ECONOMIC GROUP FLUVIUS

Condensed Consolidated Interim IFRS Financial Statements

30 June 2020

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Interim Financial Statements

Condensed consolidated statement of profit or loss

(In thousands of EUR)	Notes	30 June 2020	30 June 2019
Operating revenue	**5**	**1.733.784**	**1.774.209**
Revenue from contracts with customers		1.443.273	1.540.382
Other operating income		68.481	45.633
Own construction, capitalized		222.030	188.194
Operating expenses		**−1.436.637**	**−1.541.565**
Cost of trade goods	6	−686.738	−664.376
Cost for services and other consumables	7	−214.804	−223.873
Employee benefit expenses	8	−311.544	−330.326
Depreciation, amortization, impairments and changes in provisions	9	−227.866	−225.666
Other operational expenses		−31.079	−24.876
Regulated transfers	10	35.394	−72.448
Result from operations		**297.147**	**232.644**
Finance income	11	31.550	25.019
Finance costs	12	−89.479	−101.578
Profit before tax		**239.218**	**156.085**
Income tax expenses	13	−57.787	−15.314
Profit for the period		**181.431**	**140.771**

Condensed consolidated statement of comprehensive income

(In thousands of EUR)	Notes	30 June 2020	30 June 2019
Profit for the period		**181.431**	**140.771**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	24	−14.595	−273.919
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	24	5.811	190.455
Fair value other investments	18	268.190	108.613
Deferred tax gains (losses)	13	7.093	26.313
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**266.499**	**51.462**
Total comprehensive income for the period		**447.930**	**192.233**

The other comprehensive income of the period up to 30 June 2019 amounts to 51.462 k EUR. As the Economic Group Fluvius expanded during the period, other comprehensive income was included on initial recognition for the incorporation of the company ex-Integan in the consolidation (as from 1 April 2019) for an amount of 40 k EUR (see note 'Expansion of the Economic Group Fluvius).

Condensed consolidated statement of financial position

(In thousands of EUR)	Notes	30 June 2020	31 December 2019
Non-current assets		**14.659.662**	**14.190.941**
Intangible assets	14	107.553	95.850
Property, plant and equipment	15	11.529.921	11.407.129
Right-of-use assets	16	42.188	45.959
Investment in joint ventures and associates	17	2.017	2.016
Other investments	18	2.063.736	1.709.053
Rights to reimbursement on post-employment employee benefits	24	363.921	353.605
Long-term receivables, other	19	550.326	577.329
Current assets		**1.068.951**	**964.552**
Inventories		89.564	78.542
Trade and other receivables	20, 30	923.903	802.413
Current tax assets	29	5.878	19.009
Cash and cash equivalents	21, 30	49.606	64.588
TOTAL ASSETS		**15.728.613**	**15.155.493**
EQUITY	**22**	**6.797.867**	**6.407.595**
Total equity attributable to owners of the parent		**6.797.767**	**6.407.495**
Contribution excluding capital, other / Share capital		2.689.300	2.678.818
Contribution excluding capital, share premium / Issue premiums		126.933	126.884
Reserves		1.748.553	1.737.309
Other comprehensive income		1.059.160	792.661
Retained earnings		1.173.821	1.071.823
Non-controlling interest		**100**	**100**
LIABILITIES		**8.930.746**	**8.747.898**
Non-current liabilities		**6.920.429**	**6.948.800**
Interest bearing loans and borrowings	23, 30	5.371.971	5.413.841
Lease liabilities	16	33.002	35.563
Employee benefit liabilities	24	809.390	773.954
Derivative financial instruments	25	76.458	74.726
Provisions	26	9.054	22.110
Deferred tax liability	13	344.989	358.929
Government grants	27	275.565	269.677
Current liabilities		**2.010.317**	**1.799.098**
Interest bearing loans and borrowings	23, 30	972.485	874.951
Lease liabilities	16	10.683	12.435
Trade payables and other current liabilities	28, 30	984.538	894.020
Current tax liabilities	29	42.611	17.692
TOTAL EQUITY AND LIABILITIES		**15.728.613**	**15.155.493**

Condensed consolidated statement of changes in equity

(In thousands of EUR)	Contribution excluding capital / Share capital and Issue premiums (*)	Reserves	Other comprehensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2020	**2.672.761**	**1.687.856**	**497.047**	**1.053.159**	**5.910.823**	**7.848**	**5.918.671**
Total comprehensive income for the period	0	0	51.462	140.771	**192.233**	0	**192.233**
Repayment of equity	−45.867	−5.863	0	−6.107	**−57.837**	0	**−57.837**
Merger by absorption of Infrax cvba	66.707	30.104	40	11.180	**108.031**	0	**108.031**
Change in consolidation scope	0	0	0	0	**0**	−7.755	**−7.755**
Addition/decrease reserves	0	9.638	0	−9.638	**0**	0	**0**
Dividends paid	0	0	0	−60.690	**−60.690**	0	**−60.690**
Balance at 30 June 2019	**2.693.601**	**1.721.735**	**548.549**	**1.128.675**	**6.092.560**	**93**	**6.092.653**
Balance at 1 January 2020	**2.805.702**	**1.737.309**	**792.661**	**1.071.823**	**6.407.495**	**100**	**6.407.595**
Total comprehensive income for the period	0	0	266.499	181.431	**447.930**	0	**447.930**
Proceeds from contrbution excluding capital	10.531	0	0	0	**10.531**	0	**10.531**
Addition/decrease reserves	0	11.244	0	−11.244	**0**	0	**0**
Dividends paid	0	0	0	−68.189	**−68.189**	0	**−68.189**
Balance at 30 June 2020	**2.816.233**	**1.748.553**	**1.059.160**	**1.173.821**	**6.797.767**	**100**	**6.797.867**

*Further information is disclosed in the note 'Equity'.

Information concerning the movements on comprehensive income is disclosed in the note ‘Tax expenses’ and in ‘Employee benefit liabilities’. Information on the incorporation of ex-Integan as from 1 April 2019 was disclosed in the note ‘Expansion of the Economic Group Fluvius’.

Condensed consolidated statement of cash flows

(In thousands of EUR)	Notes	30 June 2020	30 June 2019
Profit for the period		181.431	140.771
Amortization of intangible assets	14	18.044	12.620
Depreciation on property, plant and equipment and right-of-use assets	15, 16	220.521	207.632
Change in provisions (Reversal -; Recognition +)		−13.056	35
Impairment current assets (Reversal -; Recognition +)		2.357	5.379
Gains or losses on realization receivables		6.381	2.714
Net finance costs		58.648	67.719
Change in fair value of derivative financial instruments		1.732	11.187
Gains or losses on sale of property, plant and equipment		22.135	18.031
Movement in government grants	27	−2.451	−2.347
Income tax expense	13	57.787	15.314
Operating cash flow before change in working capital and provisions for employee benefits		**553.529**	**479.055**
Change in inventories		−11.022	−6.051
Change in trade and other receivables		−106.787	−118.763
Change in trade payables and other current liabilities		47.812	213.581
Change in employee benefits		16.336	14.482
Net operating cash flow		**−53.661**	**103.249**
Interest paid		−44.038	−47.668
Interest received		19.132	16.292
Financial discount on debts		178	198
Income tax paid (received)		−26.584	−18.871
Net cash flow from operating activities		**448.556**	**532.255**
Proceeds from sale of property, plant and equipment		735	67.565
Purchase of intangible assets	14	−29.747	−17.434
Purchase of property, plant and equipment	15	−359.237	−299.658
Acquisition of companies and other investments	18	−79.254	0
Acquisition of business combinations	3	0	17.002
Proceeds from sale of companies and other investments		162	0
Net investments in long-term receivables		18	0
Receipt of a government grant	27	8.340	25.451
Net cash flow used in investing activities		**−458.983**	**−207.074**
Proceeds from contribution excluding capital / issue of shares	22	10.531	0
Repayment of contribution excluding capital / share capital		0	−57.837
Repayment of borrowings		−46.766	−72.615
Proceeds from borrowings	23	0	2.343
Payment of finance lease liabilities		−8.033	−6.747
Change in current financial liabilities		103.470	−24.956
Change in short-term investments		0	14.989
Repayment long-term loans		3.635	4.648
Dividends paid	28	−67.392	−48.327
Net cash flow from/used in financing activities		**−4.555**	**−188.502**
Net increase/decrease in cash	**21**	**−14.982**	**136.679**
Cash and cash equivalents at the beginning of period	**21**	**64.588**	**21.694**
Cash and cash equivalents at the end of period	**21**	**49.606**	**158.373**

Selected explanatory notes

Basis of preparation

1 Corporate information

The condensed consolidated interim financial statements of the Economic Group Fluvius comprise the accounts of the eleven mission entrusted associations (MEAs) Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Fluvius West, Fluvius Limburg (merger company of Inter-energa with Inter-aqua and Inter-media), Fluvius Antwerpen (merger company of Iveg with IMEA and the incorporated company Integan as per 1 April 2019 as well as some of the municipalities of Iveka), PBE (merger company of PBE with Intergas) and Riobra also the accounts of their subsidiary being the operating company Fluvius System Operator and the latter's subsidiaries, investments in joint ventures and associates. In addition, the accounts of the company Fluvius OV are also included in the Economic Group Fluvius.

