081**	**31.268**
Total comprehensive income for the period		**125.833**	**160.693**

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2018	31 December 2017
Non-current assets		**9.126.653**	**7.925.395**
Intangible assets	14	59.261	64.605
Property, plant and equipment	15	7.902.598	7.859.072
Investment in joint ventures and associates	16	11	30
Other investments	3, 17	1.058.848	832
Long-term receivables, other	3	105.935	856
Current assets		**1.075.894**	**1.012.806**
Inventories		32.727	33.646
Trade and other receivables	18, 28	782.485	947.755
Other investments	19, 28	50.000	0
Cash and cash equivalents	20, 28	210.682	31.405
TOTAL ASSETS		**10.202.547**	**8.938.201**
EQUITY	**3, 21**	**3.435.471**	**2.255.332**
Total equity attributable to owners of the parent		**3.435.378**	**2.255.239**
Capital		1.414.630	1.262.948
Issue premiums		9.389	0
Reserves		929.825	820.345
Other comprehensive income		260.670	−500.189
Retained earnings		820.864	672.135
Non-controlling interest		**93**	**93**
LIABILITIES		**6.767.076**	**6.682.869**
Non-current liabilities		**5.844.467**	**5.830.209**
Interest bearing loans and borrowings	22, 28	5.219.518	5.235.404
Employee benefit liabilities	23	253.442	210.947
Derivative financial instruments	24, 28	76.506	102.460
Provisions	25	34.859	9.600
Deferred tax liability	13	257.006	268.662
Government grants		3.136	3.136
Current liabilities		**922.609**	**852.660**
Interest bearing loans and borrowings	22, 28	214.123	211.182
Trade payables and other current liabilities	26, 28	666.922	608.822
Current tax liabilities	27, 28	41.564	32.656
TOTAL EQUITY AND LIABILITIES		**10.202.547**	**8.938.201**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Share Capital and Issue premiums	Reserves	Other compre-hensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2017	**1.262.948**	**811.641**	**−641.178**	**630.468**	**2.063.879**	**93**	**2.063.972**
Total comprehensive income for the period	0	0	31.268	129.425	**160.693**	0	**160.693**
Addition/decrease reserves	0	−27.485	0	27.485	**0**	0	**0**
Dividends paid	0	0	0	−21.398	**−21.398**	0	**−21.398**
Balance at 30 June 2017	**1.262.948**	**784.156**	**−609.910**	**765.980**	**2.203.174**	**93**	**2.203.267**
Balance at 1 January 2018	**1.262.948**	**820.345**	**−500.189**	**672.135**	**2.255.239**	**93**	**2.255.332**
Total comprehensive income for the period	0	0	−15.081	140.914	**125.833**	0	**125.833**
Incorporation financing associations	161.069	99.194	775.940	35.390	**1.071.593**	0	**1.071.593**
Share capital increase	2	0	0	0	**2**	0	**2**
Addition/decrease reserves	0	10.286	0	−10.286	**0**	0	**0**
Dividends paid	0	0	0	−17.289	**−17.289**	0	**−17.289**
Balance at 30 June 2018	**1.424.019**	**929.825**	**260.670**	**820.864**	**3.435.378**	**93**	**3.435.471**

The above information is disclosed in the notes 'Equity' and as regards ‘Other comprehensive income’ the movements are disclosed in the notes ‘Income tax expenses’ and 'Employee benefit liabilities'. Information on the incorporation of the financing associations is disclosed in the note ‘Incorporation of financing associations’.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2018	30 June 2017
Profit for the period		140.914	129.425
Amortization of intangible assets	9	12.898	19.937
Depreciation on property, plant and equipment	9, 15	144.108	141.795
Change in provisions (Reversal -; Recognition +)	9	25.259	−2.392
Impairment current assets (Reversal -; Recognition +)	9	−243	2.982
Gains or losses on realization receivables		3.498	1.095
Net finance costs		78.698	80.966
Change in fair value of derivative financial instruments	11	−25.953	−11.555
Gains or losses on sale of property, plant and equipment		18.384	19.203
Income tax expense	13	73.177	81.586
Operating cash flow before change in working capital and provisions for employee benefits		**470.740**	**463.042**
Change in inventories		919	354
Change in trade and other receivables		190.214	343.671
Change in trade payables and other current liabilities		6.557	9.391
Change in employee benefits		−19.431	−14.966
Net operating cash flow		**178.259**	**338.450**
Interest paid		−53.427	−48.860
Interest received		235	49
Financial discount on debts		228	200
Income tax paid	27	−36.990	−131.648
Net cash flow from operating activities		**559.045**	**621.233**
Proceeds from sale of property, plant and equipment		3.658	1.084
Purchase of intangible assets	14	−7.554	−16.751
Purchase of property, plant and equipment	15	−209.676	−185.454
Acquisition of business combinations	3	−45.418	0
Net investments in long-term receivables		0	18
Receipt of a government grant		26	0
Net cash flow used in investing activities		**−258.964**	**−201.103**
Proceeds from issue of shares	21	2	0
Repayment of borrowings	22	−56.457	−204.291
Proceeds from bonds/borrowings	22	0	199.737
Change in current liabilities	22	0	−394.239
Change in short-term investments	19	−50.000	0
Repayment provided long-term loans		2.940	0
Dividends paid	21	−17.289	−21.398
Net cash flow from/used in financing activities		**−120.804**	**−420.191**
Net increase/decrease in cash	**20**	**179.277**	**−61**
Cash and cash equivalents at the beginning of period	**20**	**31.405**	**2.708**
Cash and cash equivalents at the end of period	**20**	**210.682**	**2.647**

Selected explanatory notes

Basis of preparation

1 Corporate information

The consolidated financial statements of the Economic Group Eandis comprise – beside the accounts of the seven Flemish Distribution System Operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas – the accounts of the subsidiaries being the operating company Eandis System Operator cvba, and its subsidiaries, joint ventures and associates. The aggregated accounts taken together form the 'Economic Group'.
The DSOs are being managed centrally by their operating company Eandis System Operator.

The statutory aim of the DSOs is the distribution system operation as understood by the Flemish regulations, as well as carrying out each peripheral activity, such as public lighting and district heating within the legally permitted framework.
The main activities are subject to the regulation by the Flemish Regulator of Electricity and Gas (VREG). For more information, see the information in the note 'Operating in a regulated environment'.
The Group also carries out other activities such as energy services to local authorities where an offer at cost price is provided to the connected public authorities (municipalities, cities, ...) to support their local energy policy.

The DSOs are mission charged associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001, 25 April 2014 and 13 May 2016).

All companies of the Group are registered in Belgium.

In October 2011, Eandis System Operator obtained an A1 rating (negative outlook) from the rating agency 'Moody's Investors Service Ltd.' (Moody's). On 14 December 2016 this rating was downgraded to A3 with a stable outlook. On 29 June 2018, the rating agency Moody's changed the outlook for the A3 rating from stable to positive. This change in the outlook reflects the improved credit profile of Eandis System Operator and the impact on this credit profile of the announced merger of Eandis System Operator with its industry partner Infrax cvba to Fluvius System Operator, which will take effect from 1 July 2018.

On 18 January 2017, Eandis System Operator obtained a second rating. The German credit rating agency Creditreform Rating AG granted Eandis an A+ rating with stable outlook. This rating was confirmed on 17 January 2018.

Eandis System Operator cvba operates in 229 cities and municipalities in the Flemish Region (Belgium) but also in 4 municipalities of the Walloon region. The Group employed on average 4.262 persons during 2017.

During 2017, transactions were prepared that have an important influence on the Flemish energy landscape in 2018.

Breaking-up the financing associations and the partial incorporation in the relevant DSO as from 1 April 2018 onwards

A partial integration of the Flemish intermunicipal financing associations (Figga, Finea, Finiwo, Fingem, Finilek and IKA) into the DSOs was examined and proposed. As a result, the Federal Public Interest Foundation Intermixt was dismantled, which was entrusted with the management of the public participations in the transmission of electricity and the transport of gas.

The purpose of the transaction is to better align the activities of the intermunicipal financing associations with the current organization of the energy market and to rationalize the Flemish intermunicipal structures.
As a result, a split was performed of, on the one hand, the interests in entities operating in environmentally friendly energy generation - which are housed in the company Zefier cvba - and, on the other hand, interests in Publi-T and Publigas (the main shareholders in the electricity transmission company Elia and transmission company for gas Fluxys), the shares held in Elia and in Telenet Group holding, some extinguishing and other activities - that are being transferred to the DSOs.
The Boards of Directors of March 2018 and the General Meetings in June 2018 approved the split with effect from 1 April 2018 except for IKA, for which the curtailment was not approved.
Due to this transaction, these financial statements of the Group contain the results of these activities as from 1 April 2018 (see the note 'Partial integration of financing associations').

Realization of the merger of Eandis System Operator cvba with Infrax cvba
On 28 June 2018, the Extraordinary General Shareholders' Meetings of Eandis System Operator and Infrax approved the merger between the two network companies. The Boards of Directors of both companies had previously given their approval for that plan and meanwhile also the fourteen intermunicipal companies that are shareholders of Infrax (Infrax West, Inter-aqua, Inter-energa, Inter-media, Iveg, PBE and Riobra) or Eandis (Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas) did the same. The merger will take effect from 1 July 2018 as per decision of the Boards of Directors.
Thus, on 1 July 2018, the new utility company Fluvius System Operator is created, which will take charge of the grid management for natural gas and electricity for the whole of Flanders. The sewerage and cable activities of the former Infrax will also form part of Fluvius System Operator.
Fluvius will be active in all 308 Flemish municipalities for natural gas and electricity, in 84 Flemish municipalities as operator for the sewerage, in 91 municipalities to manage the cable distribution network and the entire municipal public lighting.
The multi-utility approach (multiple utilities within one company) will ensure financial and operational efficiency within Fluvius. The better utilities can be coordinated in terms of planning and approach, the less nuisance they cause and the less often the street has to be broken open.
An integration and saving process will start with the merger that should result in a lower distribution grid tariff for natural gas and electricity. Savings are realized, among other things, by avoiding double investments, by economies of scale and natural redundancies.
The Flemish distribution system operators have received confirmation from the Flemish energy regulator (VREG) that Fluvius System Operator can act on their behalf as operating company in the context of the energy decree.
The Group will announce the IFRS results for the first time for the financial year ending on 31 December 2018, whereas for the second half year it will report over all these activities (see note 'Events after the balance sheet date').

The abovementioned developments also led to further adjustments being required to the articles of association of both Eandis System Operator and the DSOs: the statutory aim, the end date of the mission charged associations, the number of members of the Boards, the establishment of an Executive Committee, further adjustments within the other Committees.
For the future, other changes are planned at the level of the DSOs. The 4 Walloon municipalities in Gaselwest should switch to the Walloon operator by 1 April 2019 at the latest. IMEA, Iveg and the cable network manager INTEGAN are preparing a merger whereby the three aforementioned entities will merge into Fluvius Antwerp. Also, certain municipalities of Iveka wish to join this new merged DSO.

These condensed consolidated interim financial statements for the six months ended 30 June 2018 have been reviewed in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

2 Significant accounting policies

2.1 Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, as adopted by the European Union.

They do not contain all the necessary information for a full set of financial statements, and should therefore be read in conjunction with the IFRS financial statements of the Economic Group Eandis for the year ended on 31 December 2017.

2.2 Summary of significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with the accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2017 except for the new standards or interpretations in force since 1 January 2018.

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

IFRS 9 *Financial Instruments*, effective from 1 January 2018
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 main financial assets of the Group include the regulatory assets and balances but also the receivables concerning the green energy certificates and cogeneration certificates. The certificates are held by the Group for trading purposes and, consequently, the current accounting treatment at fair value through profit or loss account can thus be continued under the new standard. The classification and valuation of the regulatory assets and balances is further described in the impact analysis of the IFRS15.
- Impairments: The Group claims receivables, resulting from its ordinary operations as well as from its role as social supplier. The receivables resulting from the ordinary activities are short-term whereby an application of the expected credit losses calculation will have no impact. The current accounting rules for impairment may be maintained under the new standard. The receivables resulting from the Group’s social role are described further in the summary of the IFRS 15 impact analysis
- Hedge accounting: the Group processed its derivatives at fair value through the profit or loss account. The new standard will have no impact on the current accounting treatment.

IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15, effective 1 January 2018
IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersedes all current revenue recognition requirements under IFRS. IFRS 15

is applicable to financial years beginning on or after 1 January 2018. The Group applies retrospectively the new standard on the required effective date.

- Distribution and transmission grid fee (including regulatory assets and balances): there is currently no IFRS standard that should be applied in the European Union which prescribes how regulated revenue flows and the resulting regulatory asset and balances should be accounted for. In the past, the Group investigated how to apply the appropriate accounting treatment. The Group is of the opinion that IFRS 15 will have no impact on the previous analysis and hence the current accounting treatment will be acceptable.
- Social supplier: the Group recorded a write-down on the 'Trade receivables social customers' of more than 50 % (2017: 64,9 %, 2016: 61,0 %) of the total amount outstanding from these social customers see note 'Trade and other receivables). As a result of the specific regulation in which the Group operates (see note 'Working in a regulated environment'), it is possible that, for the current regulatory period, the costs are recovered, on the basis of its share in the eligible income (as approved by the Regulator) following a corresponding real recovery.
  The advance payments received can still be recognized by the Group with application of article 15 of the standard. The remaining revenue recognition will be postponed until the moment of the annual review and when the actual energy consumption of the customers is known.

Amendments to IFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions*,* effective 1 January 2018

Amendments to IFRS 4 *Insurance Contracts* – Applying IFRS 9 *Financial instruments* with IFRS 4 *Insurance Contracts*, effective 1 January 2018

Amendments to IAS 40 *Investment Property* – Transfers of Investment Property, effective 1 January 2018

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective 1 January 2018

Annual Improvements Cycle in IFRS - 2014-2016, effective 1 January 2018

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

IFRS 16 *Lease*, applicable from 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 analyzed (the Group manages mainly leases of vehicles, IT equipment and buildings). Furthermore, specific attention and work was carried out to select a tool that can handle the number of contracts and supports the corresponding IFRS 16 calculations and journal entries. Its implementation of the IT system is currently on-going.
The Group expects to have calculated the final impact on transition date at the year ending 31 December 2018. The expected 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.
A first calculation of the existing lease contracts on reporting date 30 June 2018 results in a projected increase of assets and liabilities with 26.808 k euro as per 1 January 2019. This calculation takes into account certain assumptions for the discount rate and the low-threshold values, that can still be adapted for the final calculation on transition date.
The Group will implement the standard by 1 January 2019 using the modified retrospective approach option 2. The cumulative effect by applying IFRS 16 will therefore be visible 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.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the amounts of revenue and expenses.
The actual results could differ from these estimates.
In preparing these condensed consolidated interim financial statements, evaluation by management on the application of the accounting policies of the company as well as the sources of uncertainty used, are the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

Partial incorporation of financing associations

3 Incorporation of financing associations

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

The takeover by the DSOs was approved by their boards of directors in December 2017. The amendments to the articles of association implemented by the extraordinary general meetings on 28 March 2018 were also ratified by the Flemish Minister of Interior Affairs.
According to the Belgian accounting rules, the incorporation took place retrospectively to 1 January 2018. At that time, the fair value determination was made for each FIV and the number of new shares to be issued was calculated (determination of the exchange ratio).
According to the IFRS, the incorporation takes place on 1 April 2018, as a result of which the valuation also had to be carried out on that date. All items were checked for their fair value and the valuation at their net asset value was expressed.
The different elements of the balance sheet of the FIVs were calculated at fair value:

The financial assets included in the item 'Other investments' contain the strategic participations held in Publi-T and Publigas as well as the shares held in the company Elia. The fair value of Publi-T starts from the last available balance sheet and is adjusted for the investments in Elia by recording on the basis of the share price (on 29 March 2018). The fair value of Publigas also starts from the last available balance sheet and is adjusted for the investments held in Fluxys by recording on the basis of a calculated share price (external valuation report). The shares held directly in the company Elia were included in the share price (as at 29 March 2018).
The receivables and liabilities that have been accounted for are the result of a borrowing and lending of these financial debts to mainly the municipalities. These were checked for their fair value. The Group expects to be able to collect these receivables.
All other elements were examined and their book value approximates the fair value, so no adjustments are necessary. No conditional compensation of assets for indemnification was identified.