The MEAs are being managed centrally by their operating company Fluvius System Operator cv. The operating company and its subsidiaries publish IFRS accounts: Fluvius System Operator Group.

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

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

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

Since 2019. a 'renewed' offer to public authorities has been developed to enable the public authorities to take over public lighting and relieve cities and towns of as much of the burden as possible. A total of 175 cities and municipalities had already adopted this proposal at the end of December 2019. During the first semester of 2020, 15 cities and municipalities decided to join as of 1 July 2020 and 63 municipalities of Fluvius Limburg and PBE decided to accept this new offer "Light as a service".

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

Fluvius has chosen to obtain **a rating** from the rating agencies 'Moody's Investor Services Ltd.' (Moody's) and 'Creditreform Rating AG' (Creditreform). On 25 July 2019, the rating received from Moody's was A3 (stable outlook). On 18 May 2020, Moody's published an issuer comment stating that the rating may be downgraded if the proposal of the Flemish energy regulator to reduce the

allowed income of the MEAs becomes applicable. On 13 August 2020, the VREG took a decision on the applicable tariff methodology. See note 'Events after the reporting date'.
Since January 2017, the rating at Creditreform is A+ with a stable outlook. This rating was confirmed on 2 August 2019.

Fluvius System Operator cv operates in all cities and municipalities in the Flemish Region (Belgium). The Group employed on average 5.425 people during 2019.

During **the first half of 2019 and 2020** the following transactions took place with consequences for:

• **Structure of the Group**
The Energy Decree requires MEAs to have by 1 January 2021 a geographically contiguous operating area and it requires municipalities to have the same distribution system operator for electricity and natural gas on their territory.
This twofold requirement results in rescheduling and mergers of the MEAs of the Group.

On 1 April 2019, the following changes occurred within the Fluvius Economic Group that also impacted the shareholding in Fluvius System Operator.
In the Antwerp region the company **Fluvius Antwerpen** is the merger of Iveg with IMEA together with the acquired MEA Integan (see explanation 'Expansion Fluvius Economic Group') that is active in the management of cable infrastructure. Fluvius Antwerpen, has activities in energy distribution (electricity and gas), sewerage and the management of cable infrastructure.
In the province of Limburg, the MEAs Inter-energa (distribution of electricity and gas), Inter-aqua (sewerage) and Inter-media (cable infrastructure) merged into the MEA **Fluvius Limburg**.
Also on 1 April 2019, the MEA **PBE** merged with Intergas.

The growing differences between the regulation and legislation in the Flemish and Walloon Regions have led to a shift in which the **Walloon municipalities**, being part of the Flemish MEAs, have joined ORES Assets cv per 1 January 2019, the Walloon distribution system operator. Because of this, a partial demerger in Gaselwest has taken place.

As provided by decree, the **province** of Limburg left the MEAs Inter-energa and Inter-media as from 1 January 2019.

On 1 January 2020, the **municipalities** of Malle, Ranst, Wommelgem and Zoersel **joined Fluvius Antwerpen** as a result of a partial demerger by taking over from Iveka OV to Fluvius Antwerpen OV. As a result, the shareholding within Fluvius System Operator also had to be adjusted.

As a result of the **merger of Deinze and Nevele** on 1 January 2019. the merged city of Deinze was served by two different DSOs, being Gaselwest and Imewo. It was proposed to carry out a partial demerger by acquisition for the benefit of Imewo as from 1 January 2021. This transaction will have no impact on the Group's financial results.

• Personnel of the Group
The Energy Decree stipulates that every MEA/DSO can make use of only one operating company. All the MEAs/DSOs of the Group have chosen Fluvius System Operator cv, which can fulfill its tasks with its own personnel and can make use of secondment to statutory (permanently employed) personnel.
On 1 April 2019, the entire contractual staff of the former Infrax MEAs/DSOs and Integan were taken over by Fluvius System Operator cv. To organize the secondment from a single company, all the statutory staff of the former Infrax MEAs/DSOs were boarded into Fluvius OV.
These changes have no financial consequences for the Group.

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

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

These condensed consolidated interim financial statements for the six months ended 30 June 2020 have been established by the Management Committee on 24 September 2020 and were reviewed in accordance with the International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*.

2 Significant accounting policies

2.1 Statement of compliance

These condensed consolidated interim IFRS statements for the six-month period ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.
They do not contain all the necessary information for a full set of financial statements, and should therefore be read in conjunction with the IFRS financial statements of the Economic Group Fluvius for the year ended on 31 December 2019.

2.2 Summary of significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with the accounting policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2019 except for the new standards or interpretations in force since 1 January 2020.

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

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

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

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

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

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

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the amounts of revenue and expenses.
The actual results could differ from these estimates.

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

COVID-19 has affected the valuation of certain assets, including investments in listed assets, unlisted assets and pension plan investments, the valuation of which is challenging in rapidly changing market conditions (see notes 'Employee benefits liabilities' and 'Financial instruments: risks and fair value').
Indicators of impairment of assets, valuation of inventories and recoverability of trade receivables have also been taken into account. Currently, no significant increase in the amount of uncollectible receivables has been identified and the valuation of inventories and other assets did not need to be adjusted.

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

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

Modifications to the structure of the Economic Group Fluvius

3 Expansion of the Economic Group Fluvius

During **the first half of 2019** the following transactions have taken place with consequences for the structure of the Group.
The Energy Decree requires MEAs to have by 1 January 2021 a geographically contiguous area and requires municipalities to have the same distribution system operator for the electricity and natural gas on their territory.
This requirement results in rescheduling of municipalities and mergers of the MEAs of the Group.

On 1 April 2019, the following changes occurred within the Fluvius Economic Group

- In the Antwerpen region IVEG merged with IMEA together with the acquired Integan (Interkommunale voor Teledistributie van het Gewest Antwerpenen), active in the management of cable infrastructure. Together, these three entities now form the **Fluvius Antwerpenen**, with activities in energy distribution (electricity and gas), sewerage and the management of cable infrastructure.
  This transaction is a merger through the acquisition of Integan and IMEA by IVEG. The entire assets of the companies Integan and IMEA were taken over by IVEG resulting in the dissolution without liquidation of IMEA. IVEG was renamed Fluvius Antwerpenen. The merger of IMEA with IVEG did not have any financial impact.
  For the integration of Integan the exchange ratio for the shares was based on the share ratio as determined on the basis of the shareholders' equity (according to the BE-GAAP) on 31 December 2017. This exchange ratio was fixed, based on the figures of 31 March 2019. As a result, the share capital of IVEG/Fluvius Antwerpen increased by 192.777 k EUR, represented by 29.613.093 shares. The share capital of Integan was 66.707 k EUR represented by 8.338.338 shares.

  According to IFRS, the MEA **Integan** was included in the consolidation as a business combination as from 1 April 2019. All items of the balance sheet were checked for their fair value and the validation at their net asset value was expressed in accordance with IFRS. As a result, an increase in equity was recognized but no goodwill.
  The financial information of ex-Integan on 1 April 2019 and according to the IFRS is summarized below:

(In thousands of EUR)	Opening balance
Property, plant and equipment	1.576
Right-of-use assets	1.395
Investment in joint ventures and associates	6.320
Other investments	139
Long-term receivables, other	83.485
Inventories	2.371
Trade and other receivables	12.218
Cash and cash equivalents	17.002
Assets	**124.506**
Capital	66.707
Reserves	30.104
Other comprehensive income	40
Retained earnings	11.180
Lease liabilities, long and short term	1.395
Employee benefit liabilities	2.374
Provisions	73
Deferred tax liability	803
Trade payables and other current liabilities	9.653
Current tax liabilities	2.177
Liabilities	**124.506**
Total net at fair value	−17.002
Cash and cash equivalents received	17.002
Total acquisition of business combination	**0**

The various elements of the balance sheet have been included at their fair value.
Tangible fixed assets
In the BE-GAAP 'investments under construction' are included in this item which will be charged to Telenet. For the IFRS, these investments were recorded as long-term receivables.

Right of use of assets
According to standard IFRS 16, lease, the eligible lease obligations must be recognized as an asset and a corresponding short and long-term liability.

Other investments
The participation held in the company Cipal was recognized at fair value with recognition through other comprehensive income and recording of deferred taxes.