The DSOs hold individually between 4% and 9% of the shares in Publi-T and between 3% and 7% of the shares in Publigas, as a result of which each individual DNB holds less than 20% of the shares. The DSO does not have a majority in the Board of directors, nor is there a cooperation agreement between the DSOs. As a result, the DSOs do not have any separate control and cannot exert any significant influence. These acquired strategic participations in Publi-T and Publigas are held for trading purposes. They are included in the item 'Other investments' at fair value with recognition of changes in value in other comprehensive income (fair value through other comprehensive income).

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

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

The recognition at fair value on 1 April 2018 has an effect of 775.876 k EUR that was recognized through 'Other comprehensive income'.

These interim condensed consolidated IFRS financial statements contain the results of this transaction for 3 months since the recording on 1 April 2018.
These consist mainly of the fair value adjustment of the investments (22.363 k EUR) and the shares held (999 k EUR). If the combination would have taken place on 1 January 2018, a loss of 61 k EUR and operating income of 0 k EUR would have been recognized for the first half of the 2018 financial year.

Segment information

4 Segment information

The Management Committee, responsible for the day-to-day management and the operational functioning of Eandis System Operator, its subsidiaries, joint ventures and associates (ESO Group) and the seven Flemish Distribution System Operators, reviews the financial data on the basis of a reporting in accordance with Belgian accounting standards.
This reporting is presented for the DSOs **per energy component** electricity and gas, as this is the best reflection of the nature and the financial profile of the activities. This segmentation also reflects the framework within which should be reported to the regulator VREG and it also forms the basis for the calculation of the distribution network tariffs for the electricity and gas activities. As a result, these tariffs are distinguished from each other and each has its own cost drivers, specificities and risks. The DSOs also report a segment **'Other'** in which the non-regulated activities are included such as the activities which took place before the liberalisation of the energy market (2003); the activities for the energy services for local authorities (ESLA), the district heating activity and other less important activities. Since the incorporation, as from 1 April 2018, of the financing associations in the DSOs their activities have been enclosed to this segment.
Each of the seven DSOs operates in a separate territory (on the basis of the affiliated municipalities) and each applies separate network tariffs for its regulated activities. The information per legal entity can be consulted, for the individual financial statements of the DSOs, at the Central Balance Sheet Office of the National Bank of Belgium.
The activities of the operating company Eandis System Operator and its subsidiaries, joint ventures and associates are reported separately and on a consolidated basis. However, no segmentation per energy component is reported. All costs of these companies are recharged at cost price to mainly the seven DSOs where a breakdown by activity is performed based on an allocation system. Therefore the financial results of the operating companies (ESO Group) are always 'zero'.

In accordance with IFRS 8, the Group reported at 30 June 2018 the following financial segmented information on the basis of the Belgian GAAP.

Statement of profit or loss

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Turnover	941.070	230.773	11.093	571.686	1.754.622
Other income	32.987	13.854	1.734	73.255	121.830
Operating costs	−818.550	−158.789	−13.006	−638.781	−1.629.126
Operating profit (loss)	**155.507**	**85.838**	**−179**	**6.160**	**247.326**
Financial income	281	−124	320	53.177	53.654
Financial costs	−56.395	−26.426	−383	−55.181	−138.385
Profit (loss) of the period before taxes	**99.393**	**59.288**	**−242**	**4.156**	**162.595**
Income taxes	−31.518	−18.630	313	−4.156	−53.991
Profit for the period	**67.875**	**40.658**	**71**	**0**	**108.604**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Tangible and intangible fixed assets	4.847.267	3.094.077	17.707	2.808	7.961.859
Financial fixed assets	642	365	244.044	1.223	246.274
FIXED ASSETS	**4.847.909**	**3.094.442**	**261.751**	**4.031**	**8.208.133**
Amounts receivable after more than one year	0	0	105.554	3.470.500	3.576.054
Stocks and contracts in progress	49.657	37	6.401	32.727	88.822
Amounts receivable within one year	208.254	28.051	47.758	279.907	563.970
Cash at bank and in hand	404.670	−112.167	20.046	269.263	581.812
Deferred charges and accrued income	633.825	125.935	280	339.233	1.099.273
CURRENT ASSETS	**1.296.406**	**41.856**	**180.039**	**4.391.630**	**5.909.931**
Total Assets	**6.144.315**	**3.136.298**	**441.790**	**4.395.661**	**14.118.064**
Capital	770.324	492.625	151.682	915	1.415.546
Equity premium	0	0	9.389	68	9.457
Revaluation surplus	484.378	307.603	0	0	791.981
Reserves	509.517	303.603	120.152	4	933.276
Retained earnings and result of the period	90.825	51.794	74.554	20	217.193
Government grants	0	0	2.208	0	2.208
EQUITY	**1.855.044**	**1.155.625**	**357.985**	**1.007**	**3.369.661**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**6.833**	**10.855**	**927**	**273.460**	**292.075**
Amounts payable after more than one year	3.548.766	1.649.121	41.584	3.450.547	8.690.018
Amounts payable within one year	435.065	188.518	41.045	543.995	1.208.623
Accrued charges and deferred income	298.607	132.179	249	126.559	557.594
AMOUNTS PAYABLE	**4.282.438**	**1.969.818**	**82.878**	**4.121.101**	**10.456.235**
Total Liabilities	**6.144.315**	**3.136.298**	**441.790**	**4.395.661**	**14.118.064**

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

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	1.754.622	1.326.487	−428.135
Profit (loss) of the period before taxes	162.596	214.091	51.495
Total Assets	14.118.064	10.202.547	−3.915.517
Total Liabilities	14.118.064	10.202.547	−3.915.517
Equity	3.369.660	3.435.471	65.811

These differences can be explained as the result of:

- The elimination of all the transactions and balances between the members of the Economic Group Eandis as a result of the consolidation
- Reclassifications and adjustments/netting off
- The employee benefit liability is processed in the IFRS result
- The BE-GAAP deferred pension capitals are fully included in IFRS
- The derivative financial instruments are recorded at fair value and an adjustment is recorded for the accrued interest
- The valuation of the investment acquired is recognized at fair value
- Deferred taxes are recorded.

For the electricity segment there are two customers to whom in total 57 % was invoiced; for the segment gas there are also two customers to whom in total 55 % was billed.

In accordance with IFRS 8, the Group reported at 30 June 2017 the following financial segmented information on the basis of the Belgian GAAP.

Statement of profit or loss

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Turnover	919.677	220.593	8.955	520.473	1.669.698
Other income	35.786	9.316	−252	20.492	65.342
Operating costs	−792.507	−141.717	−8.779	−533.875	−1.476.878
Operating profit (loss)	**162.956**	**88.192**	**−76**	**7.090**	**258.162**
Financial income	20	0	39	54.021	54.080
Financial costs	−57.565	−27.523	23	−56.120	−141.185
Profit (loss) of the period before taxes	**105.411**	**60.669**	**−14**	**4.991**	**171.057**
Income taxes	−38.191	−21.639	61	−4.991	−64.760
Profit for the period	**67.220**	**39.030**	**47**	**0**	**106.297**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	ESO consolidated	Aggregated total
Tangible and intangible fixed assets	4.805.330	3.103.354	9.608	2.759	7.921.051
Financial fixed assets	642	365	0	1.234	2.241
FIXED ASSETS	**4.805.972**	**3.103.719**	**9.608**	**3.993**	**7.923.292**
Amounts receivable after more than one year	0	0	660	3.470.500	3.471.160
Stocks and contracts in progress	43.695	130	7.071	34.941	85.837
Amounts receivable within one year	549.897	28.238	14.064	322.699	914.898
Cash at bank and in hand	56.543	−10.951	40.389	3.594	89.575
Deferred charges and accrued income	885.730	141.707	40	316.678	1.344.155
CURRENT ASSETS	**1.535.865**	**159.124**	**62.224**	**4.148.412**	**5.905.625**
Total Assets	**6.341.837**	**3.262.843**	**71.832**	**4.152.405**	**13.828.917**
Capital	770.323	492.625	0	915	1.263.863
Equity premium	0	0	0	68	68
Revaluation surplus	497.004	315.592	0	0	812.596
Reserves	465.397	297.801	20.958	4	784.160
Retained earnings and result of the period	90.171	50.167	33.895	20	174.253
Government grants	0	0	895	0	895
EQUITY	**1.822.895**	**1.156.185**	**55.748**	**1.007**	**3.035.835**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**5.432**	**11.727**	**461**	**249.874**	**267.494**
Amounts payable after more than one year	3.671.089	1.740.222	0	3.448.091	8.859.402
Amounts payable within one year	571.979	196.293	10.354	353.076	1.131.702
Accrued charges and deferred income	270.442	158.416	5.269	100.264	534.391
AMOUNTS PAYABLE	**4.513.510**	**2.094.931**	**15.623**	**3.901.431**	**10.525.495**
Total Liabilities	**6.341.837**	**3.262.843**	**71.832**	**4.152.405**	**13.828.917**

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

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	1.669.698	1.340.124	−329.574
Profit (loss) of the period before taxes	171.057	211.011	39.954
Total Assets	13.828.917	9.289.836	−4.539.081
Total Liabilities	13.828.917	9.289.836	−4.539.081
Equity	3.035.835	2.203.267	−832.568

Performance of the period

5 Operating revenue

Revenue amounts to 1.326.487 k EUR on 30 June 2018 and to 1.340.124 k EUR on 30 June 2017, which equals a decrease of 13.637 k EUR.
From 1 January 2017, the new tariff methodology of the VREG has been applied (see note 'Operating in a regulated environment'). The distribution and transport grid revenue decreases with 30.833 k EUR from 1.276.898 k EUR on 30 June 2017 to 1.246.065 k EUR on 30 June 2018.
The other revenue includes sale of energy and construction works for third parties.
The own construction capitalized decreases from 145.800 k EUR on 30 June 2017 to 141.819 k EUR on 30 June 2018.

6 Cost of trade goods

The cost of trade goods amount to −520.759 k EUR on 30 June 2018 and −504.982 k EUR on 30 June 2017.
This increase of 15.777 k EUR mainly concerns the costs for the transmission grid fee (electricity to Elia), the costs to purchase energy - electricity and gas - for the social customers and the costs to purchase the certificates (green power certificates and cogeneration certificates) amounting to 202.171 k EUR on 30 June 2018 and 188.897 k EUR on 30 June 2017.

7 Cost for services and other consumables

The cost for services and other consumables amounts to −179.709 k EUR on 30 June 2018 and −152.593 k EUR on 30 June 2017, an increase of 27.116 k EUR.
The cost for the rational use of energy (RUE) decreases from 32.409 k EUR on 30 June 2017 to 25.849 k EUR on 30 June 2018. All other costs increase: cost for subcontractors, reimbursements, advertising and cost for consultancy (+27.341 k EUR).

8 Employee benefit expenses

The employee benefit expenses amount to −182.715 k EUR on 30 June 2018 and −203.146 k EUR on 30 June 2017, a decrease of 20.461 k EUR.
The decrease in personnel costs is mainly due to the decrease of the 'Employee benefits liability' provisions by 25.752 k EUR. However, this amount was included as a cost in the profit or loss account 'Changes in provisions' to accrue for the balance sheet item 'Provision, other' (see 'Employee benefit liabilities').

9 Amortization, depreciation, impairment and changes in provisions

The amortization of intangible assets and the depreciation of property, plant and equipment amount to 157.006 k EUR at the end of 30 June 2018 and 161.732 k EUR at the end of 30 June 2017.
The impairment on trade receivables amounts to −243 k EUR (30 June 2017: 2.982 k EUR). The changes in provisions to 30 June 2018 relate to additions for other employee benefits for an amount of 25.752 k EUR and a write back of -493 k EUR related to costs for the remediation of polluted gas sites. On 30 June 2017 a write back was recorded amounting to -2.392 k EUR.

10 Regulated transfers

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

In total, an amount of 144.809 k EUR was recovered in the period up to 30 June 2018 (189.621 k EUR in the period up to 30 June 2017).
The detail of these movements is included in the note 'Working in a regulated environment'.

11 Financial income

The financial income amounts to 29.846 k EUR on 30 June 2018 and 11.815 k EUR on 30 June 2017, an increase of 18.031 k EUR.
On 30 June 2018, two swap contracts running until 2023 and 2024 were unwound.
On 30 June 2017, an amount of 11.555 k EUR was recognized as a result of the fair value adjustment of the derivative financial instruments. The other financial income mainly includes financial discounts received from suppliers and interest income received or to be received from banks.

12 Financial costs

The financial costs amounted to −82.590 k EUR on 30 June 2018 and −80.418 k EUR on 30 June 2017, an increase of 2.172 k EUR.
The interest charges on the long-term financing is declining due to the low interest rate to refinance. As a result, interest charges fell from 76.399 k EUR on 30 June 2017 to 73,810 k EUR on 30 June 2018. Interest expenses also include interest costs on employee benefits, as well as the costs of debts and various bank charges.

13 Tax expenses

The tax expenses amount to −73.177 k EUR on 30 June 2018 and −81.586 k EUR on 30 June 2017, a decrease of 8.409 k EUR. This tax expense comprises of the current income tax expenses (-60.351 k EUR) and the deferred taxes (-12.826 k EUR).

Current income tax expenses

Based on the Programme Act of 19 December 2014, the DSOs are subject to the corporate income tax as from the accounting year 2015.
The total current income tax expense for the Group amounts to 60.351 k EUR at 30 June 2018 (64.760 k EUR at 30 June 2017).

Deferred income tax

The Group accounts for deferred taxes for temporary differences calculated on the difference between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes, in accordance with the application of IAS12 income tax. They are recognized through the profit or loss account and through unrealized results.

During 2016 a ruling for the DSOs was requested from the Federal Public Service Finance to obtain its decision on the correct fiscal treatment of, amongst others, the revaluation of fixed assets, the notional interest deduction and the impairment losses of trade receivables.

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 amounts to 29,58 % as from tax year 2019 (financial year 2018) and 25,00 % as from tax year 2021 (financial year 2020). Compensatory measures were also introduced as this reform had to be budget neutral.
This reform has a significant impact on deferred taxes and other comprehensive income. The effect of this was included in the IFRS statements of 31 December 2017.

The deferred taxes are a result of the following items and they trigger the following movements on the balance sheet:

(In thousands of EUR)	30 June 2018	31 December 2017
Property, plant & equipment	−387.803	−393.968
Derivative financial instruments	16.600	26.524
Employee benefit liabilities	106.120	94.134
Provisions, rehabilitation gas sites	−439	−341
Provisions, other	7.758	1.378
Impairment on trade receivables	2.852	5.703
Government grants	−2.094	−2.092
Net deferred tax asset/(liability)	**−257.006**	**−268.662**

The movements in the profit or loss account and the equity for the periods up to 30 June 2018 and 30 June 2017 are as follows:

	30 June 2018		30 June 2017	
(In thousands of EUR)	Movements via P&L	Movements via OCI*	Movements via P&L	Movements via OCI
Property, plant & equipment	0	6.165	0	6.838
Derivative financial instruments	−9.924	0	−6.675	0
Employee benefit liabilities	−6.332	18.318	−6.099	−12.579
Provisions, rehabilitation gas sites	−98	0	−708	0
Provisions, other	6.380	0	−68	0
Impairment on trade receivables	−2.851	0	−3.276	0
Government grants	−2	0	0	0
Deferred tax benefit/(expense)	**−12.827**	**24.483**	**−16.826**	**−5.741**
Net movement during the year	**11.656**		**−22.567**	

*OCI= Other comprehensive income

The main temporary differences relate to the revaluation of property, plant and equipment and the provisions for pensions and other post-employment benefits. A deferred tax liability was recorded of 387.803 k EUR (537.454 k EUR on 30 June 2017) related to the revaluation of fixed assets since, according to Belgian tax law, the costs are not deductible. Concerning the pension provision, the costs will be deductible according to Belgian tax law, and therefore a deferred tax asset was recorded of 106.120 k EUR (121.867 k EUR on 30 June 2017).