Provisions for employee benefits
On the date of acquisition, the employee benefits for staff employed by Integan (contractual staff) were calculated in accordance with IAS 19. These rewards include defined contribution plans and other long-term obligations. These were processed through retained earnings with a calculation of the effect on deferred taxes (asset).

Provision, other
This item includes provisions that meet the definition of provisions in accordance with IFRS. All other provisions have not been included and corrected via retained earnings.

Trade and other debts
In this item, mainly the debt related to dividends payable has been corrected. As these dividends have not yet been approved by the General Meeting of Shareholders, they have not been retained as debt for IFRS.

These consolidated interim IFRS financial statements on 30 June 2019 contain the figures of this transaction for three months after the incorporation at 1 April 2019. The result, according to Belgian accounting legislation, of this company for the first quarter of 2019 amounted to 5.989 k euros and was recognized in equity as retained earnings.

- In addition, other companies of the Group have also merged. These transactions did not impact these financial statements.
  In the province of Limburg, the MEA Inter-energa (distribution of electricity and gas), Inter-aqua (sewer management) and Inter-media (cable infrastructure) merged into the MEA **Fluvius Limburg**.
  On 1 April 2019 the MEA **PBE** also merged with Intergas.

The growing differences between the Flemish and Walloon Region have led to a shift in which the **Walloon municipalities**, formerly being part of the Flemish MEAs, joined 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 has taken place. The valuation and determination of the exchange ratio was calculated based on the figures per 30 June 2018. This exchange ratio was then finally applied to the financial figures per 31 December 2018.

As provided by decree, **the province** of Limburg left the MEA Inter-energa and Inter-media as from 1 January 2019. The effect of this exit is included in the note 'Equity'.

On 1 January 2020, the **municipalities** of Malle, Ranst, Wommelgem and Zoersel **joined Fluvius Antwerpenen** as a result of a partial demerger by taking over from Iveka OV to Fluvius Antwerpenen OV. As a result, the shareholding within Fluvius System Operator also had to be adjusted.

As a result of the **merger of Deinze and Nevele** on 1 January 2019. the merged city of Deinze was served by two different DSOs, being Gaselwest and Imewo. It was proposed to carry out a partial demerger by acquisition for the benefit of Imewo as from 1 January 2021. This transaction will have no impact on the Group's financial results.

Segment information

4 Segment information

The Management Committee, responsible for the day-to-day management and the operational functioning of Fluvius System Operator (Fluvius SO), its subsidiaries, joint ventures and associates and the Flemish MEAs, reviews the financial data on the basis of a reporting in accordance with Belgian accounting standards.
This reporting is presented for the MEAs **per energy component** electricity and gas, as this is the best reflection of the nature and the financial profile of the activities. This segmentation also reflects

the framework within which should be reported to the regulator VREG and it also forms the basis for the calculation of the distribution network tariffs for the electricity and gas activities. As a result, these tariffs are distinguished from each other and each has its own cost drivers, specificities and risks.

The MEAs also report a segment **'Other**' in which the non-regulated activities are included such as the activities which took place before the liberalisation of the energy market (2003); the activities for the energy services for local authorities, the activity public lighting, sewerage, cable distribution, district heating, energy supplier for social customers and rational energy- and water consumption.

Each of the MEAs 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 MEAs, at the Central Balance Sheet Office of the National Bank of Belgium.

The activities of the operating company Fluvius 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 MEAs where a breakdown by activity is performed based on an allocation system. Therefore the financial results of the operating companies (Fluvius System Operator Group) are always 'zero'.

In accordance with IFRS 8, the Group reported at 30 June 2020 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	Fluvius SO consolidated	Aggregated total
Turnover	1.154.580	281.452	125.522	788.460	2.350.014
Other income	25.161	8.063	20.177	59.142	112.543
Operating costs	−1.007.789	−181.096	−143.670	−839.936	−2.172.491
Operating profit (loss)	**171.952**	**108.419**	**2.029**	**7.666**	**290.066**
Financial income	952	547	19.884	60.505	81.888
Financial costs	−57.743	−24.835	−3.552	−63.965	−150.095
Profit (loss) of the period before taxes	**115.161**	**84.131**	**18.361**	**4.206**	**221.859**
Transfer from/transfer to deferred taxes	0	1	169	0	170
Income taxes	−32.805	−23.411	−4.212	−4.206	−64.634
Profit for the period	**82.356**	**60.721**	**14.318**	**0**	**157.395**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Tangible and intangible fixed assets	6.175.667	3.749.459	1.730.420	6.200	11.661.746
Financial fixed assets	1.245	489	443.531	1.614	446.879
FIXED ASSETS	**6.176.912**	**3.749.948**	**2.173.951**	**7.814**	**12.108.625**
Amounts receivable after more than one year	45.401	29.078	413.297	3.789.587	4.277.363
Stocks and contracts in progress	4.212	0	60.000	89.564	153.776
Amounts receivable within one year	580.547	−20.057	91.742	1.115.458	1.767.690
Cash at bank and in hand	1.836	6	43.289	22.454	67.585
Deferred charges and accrued income	381.506	120.557	7.850	362.252	872.165
CURRENT ASSETS	**1.013.502**	**129.584**	**616.178**	**5.379.315**	**7.138.579**
Total Assets	**7.190.414**	**3.879.532**	**2.790.129**	**5.387.129**	**19.247.204**
Contribution excluding capital, other / Share capital	945.725	622.715	1.145.418	1.284	2.715.142
Contribution excluding capital, share premium / Issue premiums	109.126	0	17.821	127	127.074
Revaluation surplus	800.949	384.132	31.744	0	1.216.825
Reserves	888.703	432.435	445.965	86	1.767.189
Retained earnings and result of the period	104.991	71.814	82.520	20	259.345
Government grants	173	90	252.656	0	252.919
EQUITY	**2.849.667**	**1.511.186**	**1.976.124**	**1.517**	**6.338.494**
MINORITY INTEREST	**0**	**0**	**0**	**100**	**100**
PROVISIONS FOR LIABILITIES AND CHARGES	**10.197**	**11.521**	**45.777**	**282.261**	**349.756**
Amounts payable after more than one year	3.636.822	1.530.073	209.399	3.820.576	9.196.870
Amounts payable within one year	394.298	696.754	549.556	1.191.160	2.831.768
Accrued charges and deferred income	299.430	129.998	9.273	91.515	530.216
AMOUNTS PAYABLE	**4.330.550**	**2.356.825**	**768.228**	**5.103.251**	**12.558.854**
Total Liabilities	**7.190.414**	**3.879.532**	**2.790.129**	**5.387.129**	**19.247.204**

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	2.350.014	1.443.273	−906.741
Profit (loss) of the period before taxes	221.859	239.218	17.359
Total Assets	19.247.204	15.728.613	−3.518.591
Total Liabilities	19.247.204	15.728.613	−3.518.591
Equity	6.338.494	6.797.867	459.373

These differences can be explained as the result of:

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

For the electricity segment there are two customers to whom in total 56 % was invoiced; for the segment gas there are also two customers to whom in total 52 % was billed.

In accordance with IFRS 8, the Group reported at 30 June 2019 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	Fluvius SO consolidated	Aggregated total
Turnover	1.122.706	285.753	111.165	803.308	2.322.932
Other income	38.426	8.984	34.211	74.229	155.850
Operating costs	−994.249	−191.759	−140.208	−871.090	−2.197.306
Operating profit (loss)	**166.883**	**102.978**	**5.168**	**6.447**	**281.476**
Financial income	1.458	−28	18.073	61.761	81.264
Financial costs	−59.137	−26.089	−4.955	−63.791	−153.972
Profit (loss) of the period before taxes	**109.204**	**76.861**	**18.286**	**4.417**	**208.768**
Transfer from/transfer to deferred taxes	0	0	166	0	166
Income taxes	−35.857	−25.491	−6.023	−4.417	−71.788
Profit for the period	**73.347**	**51.370**	**12.429**	**0**	**137.146**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Fluvius SO consolidated	Aggregated total
Tangible and intangible fixed assets	6.058.443	3.738.481	1.493.356	10.070	11.300.350
Financial fixed assets	1.293	486	377.068	1.717	380.564
FIXED ASSETS	**6.059.736**	**3.738.967**	**1.870.424**	**11.787**	**11.680.914**
Amounts receivable after more than one year	7.399	7.062	413.497	3.945.528	4.373.486
Stocks and contracts in progress	50.736	47	15.182	76.510	142.475
Amounts receivable within one year	777.383	−100.664	−28.751	562.872	1.210.840
Cash at bank and in hand	362.279	−43.583	127.541	120.774	567.011
Deferred charges and accrued income	522.219	130.911	−68.660	387.556	972.026
CURRENT ASSETS	**1.720.016**	**−6.227**	**458.809**	**5.093.240**	**7.265.838**
Total Assets	**7.779.752**	**3.732.740**	**2.329.233**	**5.105.027**	**18.946.752**
Capital	939.265	622.395	1.029.615	1.284	2.592.559
Equity premium	109.127	0	17.772	127	127.026
Revaluation surplus	827.625	395.841	32.541	0	1.256.007
Reserves	853.768	416.577	469.296	86	1.739.727
Retained earnings and result of the period	92.215	59.026	72.991	20	224.252
Government grants	125	83	242.644	0	242.852
EQUITY	**2.822.125**	**1.493.922**	**1.864.859**	**1.517**	**6.182.423**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**14.955**	**13.527**	**39.613**	**319.317**	**387.412**
Amounts payable after more than one year	3.840.967	1.646.200	222.625	3.991.518	9.701.310
Amounts payable within one year	602.092	377.323	264.025	692.397	1.935.837
Accrued charges and deferred income	499.613	201.768	−61.889	100.185	739.677
AMOUNTS PAYABLE	**4.942.672**	**2.225.291**	**424.761**	**4.784.100**	**12.376.824**
Total Liabilities	**7.779.752**	**3.732.740**	**2.329.233**	**5.105.027**	**18.946.752**