The net deferred tax liability is composed as follows:

(In thousands of EUR)	30 June 2018	31 December 2017
Deferred tax asset	133.330	127.739
Deferred tax liability	−390.336	−396.401
Deferred tax liability, net	**−257.006**	**−268.662**

The movements of the deferred tax liability are as follows:

(In thousands of EUR)	30 June 2018	31 December 2017
Total as at 1 January	**−268.662**	**−343.819**
Tax income/(expense) recognised in profit or loss	−12.827	−60.686
Tax income/(expense) recognised in OCI	24.483	135.843
Total at end of reporting period	**−257.006**	**−268.662**

Assets

14 Intangible assets

The intangible assets amount to 59.261 k EUR on 30 June 2018 and 64.605 k EUR on 31 December 2017, a decrease of 5.344 k EUR due to the amortization and the limited acquisitions. The additions relate to investments for the ‘smart projects’ and district heating. During the first half of 2018, the additions amounted to 7.554 k EUR and 16.751 k EUR for the first half of 2017.

15 Property, plant and equipment

Property, plant and equipment amount to 7.902.598 k EUR on 30 June 2018 and 7.859.072 k EUR on 31 December 2017, an increase of 43.526 k EUR.
The acquisitions during the first six months of 2018 amount to 209.676 k EUR compared to 185.454 k EUR during the first six months of 2017.
This increase is the result of investments for the low and mid-voltage networks and public lighting.

16 Investments in associates and joint ventures

These investments amount to 11 k EUR at 30 June 2018 and 30 k EUR at 31 December 2017.
These investments are held in Atrias cvba and Synductis cvba.
The companies Warmte@Vlaanderen cvba and Fluvius cvba were founded in 2016 but do not contain any activities. 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.

17 Other investments

The other investments amount to 1.058.848 k EUR on 30 June 2018 and 832 kEUR on 31 December 2017.

The other investments comprise the participations of 832 k EUR still held by the Group in the business centres situated in the distribution area of Gaselwest and Imewo as well as the participations included as a result of the partial incorporation of the financing associations (1.058.016 k EUR).

18 Trade and other receivables

Trade and other receivables amount to 782.485 k EUR on 30 June 2018 and 947.755 k EUR on 31 December 2017. The decrease of 165.271 k EUR is the result of the lower outstanding trade receivables, mainly from the sales of green energy certificates (GEC) and cogeneration certificates (CGC) (104.707 k EUR) and the recovery of the regulatory transfers (144.809 k EUR) partly offset by the increase in the receivable for GECs and CGCs (86.708 k EUR) and the recognition of a receivable from the shareholders (26.303 k EUR).

The impairment on trade receivables amounts to 84.873 k EUR on 30 June 2018 and 85.115 k EUR at 31 December 2017.

The other receivables include the green energy certificates and cogeneration certificates for an amount of 111.514 k EUR (24.806 k EUR on 31 December 2017).
The DSOs are required to buy renewable energy certificates, which are offered by the owners of solar panels and combined heat and power plants, at a fixed price. The DSOs can offer these certificates to the energy suppliers.
During the first half of 2018, 271.800 GEC and 345.925 WKC were sold for a total sales price of 32.036 k EUR. The GEC were sold at an average price of 91,04 euro (for certificates valued at 88,00 euro) and the CHP at an average price of 21,08 euros (valued at 20,00 euros).
During the first half of 2017, 2.875.795 GSC and 10.000 CGC were sold for a total price of 250.455 k EUR. The GEC were sold at an average price of 87,02 euro (for certificates valued at 88,00 euros) and the CGC at an average price of 20,00 euro (valued at 20.00 euros).
The difference from the sale and the valuation has been included in the post 'Cost of trade goods'.
The collection decree regarding the sale of certificates into the market has been adapted whereby the grid operators must offer certificates for sale at least once a year. Due to the limited number of available certificates (as a result of DAEB - Dienst van Algemeen Economisch Belang - arrangement), no auction has taken place in the second quarter of 2018.
Beginning of August 2017, the Group received an amount of 105.000 k EUR as a result of the sale of GEC to VEA (Flemish Energy Agency). In December 2017 this mechanism was adapted, so that an additional sale was organized and an amount of 244.936 k EUR was received from the sale of GEC and CGC to VEA.

The item ‘Solidarity receivables related to GEC’ decreases from 19.500 k EUR at 31 December 2017 to 9.278 k EUR at 30 June 2018 (see note ‘Trade payables and other current liabilities’).

At the end of June 2018, a cash advance was paid to the municipalities for an amount of 25.056 k EUR from the Publi-T and Publigas segments as an advance on a year-end closure with profit and distribution thereof.

Also, the ‘Transfers tariff’ decrease from 273.322 k EUR at 31 December 2017 to 128.513 k EUR at 30 June 2018 (see note ‘Working in a regulated environment’ and ‘Regulated transfers’).

19 Short-term deposits

As a result of the receipts from the issuance of a bond in 2017, the sale of heat and power certificates, the green energy certificates in 2017 and 2018, the intervention (105.000 k EUR) by Flemish Energy Agency during 2017 in particular for the sale of the aforementioned green energy

certificates for the DSOs and the profit of the DSOs for 2018, the Group disposes of funds that do not have to be called upon immediately for a specific period.
The Group therefore has invested the excess funds (50.000 k EUR on 30 June 2018) until 19 December 2018 and receives a quarterly interest

20 Cash and cash equivalents

The cash and cash equivalents held amounted to 210.682 k EUR on 30 June 2018 and 31.405 k EUR on 31 December 2017. Due to the continuing low (and even negative) interest on savings deposits, the cash surplus was held as liquid assets.

Liabilities

21 Total equity

Equity amounts to 3.435.471 k EUR on 30 June 2018 and 2.255.239 k EUR on 31 December 2017, an increase of 2.255.332 k EUR.
This increase is due to the incorporation of the financing associations for an amount of 1.071.595 k EUR, the recording of the realized profit for the period amounting to 140.914 k EUR and an unrealized loss of −15.081 k EUR. Also a dividend was paid out for an amount of −17.289 k EUR.
The various components of equity and the movements are reflected in the 'Statement of changes in equity'.

The **share capital** amounts to 1.414.630 euro at 30 June 2018 and 1.262.948 k EUR at 31 December 2017.
The share capital is divided per activity. During 2018, additional shares were issued and categories were created for the newly recorded activity District Heating (75 shares) and for the incorporation of the financing associations (41.738.557 shares).

The share capital of the Group is the sum of the capitals of the DSOs and evolved as follows:

Date	Transaction	Amount in thousands of EUR
1 January 2017		**1.262.948**
28 December 2017	Capital decrease - exit Tussengemeentelijke Elektriciteitsvereniging van Kampenhout en Steenokkerzeel (TGEK)	0
31 December 2017		**1.262.948**
March 2018	Issue shares District Heating activity	2
1 April 2018	Partial incorporation financing associations	151.680
30 June 2018		**1.414.630**

The table below gives an overview of the number of shares and profit certificates per category in the capital of each DSO at 30 June 2018.