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	2.322.932	1.540.382	−782.550
Profit (loss) of the period before taxes	208.768	156.085	−52.683
Total Assets	18.946.752	14.979.177	−3.967.575
Total Liabilities	18.946.752	14.979.177	−3.967.575
Equity	6.182.423	6.092.653	−89.770

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.

Performance of the period

5 Operating revenue

Revenue from contracts with customers amounts to 1.443.273 k EUR on 30 June 2020 and to 1.540.382 k EUR on 30 June 2019, which equals a decreas of 97.109 k EUR.

The **distribution and transport grid revenue** amounts to 1.435.426 k EUR on 30 June 2019 and decreases to 1.365.307 k EUR on 30 June 2020.

The main reason for this decrease is the standardisation of the invoicing system of ex-Eandis and ex-Infrax (equalisation of the invoicing rhythm and charging of advances). However, this decrease will be compensated for in the annual recalculation. The lower consumption is due to the weather conditions (warm winter and high efficiency of the solar panels), COVID-19 and the lower unit prices applied. From 1 January 2020, the new tariff methodology of the VREG was applied for the electricity and natural gas activities (see note 'Working in a regulated environment').

Other revenues from contracts with customers include sales of energy to dropped (social) customers, invoicing of works for third parties and sales related to sewerage and other activities.

Other operating income amounted to 68.481 k EUR on 30 June 2020 and 45.633 k EUR on 30 June 2019. This item includes various recoveries related to connections, claims, personnel costs, etc.

The **own construction capitalized** increases from 188.194 k EUR on 30 June 2019 to 222.030 k EUR on 30 June 2020.

6 Cost of trade goods

The cost of trade goods amounts to −686.738 k EUR on 30 June 2020 and −664.376 k EUR on 30 June 2019, an increase of 143.617 k EUR.

This increase is due to the increase in the cost of purchasing the certificates (green power certificates (GPC) and cogeneration certificates (CGC)) and amounts to 254.197 k EUR on 30 June 2020 and 200.061 k EUR on 30 June 2019.

All other items show a decrease: the cost of the transmission grid fee (of electricity to Elia) amounts to 325.975 k EUR (336.169 k EUR on 30 June 2019), the cost of energy purchases of electricity and gas for social customers amounts to 18.960 k EUR (23.462 k EUR on 30 June 2019) and the cost of purchases of trade goods and network losses decreases slightly.

7 Cost for services and other consumables

The cost for services and other consumables amounts to −214.804 k EUR on 30 June 2020 and −223.873 k EUR on 30 June 2019, a decrease of 9.068 k EUR.

The cost of rational use of energy (RUE) decreased slightly from 32.760 k EUR on 30 June 2019 to 31.607 k EUR on 30 June 2020. All other costs under this heading also decreased, with the exception of consultancy costs (+11.671 k EUR) and fees for the use of installations (+4.844 k EUR).

8 Employee benefit expenses

The employee benefit expenses amount to −311.544 k EUR on 30 June 2020 and −330.326 k EUR on 30 June 2019, a decrease of 18.782 k EUR.

This decrease is mainly the result of lower pension costs and movement of the provision for employee benefits. The items remuneration and other personnel expenses increased.

The Energy Decree stipulates that every MEA/DSO can make use of only one operating company. All the MEAs/ DSOs of the Group have chosen Fluvius System Operator cv, which can fulfill its tasks with its own personnel and can make use of secondment to statutory (permanently employed) personnel.

On 1 April 2019, the entire contractual staff of the former Infrax MEAs/DSOs and ex-Integan was taken over by Fluvius System Operator cv. To organize the secondment from a single company, all the statutory staff of the former Infrax MEAs/DSOs were boarded into Fluvius OV.

9 Amortization, depreciation, impairment and changes in provisions

The amortization of intangible assets and the depreciation of property, plant and equipment as well as the right-of-use assets amount to- 238.565 k EUR at the end of 30 June 2020 and -220.252 k EUR at the end of 30 June 2019.
The impairment on trade receivables amounts to -2.357 k EUR (30 June 2019: -5.379 k EUR).
The changes in provisions to 30 June 2020 relate to a write-back of 181 k EUR (30 June 2019: 165 k EUR) related to costs for the remediation of polluted gas sites.
Furthermore, on 30 June 2020, a write-back of 12.875 k EUR was recognized for the employee benefits that do not fall under the application of IAS 19.

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 35.394 k EUR was recognised as revenue in the period up to 30 June 2020 (in the period to 30 June 2019: -72.488 k EUR as expense). The detail of these movements is included in the note 'Working in a regulated environment'.

11 Financial income

The financial income amounts to 31.550 k EUR on 30 June 2020 and 25.019 k EUR on 30 June 2019, an increase of 6.531 k EUR.
On 30 June 2019, an amount of 3.193 k EUR was recognized as a result of the positive fair value adjustment of the derivative financial instruments and on 30 June 2020 an amount of 3.352 k EUR (see note ‘Financial costs’).
The other financial income amounts to 28.183 k EUR on 30 June 2020 and 19.049 k EUR on 30 June 2019. This item includes mainly the allowances received from the telecommunication company Telenet, the capital gains such as the fair value calculated on the other investments, financial discounts received from suppliers and interest income received or to be received from the banks.

12 Financial costs

The financial costs amounted to −89.479 k EUR on 30 June 2020 and −101.578 k EUR on 30 June 2019, a decrease of 10.275 k EUR.
The interest expense on the long-term financing amounts to 80.262 k EUR (30 June 2019: 81.991 k EUR); the negative fair value adjustment of the derivative financial instruments amounts to 2.819 k EUR (30 June 2019: 11.187 k EUR). Furthermore, interest expenses on employee benefit obligations were recognised, as well as the cost of debt and miscellaneous bank charges.

13 Tax expenses

The tax expenses amount to −57.787 k EUR on 30 June 2020 and −15.314 k EUR on 30 June 2019, a difference of -42.473 k EUR. This tax expense comprises the current income tax expenses amounting to -64.634 k EUR (-71.788 k EUR on 30 June 2019) and the deferred taxes of 6.847 k EUR (56.474 k EUR on 30 June 2019).

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 -64.634 k EUR for the period up to 30 June 2020 (-71.788 k EUR at 30 June 2019).

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 IAS12 income tax. They are recognized through the profit or loss account and through unrealized results.

In 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 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 have also been introduced as this reform had to be budget neutral.
This reform has a significant impact on deferred taxes and 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 of 480.689 k EUR (487.080 k EUR at 31 December 2019) was recognised for the revaluation of property, plant and equipment since, under Belgian tax law, this cost is not deductible. For the provisions for employee benefits, the expense will be deductible under Belgian tax law, resulting in a deferred tax asset of 144.194 k EUR (141.793 k EUR at 31 December 2019).