DSO	Shares A and C Number	Shares A and C Share Capital (in €)	Profit certificates C Number	Profit certificates C Share Capital (in €)	Total Number	Total Share Capital (in €)
Gaselwest	32.111.020	334.454.085,03	237	0,00	**32.111.257**	**334.454.085,03**
IMEA	21.904.342	160.381.073,95	27	0,00	**21.904.369**	**160.381.073,95**
Imewo	30.339.157	301.569.997,31	176	0,00	**30.339.333**	**301.569.997,31**
Intergem	16.246.949	107.038.840,52	122	0,00	**16.247.071**	**107.038.840,52**
Iveka	17.003.580	186.139.073,91	109	0,00	**17.003.689**	**186.139.073,91**
Iverlek	40.065.931	254.123.045,51	222	0,00	**40.066.153**	**254.123.045,51**
Sibelgas*	3.264.379	70.923.967,10	0	0,00	**3.264.379**	**70.923.967,10**
Total	**160.935.358**	**1.414.630.083,33**	**893**	**0,00**	**160.936.251**	**1.414.630.083,33**

(1) In Sibelgas 10.000 shares D are issued without representation in the share capital

The table below gives an overview of the number of shares and profit certificates per category in the capital of each DSO on 31 December 2017

DSO	Shares A and C Number	Shares A and C Share Capital (in €)	Profit certificates C Number	Profit certificates C Share Capital (in €)	Total Number	Total Share Capital (in €)
Gaselwest	23.380.013	271.033.935,03	116	0,00	**23.380.129**	**271.033.935,03**
IMEA	13.397.899	126.070.700,07	12	0,00	**13.397.911**	**126.070.700,07**
Imewo	21.585.912	257.170.000,11	85	0,00	**21.585.997**	**257.170.000,11**
Intergem	11.120.262	97.527.148,81	46	0,00	**11.120.308**	**97.527.148,81**
Iveka	17.003.557	186.138.498,91	86	0,00	**17.003.643**	**186.138.498,91**
Iverlek	29.444.704	254.083.895,51	103	0,00	**29.444.807**	**254.083.895,51**
Sibelgas*	3.264.379	70.923.967,10	0	0,00	**3.264.379**	**70.923.967,10**
Total	**119.196.726**	**1.262.948.145,54**	**448**	**0,00**	**119.197.174**	**1.262.948.145,54**

Reserves

The reserves amount to 929.825 k EUR on 30 June 2018 and 820.345 k EUR on 31 December 2017.

To comply with the methodology as provided for in the ruling obtained from the Federal Public Service Finances in the accounts of 2017 and according to the Belgian GAAP, an amount of 27.485 k EUR was transferred from the reserve to revaluation. This entry results for the IFRS accounts in a shift of the reserves to the retained earnings. This transfer consists of an amount of 37.807 k EUR that was retrieved from the reserves to the retained earnings, as a correction on the revaluation value of the past. Furthermore, the Belgian GAAP restricts as from 2017 the transfer to reserves, where it was set at 2 % of the revaluation surplus. On 30 June 2018, an amount of 10.286 k EUR was transferred (2017: 10.322 k EUR).

The other increase amounting to 99.194 k EUR is stemming from the partial incorporation of the financing associations.

The **dividend balance** for 2017, paid out during 2018 amounted to 17.289 k EUR and the dividend balance for 2016, paid out during 2017 amounted to 21.398 k EUR.

DSO (In thousands of EUR)	30 June 2018	31 December 2017
Gaselwest	3.439	8.171
IMEA	1.530	1.398
Imewo	3.269	3.498
Intergem	1.489	1.782
Iveka	2.047	2.567
Iverlek	3.078	3.548
Sibelgas	2.437	434
Total	**17.289**	**21.398**

Detail of **other comprehensive income:**

(In thousand of EUR)	30 June 2018	31 December 2017
Related to employee benefit liabilities	−203.554	−141.628
Related to fair value other investments	798.303	0
Related to deferred tax liabilities	−334.079	−358.561
Total other comprehensive income	260.670	−500.189

The **non-controlling interest** amounts to 93 k EUR at 30 June 2018 and is equal to the amount at 31 December 2017. It comprises the participation held by third parties in ‘De Stroomlijn cvba’.

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

(In thousands of EUR)	30 June 2018	31 December 2017
Long-term loans	**5.219.518**	**5.235.404**
Current portion of long-term loans	214.123	211.182
Short-term loans	**214.123**	**211.182**
Total	**5.433.641**	**5.446.586**

The long-term and short-term loans decreases with 12.945 k EUR in comparison to 31 December 2017 from 5.446.586 k EUR to 5.433.641 k EUR. This decrease is the result of the repayment of bank loans. The current portion of the long-term loans equals the amount of the previous reporting period.

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

(In thousands of EUR)	**30 June 2018**		**31 December 2017**	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Total as at 1 January	5.446.586		6.011.106	
Movements on non-current loans (LT)				
Incorporation of long-term loans	41.595	0	0	0
Proceeds of non-current loans	0	0	199.737	0
Change in non-current loans	0	1.218	0	2.440
Transfer of short-term portion of LT loan to ST	0	−58.700	0	−211.182
Movements on current loans (ST)				
Incorporation of short-term loans	699	0	0	0
Transfer of short-term portion from LT loan to ST	0	58.700	0	211.182
Change in current loans	0	0	0	−12
Repayment of short-term portion of long-term loan	−56.457	0	−355.376	0
Repayment current loans	0	0	−411.309	0
Total movements	**−14.163**	**1.218**	**−566.948**	**2.428**
Total at end of reporting period	**5.433.641**		**5.446.586**	

Long-term loans

This item contains bank loans, bonds (since 2010) and private placements issued by Eandis System Operator.
The increase of −15.886 k EUR compared to December 2017 is the result of incorporation of the financing associations, to the recording of the agio/disagio spread over the term of the bond loan and to the transfer of the short-term portion of the long-term loans to short-term.

In October 2011, Moody's granted Eandis System Operator an ‘A1’ credit rating with a ‘negative outlook’. On 14 December 2016 Moody's downgraded the rating to A3 stable outlook. On 29 June 2018, the rating agency Moody's changed the outlook for the A3 rating from stable to positive.
On 18 January 2017, Eandis obtained a second rating. The German credit rating agency Creditreform Rating AG granted Eandis System Operator an A+ rating with stable outlook. This rating was confirmed on 17 January 2018.

Eandis System Operator successfully issued bonds in the framework of its € 5 billion Euro Medium Term Note (EMTN) programme launched in 2011. There has always been a large interest from European investors for its bond issuances and also interest from private investors to whom several bond loans were issued.
In the framework of the € 5 billion EMTN programme an amount of 2.660.500 k EUR or 53,21 % had been issued at 30 June 2018. Since year end 2014 no bonds were issued under this programme.

The bonds are listed on the regulated market of the Luxembourg Stock Exchange and the issuances since November 2012 on the regulated market of Euronext and Alternext Brussels.

All outstanding loans are denominated in euro.

Derivative contracts were concluded for the loans with a variable interest rate to swap the variable interest rate to a fixed rate. Also forward interest rate swaps were subscribed to in order to fix the interest rate before the start of the loan.

For the bonds issued by Eandis System Operator, each of the DSOs is guarantor on a several but non-joint basis but limited to its proportional share in the capital of Eandis System Operator.

The distribution system operators use these funds primarily to fund their ongoing investments in the networks for electricity and gas, and for refinancing purposes.

During the first six months of 2018 the Group did not issue any additional retail bond loan, but only incorporated the outstanding loans from the financing associations.

Loans, current
This item contains the current portion of long-term loans (214.123 k EUR at 30 June 2018; 211.182 k EUR at 31 December 2017) and the bank loans on short-term (0 k EUR at 30 June 2018; 0 k EUR at 31 December 2017).

The Group can call on the following credit facilities:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
Commercial paper	NA	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 30 June 2018		**1.022.000**	**0**	**1.022.000**	
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
(**) Financing of the cashpool via credit facilities (=bank loans) or straightloans (=fixed loans) can in total not exceed 200.000 k EUR
NA Not applicable

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

23 Employee benefit liabilities

The employee benefit liabilities amount to 253.442 k EUR on 30 June 2018 and 210.947 k EUR on 31 December 2017.
This increase of 42.495 k EUR is mainly the result of the further deposits, the adjustments to the assumptions: the discount rate and the return on the plan assets have a decreasing effect on the provisions compared to the adjustment for future salary adjustments. A part of the provision was also recognized as a liability categorized as 'Provisions, other'.