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 2020	31 December 2019
Property, plant & equipment	−480.689	−487.080
Derivative financial instruments	17.405	17.994
Employee benefit liabilities	144.194	141.793
Provisions	−6.510	−12.144
Receivables	−20.365	−20.780
Other	976	1.288
Net deferred tax asset/(liability)	**−344.989**	**−358.929**

The movements in the profit or loss account and the equity for the periods up to 30 June 2020 are as follows:

(In thousands of EUR)	Movements via P&L	Movements via OCI*	Movements via retained earnings
Property, plant & equipment	1.494	4.897	0
Derivative financial instruments	−588	0	0
Employee benefit liabilities	206	2.196	0
Provisions, rehabilitation gas sites	5.632	0	0
Provisions, other	415	0	0
Impairment on trade receivables	−312	0	0
Deferred tax benefit/(expense)	**6.847**	**7.093**	**0**
Net movement during the year	**13.940**		

*OCI= Other comprehensive income

The movements in the profit or loss account and the equity for the periods up to 30 June 2019 are as follows:

(In thousands of EUR)	Movements via P&L	Movements via OCI*	Movements via retained earnings
Property, plant & equipment	39.543	8.441	0
Derivative financial instruments	4.851	0	0
Employee benefit liabilities	13.498	17.871	0
Provisions, rehabilitation gas sites	−41	0	−1.382
Provisions, other	334	0	0
Impairment on trade receivables	−1.640	−13	524
Deferred tax benefit/(expense)	**56.544**	**26.299**	**−858**
Net movement during the year	**81.985**		

The net deferred tax liability is composed as follows:

(In thousands of EUR)	30 June 2020	31 December 2019
Deferred tax asset	162.575	161.075
Deferred tax liability	−507.564	−520.004
Deferred tax liability, net	**−344.989**	**−358.929**

The movements of the deferred tax liability are as follows:

(In thousands of EUR)	30 June 2020	31 December 2019
Total as at 1 January	**−358.929**	**−434.455**
Tax income/(expense) recognised in profit or loss	6.847	50.720
Tax income/(expense) recognised in OCI	7.093	25.595
Tax income/(expense) recognised in retained earnings	0	−789
Total at end of reporting period	**−344.989**	**−358.929**

Assets

14 Intangible assets

The intangible assets amount to 107.553 k EUR on 30 June 2020 and 95.850 k EUR on 31 December 2019, an increase of 11.703 k EUR due to acquisitions and compensated for by the amortization.
During the first six months of 2020 acquisitions were recorded for an amount of 29.747 k EUR and 17.434 k EUR during the first six months of 2019.
The acquisitions during the period up to June 2020 concern investments recognised for a project in a public, neutral fibre-optic network, fibre-to-the-home (904 k EUR) and ICT costs were recognised for 28.135 k EUR to transfer ex-Eandis and ex-Infrax systems to a single IT platform (SAP). These 'New Foundations' will be tackled in phases, with the roll-out starting with a standard that will be optimised in phases. As a result, several ICT releases will take place spread over time.

15 Property, plant and equipment

Property, plant and equipment amount to 11.529.921 k EUR on 30 June 2020 and 11.407.129 k EUR on 31 December 2019, an increase of 122.792 k EUR.
The acquisitions during the first six months of 2020 amount to 359.237 k EUR and 299.658 k EUR during the first six months of 2019.
This increase is mainly due to the investments in metering equipment for electricity and natural gas and also for medium-pressure networks for gas. Nevertheless, a delay can be observed in comparison to the budget (73.600 k EUR) as a result of the adjusted operational regulation in the context of the COVID-19 pandemic.
The movement of property, plant and equipment includes also the depreciation (see note ‘Amortization, depreciation, impairment and, changes in provisions’) and the retirement of fixed assets for an amount of 22.547 k EUR (included in the item 'Other operational expenses').

The Board of Directors of the relevant public transport company approved the sale of a plot of land and buildings included under this heading for an amount of 3.799 k EUR and 3.105 k EUR. The closing of the sale has yet to take place and is expected in 2022.

16 Right-of-use assets and lease liabilities

The **right-of-use assets** amount to 42.188 k EUR on 30 June 2020 and 45.959 k EUR on 31 December 2019. This decrease of 3.771 k EUR is mainly due to the recognition of 3.251 k EUR of new or extended contracts and 6.937 k EUR of depreciation.

The resulting non-current **lease obligations** amount to 33.001 k EUR on 30 June 2020 and 35.563 k EUR on 31 December 2019, the current lease obligations amount to 10.683 k EUR on 30 June 2020 and 12.435 k EUR on 31 December 2019.

Non-current lease liabilities were recorded for an amount of 4.394 k EUR, 10.683 k EUR were transferred from non-current to current lease liabilities and 8.708 k EUR payments were recorded.

17 Investments in associates and joint ventures

These investments amount to 2.017 k EUR at 30 June 2020 and 2.016 k EUR at 31 December 2019. These investments are held in Atrias cv, Synductis cv (7 k EUR on 30 June 2020 and 6 k EUR on 31 December 2019) and S-Lim cv.

18 Other investments

The other investments amount to 2.063.736 k EUR on 30 June 2020 and 1.709.053 k EUR on 31 December 2019.
The other investments include the participations in Publi-T (48,03%) and Publigas (30,36%). The recognition at fair value of these participations and the shares amount in total to 2.059.382 k EUR on 30 June 2020 and 1.704.706 k EUR on 31 December 2019. This increase is the result of the fair value measurement for an amount of 268.190 k EUR on 30 June 2020 (108.613 k EUR on 30 June 2019).
In addition, the Group holds participations in business centres and other companies for a total fair value of 4.354 k EUR on 30 June 2020 and 3.771 k EUR on 31 December 2019.
During the first six months of 2020 the business centre Zennevallei was sold. The effect of this transaction was recognised in the financial result.

19 Long-term receivable, other

The long-term receivables, other amount to 550.326 k EUR on 30 June 2020 and 577.329 k EUR on 31 December 2019, a decrease of 27.003 k EUR.
These receivables mainly stem from the receivable from the telecommunication company Telenet (424.254 k EUR, 31 December 2019: 434.114 k EUR); the receivable from municipalities and other related parties.

20 Trade and other receivables

Trade and other receivables amount to 923.903 k EUR at 30 June 2020 and 802.413 k EUR at 31 December 2019. The increase of 121.490 k EUR was due to the lower outstanding trade receivables (191.288 k EUR) offset by the increase in other receivables (312.778 k EUR).

The decrease in **trade receivables** is due to the inclusion at 30 June 2020 of a provision for grid fee to be paid to energy suppliers for the month of June as an other receivable (177.545 k EUR). On the other hand and until 31 December 2019, all invoices have already been issued.
The write-down recognised on trade receivables remains almost unchanged and amounts to 123.730 k EUR at 30 June 2020 and 121.362 k EUR at 31 December 2019.

The **other receivables** include the green energy certificates and cogeneration certificates (GEC and CGC) for an amount of 191.928 k EUR on 30 June 2020 (58.663 k EUR on 31 December 2019), an increase of 133.265 k EUR.

On the basis of the Energy Decree (article 7.1.6), the DSOs are required to purchase 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 2020, 644.092 GEC and 362.057 CGC were sold for a total selling price of 68.982 k EUR. The GEC were sold at an average price of 92,60 EUR and the CGC at an average price of 25,79 EUR.

During the first half of 2019, 1.026.105 GEC and 784.989 CGC were sold for a total selling price of 117.744 k EUR. The GEC were sold at an average price of 94,20 EUR and the CGC at an average price of 26,86 EUR.
The Flemish Government decided to value the GEC as of June 2019 at 93 EUR (formerly 88 EUR per certificate) and the CGC at 27 and 31 EUR (which is equal to the minimum contribution in relation to the period to which they relate) - (formerly 20 EUR). This resulted in an estimated annual reduction in the electricity rate in Flanders of 18,2 million EUR for GEC and 30,6 million EUR for CGC. The certificates held in stock were also revalued on 30 June 2019 at the above-mentioned prices, resulting in a one-off decrease in the tariff (less in costs) of 6.630 k EUR for GEC and 17.086 k EUR for CGC.
The difference between the sale and the valuation has been included in the post 'Cost of trade goods'.

21 Cash and cash equivalents

The cash and cash equivalents held amounted to 49.606 k EUR on 30 June 2020 and 64.588 k EUR on 31 December 2019. The aim is to keep the cash held as low as possible.

Liabilities

22 Total equity

Adjustments following changes in Belgian legislation:
The new 'Companies and Associations Code' entered into force on 1 May 2019 and mandatory provisions apply from 1 January 2020.
The form of company cvba - the cooperative society with limited liability - has disappeared and has now become cv - the cooperative society. This name and abbreviation should be used everywhere. The definition of a cooperative society is clearly defined and may only be used for companies that pursue a 'genuine' cooperative object and purpose.
Furthermore, the term **'share capital'** is removed for a cv and should be changed to **'Contribution outside capital, other'** and **'issue premiums'** became **'Contribution outside capital, issue premiums'**. Both terms together form **'Contribution outside capital'**.

Equity amounts to 6.797.867 k EUR on 30 June 2020 and 6.407.595 k EUR on 31 December 2019, an increase of 390.172 k EUR.
The various components of equity and the movements are reflected in the 'Statement of changes in equity'.