The 42.495 k EUR increase was accounted for as an income through the profit or loss account for a total of 19.431 k EUR and 61.926 k EUR via comprehensive income (cost).

In the context of working longer, certain benefits granted for early retirement can no longer be recognized as a provision for employee benefits. Notwithstanding the fact that the Group is working on a 'renewed' pension plan, the timing of implementation cannot yet be stated with certainty. As a result, an amount of 25.752 k EUR was no longer included as a provision for employee benefits (and has a positive effect on the item in the statement of profit or loss 'Employee benefit expenses'), but this same amount was recorded as a liability on the balance sheet item 'Provisions, other' (and in the statement of profit or loss as an item 'Changes in the provisions').

24 Derivative financial instruments

The fair value of the derivative financial instruments amounts to 76.506 k EUR on 30 June 2018 and 102.460 k EUR at 31 December 2017, a decrease of 25.954 k EUR.
On 30 June 2018, two contracts were unwound which were running through to 2023 and 2024. The one-off cost of 2.094 k EUR is included under the heading financial costs, others.

25 Provisions

These provisions amount to 34.859 k EUR on 30 June 2018 and 9.600 k EUR on 31 December 2017, an increase of 25.259 k EUR. This increase is the result on the one hand of the recording of the provision of 25.752 k EUR (see note ‘employee benefit liability’) and on the other hand the use of provisions for the rehabilitation of various polluted gas factory sites for an amount of 493 k EUR.

26 Trade payables and other current liabilities

The trade payables and other current liabilities amount to 666.922 k EUR on 30 June 2018 and 608.822 k EUR on 31 December 2017.
This increase amounts to 58.100 k EUR and is mainly due to an increase in the other current liabilities. This item contains mainly the provisions for interest payable on mainly the bond loans, the provisions for transportation cost (Elia), the provisions for personnel costs and the employee benefit expenses. Also at the end of June 2018, a cash advance was received from Publi-T and Publigas for dividends to be received (30.206 k EUR). Pending approval by the relevant general meetings of shareholders, this item was recognized as a debt. On the other hand, all other items decrease and mainly the item ‘Solidarity payables relating to green energy certificates' and item 'Trade debts'.

27 Current tax liabilities

The current tax liabilities increase with 8.908 k EUR to 41.564 k EUR on 30 June 2018.
This item represents the outstanding income taxes payable with respect to fiscal year 2017 and the estimated tax liability of the current financial year for the different companies of the Group as well as the incorporated financing associations.
During the first half year of 2018 various taxes have been paid relating to fiscal year 2016 (7.590 k EUR) and taxes for the year 2017 and the financing associates (29.400 k EUR).

Financial instruments

28 Financial instruments: risks and fair value

Risks

Potential risks are managed by Eandis System Operator in a systematic way via the ‘integral risk management’ methodology.

More detailed information about the risks of the Group and its shareholders is included in the IFRS consolidated financial statements of 31 December 2017, the prospectus of 2 June 2017 concerning the 'notification in respect of the public offer of bonds' and the investor presentation of May 2018. These documents can be consulted on the website of Eandis System Operator www.eandis.be.

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

Fair value hierarchy
Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 inputs are unobservable inputs for the asset or liability

The fair value of the quoted bonds, issued for a total amount of 3.030.500 k EUR, varies according to the market interest rate. The fair value at 30 June 2018 amounts to 3.407.017 k EUR and differs from the amount that will be reimbursed and from the carrying value. The fair value was obtained based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other).

As of 30 June 2018 the fair values are:

(In thousands of EUR)	Fair value Level 1	Level 2	Level 3	Book value
Other investments	21.302	1.036.714	984	1.058.848
Long-term receivables, other	105.935	0	0	105.935
Green energy and cogeneration certificates (GEC & CGC)	111.514	0	0	111.514
Trade and other receivables excluding GEC and CGC	670.971	0	0	670.971
Short-term deposits	0	0	50.040	50.000
Cash and cash equivalents	210.682	0	0	210.682
Total	**1.120.404**	**1.036.714**	**51.024**	**2.207.950**
Bond loans (included short-term part)	3.831.624	0	0	3.449.935
Derivative financial instruments	0	76.506	0	76.506
Total current liabilities, other	708.486	0	0	708.486
Total	**4.540.110**	**76.506**	**0**	**4.234.927**

As of 31 December 2017 the fair values are:

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

Other information

29 Related parties

The nature of the transactions with the Management Committee, the directors and other related parties during the first half of 2018 does not substantially differ from the transactions included in the annual report of 2017.

30 Events after the reporting date

On 1 July 2018, the new network company Fluvius System Operator cvba was created stemming from 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. As a result of this merger by absorption, Fluvius System Operator issued 8.711.831 shares with voting rights and 151.812.970 shares without voting rights for a value of 510.186,86 euro and 8.890.551,06 euro.
Fluvius is responsible for the construction, management and maintenance of distribution networks for electricity, gas, sewerage, cable distribution and district heating, and manages the municipal public lighting. In total, the company manages 230.000 kilometers of utility lines and 7 million connections. Fluvius is active in the 308 Flemish municipalities.
The new Group (Fluvius System Operator) will announce the results for the first time according to IFRS for the financial year ending 2018 and will report for the second semester on all activities (for Belgian reporting there is a retroactive effect to 1 January 2018).

The above merger leads also to the expansion of the economic group Eandis to the economic group Fluvius. The seven DSOs of Infrax, together with their subsidiaries, will be included in the IFRS reporting. The new economic group will announce the results for the first time according to IFRS for the financial year ending 2018, and will report for the second semester on all activities.

Infrax cvba and its DSOs - Infrax-Limburg, Inter-energa, Inter-aqua, Infrax West, Inter-media, Iveg, Riobra and PBE - do not prepare consolidated financial statements in accordance with IFRS. Only a 'financial report on the aggregated accounts' is drawn up according to Belgian accounting principles. The term aggregation is used and not consolidation since the statutory annual accounts of the various entities are added up and then mutual transactions (sales, costs, dividends) and positions (participations, receivables, debts) are eliminated.
The statutory accounts of the DSOs and Infrax have been audited. The aggregated accounts were not audited.

An abridged balance sheet and profit or loss statement of the aggregated accounts are included below:

Condensed balance sheet **In thousands of EUR, at 31 December**	**2017**	**2016**
Fixed assets	**3.523.047**	**3.447.881**
Intangible fixed assets	15.324	23.330
Tangible fixed assets	3.209.143	3.137.635
Financial fixed assets	105.769	105.254
Amounts receivable after more than one year	192.811	181.662
Current assets	**547.763**	**687.207**
Amounts receivable after more than one year		
Stocks and contracts in progress	40.862	35.198
Amounts receivable within one year	178.655	168.165
Cash at bank and in hand	62.538	57.318
Deferred charges and accrued income	265.708	426.526
Total assets	**4.070.810**	**4.135.088**
Equity	**2.811.994**	**2.752.906**
Capital	1.081.666	1.081.360
Other equity components: equity premium, surplus value	625.188	638.673
Reserves	908.384	859.667
Government grants	**196.756**	**173.206**
Provisions for liabilities and charges	**23.648**	**21.280**
Deferred taks	**10.355**	**12.182**
Amounts payable	**1.224.813**	**1.348.720**
Amounts payable after more than one year	800.684	881.708
Amounts payable within one year	272.839	299.395
Accrued charges and deferred income	151.290	167.617
Total liabilities	**4.070.810**	**4.135.088**

Condensed income statement **In thousands of EUR, at 31 December**	**2017**	**2016**
Turnover	710.638	696.048
Operating profit (loss)	127.537	128.769
Financial result	−3.697	−8.297
Extraordinary result	256	234
Income taxes	41.697	36.198
Profit for the period	**82.399**	**84.508**

The Group is currently determining the fair value of the acquired assets and liabilities in view of the purchase price allocation. Further, the Group is working on the conversion to IFRS of the financial information of Infrax CVBA for both the legal group as the economic group.