The **'Contribution outside capital, other / share capital** amounts to 2.689.300 k EUR at 30 June 2020 and 2.678.818 k EUR at 31 December 2019.
The increase of the Contribution outside capital, other during the 2019 and the period up to June 2020 is the result of the transactions, as described below in the table:

Transaction	**Amount in thousands of EUR**
1 January 2019	2.545.877
Capital decrease - exit of Walloon municipalities (Gaselwest-Zuid)	−7.515
Capital decrease - exit of province Limburg	−38.357
Capital increase - Intergas, Fluvius Limburg	6
Merger by incorporation of Integan	66.707
Capital increase - Fluvius Antwerpen	320
Capital injection - public lighting	107.406
Capital decrease - transfer to sewerage fund	−2.447
Capital increase - create strategic participations	6.697
Incorporation of unavailable reserves	175
Capital decrease - delete shares	−51
31 December 2019	**2.678.818**
Contribution excluding capital, other - public lighting	6.872
Contribution excluding capital, other - sewarage	3.610
30 June 2020	**2.689.300**

In the context of the above mentioned transactions during the period until 30 June 2020. A contribution excluding capital, others of 10.482 k EUR was noted as well as a contribution excluding capital, issue premiums of 49 k EUR. As a result, the total contribution outside capital during the period until 30 June 2020 amounts to 10.531 k EUR.

On 1 January 2020 the municipalities of Malle, Ranst, Wommelgem and Zoersel joined Fluvius Antwerpen as a result of a partial demerger by acquisition from Iveka OV to Fluvius Antwerpen OV. As a result of this transaction, the number of shares and the capital contribution of these DSOs needed to be adjusted.

The table below gives an overview of the number of shares in the contribution excluding capital, other / share capital of each DSO at 30 June 2020.
Only for the MEAs Iveka, Fluvius West and Fluvius Antwerpen changes are noted compared to 2019.

MEA	Contribution excluding capital, other Number	Contribution excluding capital, other (in €)	Shares Number	Shares (in €)
	30 June 2020	30 June 2020	31 December 2019	31 December 2019
Gaselwest	32.756.318	358.498.559	32.756.318	358.498.559
Imewo	31.254.779	324.460.515	31.254.779	324.460.515
Intergem	16.581.274	115.396.966	16.581.274	115.396.966
Iveka	11.154.664	129.747.186	12.787.429	148.832.525
Iverlek	40.975.548	276.863.471	40.975.548	276.863.471
Sibelgas*	3.264.362	70.923.546	3.264.362	70.923.546
Fluvius OV	984	24.393	984	24.393
Fluvius West	9.991.788	249.794.700	9.572.492	239.312.300
Fluvius Limburg	23.544.250	604.199.860	23.544.250	604.199.860
Fluvius Antwerpen	30.145.794	408.698.645	28.603.724	389.613.305
PBE	2.573	7.976	2.573	7.976
Riobra	6.078.425	150.684.156	6.078.425	150.684.156
Total	**205.750.759**	**2.689.299.971,63**	**205.422.158**	**2.678.817.571,63**

(*) In Sibelgas 10.000 shares D are issued without representation in the contribution excluding capital / share capital

Reserves

The reserves amount to 1.748.553 k EUR on 30 June 2020 and 1.737.309 k EUR on 31 December 2019, an increase of 11.244 k EUR.
This increase stems from the periodic allocation to reserves for an amount of 11.244 k EUR.

The **dividend balance** for **the financial year 2019**, paid out during 2020 amounted to 68.190 k EUR. An amount of 2.236 k EUR had still to be paid out and related to ex-Integan and for the period until 30 June 2020 the dividend of PBE for 3.034 k EUR has not yet been paid out. The total amount, paid out in 2020 thus amounted to 67.392 k EUR (balance dividend of the **financial year 2018**. paid out in 2019: 48.327 k EUR).

MEA (In thousands of EUR)	30 June 2020	30 June 2019
Gaselwest	4.227	4.599
Imewo	4.147	4.147
Intergem	1.948	1.991
Iveka	1.491	4.070
Iverlek	3.895	5.093
Sibelgas	2.233	4.500
Fluvius West	3.593	110
Fluvius Limburg	38.452	12.574
PBE	0	598
Fluvius Antwerpen	7.407	10.242
Intergas	0	403
Total	**67.392**	**48.327**

Detail of **other comprehensive income:**

(In thousands of EUR)	30 June 2020	31 December 2019
Related to employee benefit liabilities	−415.809	−401.214
Related to rights to reimbursement on post-employment employee benefits	145.404	139.593
Related to fair value other investments	1.624.559	1.356.369
Related to deferred tax liabilities	−294.994	−302.087
Total other comprehensive income	**1.059.160**	**792.661**

The **non-controlling interest** amounts to 100 k EUR at 30 June 2020 and at 31 December 2019. It comprises the participation held by Farys/TMVW in 'De.Stroomlijn cv', by Synductis in 'De Stroomlijn cv' and the participation acquired during 2019 of De Watergroep in 'De Stroomlijn cv'

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

(In thousands of EUR)	30 June 2020	31 December 2019
Long-term loans	**5.371.971**	**5.413.841**
Current portion of long-term loans	404.515	410.451
Short-term loans	567.970	464.500
Short-term loans	**972.485**	**874.951**
Total	**6.344.456**	**6.288.792**

The long-term and short-term loans have increased from 6.288.792 k EUR to 6.344.456 k EUR or with 55.664 k EUR in comparison to 31 December 2020. This increase is the result of additional borrowings on short-term loans for 103.470 k EUR. In addition, 46.766 k EUR of long-term debt was reduced, including repayment of bank loans as well as disagio from the bonds and proceeds from the unwind of derivative financial instruments that are to be spread over the remaining life time of the loan.

The increase in short-term financing is due, among other things, to the financing by the MEAs in their participation in Publi-T which was the result of Elia's capital increase. This financing amounted to 79.253 k EUR. Also, there was the cash payout amounting to 30.417 k EUR as a result of the acquisition of the public lighting of several municipalities. Furthermore, the receivable of certificates (133.265 k EUR) increased compared to the year end 2019. Due to planned auctions in the second half of the year 2020 the balance will be reduced. Finally, Fluvius is in the process of investing in the accelerated roll-out of digital meters.

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

(In thousands of EUR)	30 June 2020		31 December 2019	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	6.288.792		6.110.191	
Movements on non-current loans (LT)				
Proceeds of non-current loans	0	0	2.343	0
Change in non-current loans	0	2.305	0	2.632
Transfer of short-term portion of LT loan to ST	0	−44.175	0	−408.595
Movements on current loans (ST)				
Proceeds of current loans	567.970	0	464.500	0
Transfer of short-term portion from LT loan to ST	0	44.175	0	408.594
Change in current loans	0	−3.345	0	−6.090
Repayment of short-term portion of long-term loan	−46.766	0	−259.827	0
Repayment current loans	−464.500	0	−24.956	0
Total movements	**56.704**	**−1.040**	**182.060**	**−3.459**
Total at end of reporting period	**6.344.456**		**6.288.792**	

Long-term loans

This item contains bank loans, bonds and since 2010 the bond loans and private placements. The decrease of 41.870 k EUR compared to 31 December 2019 is the result of the transfer of the short-term portion of the long-term loans to short-term.

The Group was granted a **rating** by Moody's and Creditreform Rating AG.
On 1 July 2018 the rating at Moody’s was A3 with a positive outlook. On 25 July 2019 the outlook was changed to stable.
Moody’s latest publication on Fluvius as issuer is dated 18 May 2020 following the publication by the Flemish energy Regulator VREG on its consultation paper on the tariff methodology for the next regulatory period 2021-2024 to be applied by the distribution system operators. The note considers the impact of the proposed changes, if implemented, to be credit negative because it would reduce the operational cash flow. On 13 August, the VREG took a decision on the tariff methodology to be applied. See note ‘Events after the reporting date’.
On 15 October 2018 the rating at Creditreform was A+ with a stable outlook. On 2 August 2019 this rating was confirmed.

Eandis System Operator successfully issued bonds in the framework of its 5.000.000 k **EUR Euro Medium Term Note (EMTN) programme** launched in 2011 and which runs through 2021. At 30 June 2020, an amount of 2.660.500 k EUR or 53,21% was issued. Since year end 2014 no more bonds have been 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).

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

All outstanding loans are denominated in EUR and have a fixed interest rate.

For all the bond loans the **principle** applies that each of the MEAs is a guarantor on a several but non-joint basis, but limited to its proportional share in the 'Contribution outside capital, other' of its former working company. The portion in the 'Contribution outside capital, other' 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.

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 MEAs are using these funds primarily to fund their ongoing investments in their networks and for refinancing purposes.

The capital of the bond loans is **payable** on the maturity date. The bank loans have periodic due dates, usually on an annual basis but a few on a monthly basis.

Derivative contracts have been concluded for loans with a variable interest rate to swap the variable interest rate to a fixed rate (see note 'Derivative financial instruments').

During the first six months of 2020 the Group did not need any additional loans.

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

Loans, current
This item contains the current portion of long-term loans (404.515 k EUR at 30 June 2020; 410.451 k EUR at 31 December 2019) and the bank loans on short-term (567.970 k EUR at 30 June 2020; 464.500 k EUR at 31 December 2019). The Group subscribed bank loan and commercial paper at 30 June 2020 for an amount of respectively 67.970 k EUR and 500.000k EUR (464.500 k EUR at 31 December 2019).

The Group can call on the following credit facilities:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
Commercial paper	(1)	500.000	500.000	0	0,15%
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	Daily	200.000	67.970	132.030	0,40%
Fixed loans	NA	25.000	0	25.000	NA
Total on 30 June 2020		**925.000**	**567.970**	**357.030**	
Commercial paper	(1)	500.000	411.500	88.500	−0,15%
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	Daily	200.000	53.000	147.000	0,40%
Fixed loans	NA	25.000	0	25.000	NA
Total on 31 December 2019		**925.000**	**464.500**	**460.500**	

(*) The average interest rate of the used amounts at the end of the period
(1) Maturity dates between 3 July 2020 and 1 October 2020 for commercial paper issued on 30 June 2020 and maturity dates between 10 January 2020 a,d 31 March 2020 for commercial paper issued on 31 December 2019
NA Not applicable

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

24 Employee benefit liabilities
The Group's provisions for employee benefits are reviewed at 1 January each year and revised at each reporting date to determine any changes in the fair value of plan assets or the present value of plan liabilities and other long-term obligations.
As a result of the revision on 30 June 2020, the effects of the lower discount rates and the reduction in the fair value adjustments of the plan assets were recognised as actuarial differences in other comprehensive income.
The current climate and the impact of the COVID-19 pandemic are likely to continue to affect the value of plan assets and liabilities, resulting in higher potential volatility of the recognised net liability.

The employee benefit liabilities amount to 809.390 k EUR on 30 June 2020 and 786.829 k EUR on 31 December 2019 and are recorded as provisions for employee benefits (809.390 k EUR; 773.954 k EUR at 31 December 2019) and as provisions, other (0 k EUR; 12.875 k EUR at 31 December 2019).
The increase of 22.561 k EUR is mainly due to the adjustments to the assumptions: the decreasing discount rate and the return on plan assets have an increasing effect on the provisions. The increase of 22.561 k EUR was recognised as an expense through profit or loss for a total of 7.966 k EUR and through other comprehensive income for 14.595 k EUR.

In the context of working longer, certain benefits granted for early retirement can no longer be recognized as a provision for employee benefits. Notwithstanding the fact that the Group is working on a 'renewed' pension plan, the timing of implementation cannot yet be stated with certainty. As a result and from 2018 onwards, an amount was no longer included as a provision for employee benefits but this amount was recorded as a liability on the balance sheet item' Provisions, other'. At 30 June 2020 the net liability amounts to 0 k EUR (12.875 k EUR at 31 December 2019) as a result of the decreasing liability and sufficient available assets. The write-back was recognised through profit or loss.
The Group expects to realise the new plan as soon as possible.

Furthermore, an amount of 363.921k EUR on 30 June 2019 (353.605 k EUR on 31 December 2019) was recorded as a reimbursement right since it can be recovered through the future tariffs. The increase was recorded similar to the increase in the provision: in the statement of profit or loss, via the unrealized results and via retained earnings.

25 Derivative financial instruments

The fair value of the derivative financial instruments amounts to 76.458 k EUR on 30 June 2020 and 74.726 k EUR at 31 December 2019, an increase of 1.732 k EUR mainly driven by the fluctuations of the interest rates on the financial markets and the rewind during the first six months of 2020 of the following contracts:
A Linear Constant Maturity swap within the framework of the original 55,7 million EUR loan with a maturity of 20 years concluded in February 2002 entered into force in February 2009.
A Linear Constant Maturity swap within the framework of the original 16 million EUR loan with a maturity of 20 years concluded in January 2003 entered into force in January 2007.
A Linear Constant Maturity swap within the framework of the original 4,8 million EUR loan with a maturity of 17 years concluded in January 2006 entered into force in January 2007.
A Linear Constant Maturity swap within the framework of the original 4,8 million EUR loan with a maturity of 17 years concluded in Januray 2006 entered into force in December 2008.

26 Provisions

These provisions amount to 9.054 k EUR on 30 June 2020 and 22.110 k EUR on 31 December 2019, a decrease of 13.056 k EUR.
These provisions include the provision for rehabilitation costs of various polluted gas factory sites for 8.981 k EUR and for litigations. The provision related to employee benefits (see note 'Provision for employee benefits') amounts to 0 k EUR on 30 June 2020 (12.875 k EUR on 31 December 2019).

27 Government grants

The government grants amount to 275.565 k EUR on30 June 2020 and 269.677 k EUR on 31 December 2019.
The increase in capital grants of 5.888 k euro can be mainly explained by the receipts for 8.340 k EUR (30 June 2019: 25.451 k EUR) and the processing (use) for 2.451 k EUR (30 June 2019: 2.347 k EUR).

28 Trade payables and other current liabilities

The trade payables and other current liabilities amount to 984.538 k EUR on 30 June 2020 and 894.020 k EUR on 31 December 2019.

This increase of 90.518 k EUR is the result of an increase in ‘Other current payables’ of 127.548 k EUR, in ‘VAT and other tax payables’ for 35.953 k EUR and in ‘Employee benefits payables’. This increase was offset by a decrease of 36.692 k EUR in trade payables and 35.394 k EUR in transfers (see note 'Working in a regulated environment').

The item ‘Other current liabilities’ mainly contains the provisions for interest payable on the bond loans, the provisions for transmission cost (Elia), the provisions for personnel costs and the employee benefit expenses.
At the end of June 2020, a cash advance was received from Publi-T and Publigas for dividends to be received (30 June 2020: 37.268 k EUR: 0 k EUR at 31 December 2019). Pending approval by the relevant general meetings of shareholders, this item was recognized as a debt.

29 Current tax liabilities

The net tax liability on 30 June 2020 amounts to 36.733 k EUR (of which 5.878 k EUR tax asset and 42.611 k EUR tax liabilities) compared to a net tax liability of 1.317 k EUR on 31 December 2020.

This item represents the outstanding income taxes payable related to previous financial periods and the estimated tax liability of the current financial year for the different companies of the Group.

Financial instruments

30 Financial instruments: risks and fair value

Risks
Fluvius System Operator manages its potential risks in a systematic way via the ‘integral risk management’ methodology. The Group’s functioning as the operating company for the MEAs limits to a large degree the risks and their possible negative impact.

More detailed information about the risks of the Group and its shareholders is included in the IFRS consolidated financial statements of 31 December 2019, the prospectus of 2 June 2017 concerning the ‘notification in respect of the public offer of bonds’ and the Investor Presentation of May 2020. These documents can be consulted on the website of Fluvius System Operator www.fluvius.be

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

Fair value hierarchy
The Group uses the following fair value hierarchy classification to determine and classify the fair value of the financial instruments by a valuation technique:
Level 1 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 financial assets related to Publigas recognised as level 2 financial assets were valued based on an external valuation report that contains information about the company until 6 March 2020. This information does not include the exceptional market circumstances and the evolution following the outbreak of the COVID-19 pandemic. The share price of the related and listed company decreased significantly after this date but then gradually ended at the same level on 30 June 2020. The valuation included in the report was therefore assumed to be useful, and not subject to adjustment.

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

The fair value of the quoted bonds, issued for a total amount of 3.530.500 k EUR, varies according to the market interest rate. The fair value at 30 June 2020 amounts to 3.851.291 k EUR and differs both 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 2020 the fair values are:

(In thousands of EUR)	Fair value Level 1	Level 2	Level 3	Book value
Other investments	38.848	2.020.534	4.355	2.063.736
Long-term receivables, other	550.326	0	0	550.326
Green energy and cogeneration certificates (GEC & CGC)	191.928	0	0	191.928
Trade and other receivables excluding GEC and CGC	731.975	0	0	731.975
Short-term receivables, other	5.878	0	0	5.878
Cash and cash equivalents	49.606	0	0	49.606
Total	**1.568.561**	**2.020.534**	**4.355**	**3.593.449**
Loans on short-term	976.030	0	0	972.485
Bond loans	4.157.128	0	0	3.820.576
Loans on long-term	1.551.395	0	0	1.551.395
Lease liabilities	43.685	0	0	43.685
Derivative financial instruments	0	76.458	0	76.458
Total current liabilities, other	1.027.149	0	0	1.027.149
Total	**7.755.387**	**76.458**	**0**	**7.491.748**

As of 31 December 2019 the fair values are:

(In thousands of EUR)	Fair value Level 1	Level 2	Level 3	Book value
Other investments	31.614	1.673.092	3.771	1.709.053
Long-term receivables, other	577.329	0	0	577.329
Green energy and cogeneration certificates (GEC & CGC)	58.663	0	0	58.663
Trade and other receivables excluding GEC and CGC	743.750	0	0	743.750
Cash and cash equivalents	64.588	0	0	64.588
Total	**1.475.944**	**1.673.092**	**3.771**	**3.153.383**
Loans on short-term	878.513	0	0	874.951
Bond loans	4.224.461	0	0	3.821.108
Loans on long-term	1.592.733	0	0	1.592.733
Derivative financial instruments	0	74.726	0	74.726
Total current liabilities, other	924.242	0	0	924.242
Total	**7.619.949**	**74.726**	**0**	**7.287.760**

Other information

31 Related parties

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

32 Events after the reporting date

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

Operating in a regulated environment

33 Operating in a regulated environment

33.1 Electricity and gas

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 the current tariff period the DSOs only need to report to the regulator.