On 17 July 2018, the VREG initiated a consultation procedure on the proposal to change the tariff methodology for the tariff period 2017 to 2020 in response to savings that should result from the merger of the operating companies Eandis System Operator and Infrax to Fluvius System Operator. Another consultation is about the final establishment and allocation of the regulatory balances of the DSO tariffs dating back to the 2010-2014 period (see note 'Operating in a regulated environment). On 28 August 2018, the VREG took decisions on the allocation of the historic balances of 2010 until 2014. The DSOs will register their reservations about these decisions and take all necessary actions to safeguard their rights. The DSOs are currently further analyzing this information in order to be able to make an accurate estimate of the consequences for the DSOs on the financial and economic situation. For further information we refer to the note 'Working in a regulated environment'.

Operating in a regulated environment

31 Operating in a regulated environment

The Group operates in a regulated environment and hence revenue is based on tariff rates approved by the regulator.
As a result of the sixth State Reform the VREG – Flemish Regulator of the electricity and gas markets - has as from 1 July 2014, retrieved the competence of the federal regulator CREG, to determine the distribution tariff methodology for the Flemish region.

- Tariff methodology 2017-2020

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

- Adjustments to the parameters for the remuneration for the cost of capital (a remuneration for the investments made by the shareholders): equity to 5,24 % (pre-tax 7,94 %), the cost of debt capital to 3,04 % and a gearing of 60,00 % (the ratio equity/debt is 40/60). In total the weighted average capital cost is 5,00 %. The WACC has been changed to 4,9 % as a result of the change of the tax rate as from accounting year 2018 onwards.
- further recuperation of the regulatory assets/liabilities for the period 2010-2014 over 5 years (until 2020)
- the new regulatory balances can be recuperated according to an annual percentage of cumulated balance: exogenous costs (60 %), volume differences 75 % (electricity) and 40 % (gas), corporate income tax (for the part via endogenous costs), indexing of endogenous cost 50 %
- In the future, there will be reports on the quality of service (Q-factor): for example power cuts and intervention time for connectivity. The financial settlement will take place via a bonus or malus starting from the next regulatory period. During this tariff period the DSOs only need to report to the regulator.

Eligible income 2017

On 7 October 2016, the VREG established the allowed income for the natural gas and electricity distribution system operators for 2017. The distribution rates were determined on the basis of the tariff methodology 2017-2020. For both gas and electricity, there is an increase compared to 2016 mainly due to the increasing costs for the GEC (electricity) and the processing of the regulatory balances.
Also at the same date, the regulatory balances for the year 2015 were approved.

Tariffs for 2017
On 20 December 2016, the VREG approved the distribution tariffs for electricity and gas for the year 2017. The rates for electricity rise because of the increased costs on which the distribution system operator does not have any impact (exogeneous costs as GEC and RUE contributions).
From 1 March 2017 the tariffs have been adopted for households and small businesses as a result of the limited increase in Elia rates for the transmission network. The rates of Elia were approved by CREG.

Tariffs for 2018
On 9 October 2017, the VREG announced the eligible income for electricity and gas for the period 2018, which was determined on the basis of the tariff methodology applicable for the period 2017-2020.
For electricity (including transmission) the income is 3,4% lower than the income of 2017 and for natural gas the income is 1,9% higher than in 2017.

- <u>Additional information</u>

Additional information was included in the ‘Consolidated financial statements IFRS' of 2017 in the note 'Working in a regulated environment', available on the website www.eandis.be and also the information in the Prospectus of 2 June 2017.

In April 2018, the VREG formulated a proposal to allocate for the first time the balances of the manageable costs for the period 2010-2014 to the tariffs (customers). The distribution system operators have formulated a counterproposal whereby the transfers from 2010 up to 2012 would be at the benefit of the shareholders of the DSOs and for the transfers of 2013-2014 the average of the boni relating to 2009-2012 will be returned to the tariffs. This counterproposal was submitted to the VREG.
On 28 August 2018, the VREG took decisions on the allocation of the historic balances of 2010 until 2014. The DSOs will register their reservations about these decisions and take all necessary actions to safeguard their rights
This uncertainty regarding the allocation of the regulatory assets may give rise to additional differences that need to be processed as an adjustment to the regulatory assets/liabilities or via the result of the next financial year as stated in the note 'Events after the reporting date'. This decision could imply a maximum additional cost of 126 million euros.

- <u>Accounting treatment</u>

At the moment there are no specific IFRS guidelines as to the accounting treatment of the settlement mechanism in a regulated environment.
On 30 January 2014 the IASB published a new standard IFRS14 Regulatory Deferral Accounts. This new standard is applicable for "first time adopters" and allows the recording of regulated assets and liabilities as separate items of the balance sheet and profit and loss account. This standard was not endorsed by the EU.

Overview of the assets and liabilities of the settlement mechanism per year. These reported amounts include the federal contribution payable that will be settled separately (30 June 2018: -75.174 k EUR; 31 December 2017: -70.719 k EUR).

(In thousands of EUR)	30 June 2018	31 December 2017
Transfers 2008 - 2009	−2.054	−2.038
Transfers 2010 - 2014	148.637	187.953
Total regulatory assets *	**146.583**	**185.915**
Balances from 2015	58.952	102.436
Balances from 2016	45.807	54.003
Balances from 2017	−70.122	−69.032
Balances from 2018	−52.707	0
Total regulatory balances	**−18.070**	**87.407**
Total amount recoverable	**128.513**	**273.322**
of which reported as Current assets	128.513	273.322

* Transfers were grouped according to their recuperation in the tariffs with 50,00 % take-back of the transfers recorded in 2008 and 2009 to recuperate during 2015 and 2016 (with the exception of the transfer for the Walloon municipalities) and 20,00 % take-back of the transfers recorded in 2010 up to and including 2014 to recuperate as from 2016 (with the exception of the scheme for the Walloon municipalities and separate treatment of the federal contribution).

The regulatory balances built up during 2016 were approved by the VREG during its Executive Team on 9 August 2017 and can be recovered as from 1 January 2018 according to the tariff methodology of 2017-2020.

Reconciliation of the settlement mechanism.

(In thousands of EUR)	30 June 2018	31 December 2017
Assets at 1 January	273.322	587.234
Recovered transfers from 2008 - 2009	−16	−32
Recovered transfers from 2010 - 2014	−39.316	−78.629
Total movements regulatory assets (*)	**−39.332**	**−78.661**
Additional transfer from 2015	119	228
Additional transfer from 2016	0	−411
Additional transfer from 2017	16	−69.032
Additional transfer from 2018	−52.707	0
Recovered transfer from 2015	−43.602	−166.067
Recovered transfer from 2016	−8.196	0
Recovered transfer from 2017	−1.107	0
Total movements regulatory balances	**−105.477**	**−235.282**
Total movements	**−144.809**	**−313.943**
of which - movement through the income statement	−144.809	−313.943
of which - transfer to third parties	0	31
Regulatory assets at the end of the reporting period	**128.513**	**273.322**

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

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

Report of the statutory auditor to the shareholders of the Flemish distribution net owners on the review of the interim condensed consolidated financial statements of the Economic Group Eandis[1] as of 30 June 2018 and for the 6 month period then ended

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Economic Group Eandis (the "Company"), and its subsidiaries as at 30 June 2018 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 10.202.547 thousand and a net result for the six month period then ended of € 140.914 thousand. The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

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[1] The Economic Group Eandis consists of 7 mixed Flemish Distribution System Operators (DSOs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas who have a joint control over Fluvius System Operator CVBA (until 1 July 2018 'Eandis System Operator CVBA') and its subsidiaries (De Stroomlijn CVBA, Atrias CVBA and Synductis CVBA).

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Conclusion

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

Emphasis of matter

Without qualifying our opinion, we wish to draw the attention to the information, included in the notes of the interim condensed consolidated financial statements related to operating in a regulated environment, which describes the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the financial balances resulting from tariff settlement mechanisms which are still to be approved by the responsible regulators as well as those related to the financial balances which have been determined by them but on which the distribution system owners will object in order to safeguard their rights.

Ghent, 30 August 2018

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

Paul Eelen
Partner*

* Acting on behalf of a BVBA/SPRL

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