Tariffs for 2019

On 4 October 2018, the VREG decided on the determination of the eligible income for the electricity and natural gas distribution system operators from their 2019 periodic distribution system tariffs in accordance with the 2017-2020 tariff methodology. The allowed income, which serves as the basis for determining the tariffs, decreases with 7,95% for electricity and 6,63% for natural gas. The reason of this decrease is mainly because the decision by the VREG regarding the allocation of the manageable balances which must be returned. This causes a significant decrease in distribution network tariffs.
On 14 December 2018, the VREG approved the distribution tariffs for electricity and natural gas for Flanders for the period from 1 January 2019 up to and including 31 December 2019.

As a result of the structural changes of the MEAs/DSOs, no adjustments were made to the distribution tariffs. The VREG decided that the distribution tariffs of the MEAs/DSOs prior to the demerger/merger will continue to apply during the regulatory period (up to and including 31 December 2020).

The VREG decided to change the tariff methodology for the distribution of electricity and natural gas for the 2017-2020 regulatory period concerning the 'Prosumers with a reversing meter'. It was determined which tariffs can be charged for the 'prosumers' who switch from a reversing meter to a digital meter. The decision applies as from 1 July 2019.

Tariffs 2020

On 8 October 2019, the VREG decided on the determination of the eligible income of the electricity and natural gas distribution system operators from their periodic distribution grid tariffs 2020 in accordance with the tariff methodology 2017-2020. The allowed income, which serves as the basis for determining the tariffs, falls by 3,70 % for electricity and by 2,90 % for natural gas.
On 16 December 2019, the VREG approved the distribution grid rates for electricity and natural gas for Flanders for the period from 1 January 2020 to 31 December 2020. The reduction in the distribution grid rates is the result of the lower expectation of the costs of the public service obligations and the reduction of the historical surpluses (in favour of the final consumers).

- **Additional information**

In April 2018, the VREG formulated a proposal to allocate for the first time the balances of the manageable costs for the period 2010-2014 to the tariffs (customers). The distribution system

operators have formulated a counterproposal whereby the transfers from 2010 up to 2012 would be to the benefit of the shareholders of the DSOs and for the transfers of 2013-2014 the average of the bonuses relating to 2009-2012 would be returned to the tariffs. This counterproposal was submitted to the VREG.
At the end of August 2018, the VREG, following a public consultation, decided about the size and destination of the regulatory balances for the period 2010-2014.
The Board of Directors could not, however, agree with the proposed treatment of the balances of the manageable costs. In September 2018, it was decided to appeal for annulment of the decisions by the VREG.
On 27 February 2019, the Brussels Court of Appeal declared the DSOs demand to annul the VREG decision of August 2018 on the size and destination of the regulatory 2010-2014 admissible but unfounded.
Pursuing the latter, these balances were included as cost processed in the regulatory balances. The annual result of 2018 was significantly affected in a negative way by this decision.

On 6 July 2018, the VREG took a first decision to change the tariff methodology for electricity and natural gas distribution during the regulatory period 2017-2020. This change mainly focused on a reduction in the distribution network tariffs for electricity and natural gas in order to take into account efficiency gains as a result of the merger of the operating companies (so-called x'-factor). In its second decision of 20 September 2018, the total annual net savings for the years 2019 and 2020 were calculated that have to be cleared in the so-called x'-factor.
Fluvius has objected and asked the VREG whether they were willing to review the decision in the short term. In order to protect itself against the decision of the VREG, an appeal was filed at the Court of Appeal in Brussels.
At the hearing of 10 April 2019, the Court of Appeal declared the claim by Fluvius admissible but unfounded and the decision of the VREG was thus confirmed.

Settlement of the federal contribution electricity in 2018 and 2019
The federal contribution for electricity is a surcharge levied on the quantity of electricity purchased. It serves to finance certain public service obligations and the costs associated with the regulation and control of the electricity market (Electricity Act article 21bis).
The distribution system operators, together with the CREG and VREG, have agreed on the repayment of an amount of the federal contribution. The repayment will start from 1 July 2018 and run over a period of one and a half years. The repayment is done partly in the form of a settlement via the current tariffs for the federal contribution for electricity and partly through a settlement via the CREG.

Tariff methodology 2021-2024
The Energy Decree stipulates that the regulator must consult with the network operator before taking a decision on a new tariff methodology.
The formal consultation between Fluvius and the VREG was launched in the first half of 2020. The VREG holds public market consultations and will decide on the new tariff methodology for the period 2021-2024 taking into account – or not – these comments.
On 13 August 2020, VREG published the tariff methodology for the distribution of electricity and natural gas during the period 2021-2024.

The VREG decided to adapt the tariff structure so that it better reflects the costs of using the network in the future and allocates the costs to the different network users in a more balanced way. As a result, from 2022 onwards, network costs will be charged on the basis of capacity instead of volume (off-taken kWh).

The VREG also proposes a new capital cost reimbursement which will result in a reduction (WACC before tax 3,50% instead of 4,80%) in the remuneration of debt and equity and in the remuneration of capital gains (by imposing a partial reimbursement). As a result of the merger, the DSOs will also

have to realise higher savings than previously anticipated and annual productivity improvements will have to be achieved.
Furthermore, the VREG determines the allowed income on the basis of the trend of endogenous costs in the period 2015-2019. This will lead to a discrepancy between the costs incurred and the corresponding revenues for the large projects (accelerated roll-out of Digital Meters by 2024). The VREG foresees to compensate for this discrepancy by introducing an advance payment scheme.

All this will have a negative impact on the future regulated profits of the DSOs.
Therefore, Fluvius asked the VREG to review its decisions and also requested an adjustment to the allowed income so that an advance payment can be received in 2021 following the accelerated roll-out of the Digital Meter Chain.

- **Accounting treatment**

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

Overview of the assets and liabilities of the settlement mechanism.

(In thousands of EUR)	30 June 2020	31 December 2019
Transfers 2010 - 2014	−961	−1.922
Total regulatory assets	**−961**	**−1.922**
Transfers 2018	−395	−395
Transfers 2019	−14.287	−14.287
Transfers 2020	−6.010	0
Total federal contribution	**−20.692**	**−14.682**
Balances from 2015	0	50
Balances from 2016	4.128	8.182
Balances from 2017	−10.100	−18.080
Balances from 2018	−118.221	−161.104
Balances from 2019	−20.604	−23.010
Balances from 2020	−8.722	0
Total regulatory balances	**−153.519**	**−193.962**
Total amount recoverable	−175.172	−210.566
of which reported as Current assets/(liabilities)	**−175.172**	**−210.566**

Reconciliation of the settlement mechanism.

(In thousands of EUR)	30 June 2020	31 December 2019
Assets at 1 January	**−210.566**	**−258.359**
Recovered transfers from 2010 - 2014	961	1.922
Transfer to third parties	0	−90
Total movements regulatory assets	**961**	**1.832**
Recovered transfers from 2009 - 2017	0	56.544
Paid to/received from CREG	0	17.564
Additional transfers from 2019	0	−14.287
Additional transfers from 2020	−6.010	0
Total movements federal contribution	**−6.010**	**59.821**
Additional transfer from 2018	0	905
Additional transfer from 2019	0	−23.010
Additional transfer from 2020	−8.722	−17.645
Recovered transfer from 2015	−50	−17.645
Recovered transfer from 2016	−4.054	−26.872
Recovered transfer from 2017	7.980	49.921
Recovered transfer from 2018	42.883	−2.388
Recovered transfer from 2019	2.406	0
Transfer to third parties	0	5.230
Total movements regulatory balances	**40.443**	**−13.859**
Total movements	**35.394**	**47.794**
of which - movement through the income statement	35.394	25.089
of which - transfer with third parties	0	5.140
of wich paid to/received from CREG federal contribution	0	17.564
Regulatory assets/(liabilities) at the end of the reporting period	**−175.172**	**−210.566**

On 1 September 2020, the VREG approved the regulatory balances for electricity and gas concerning the 2019 financial year.

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

33.2 Other

The operation and regulation of the **sewerage activity** has been described in the IFRS Consolidated Financial Statements of this Group for 2019. It can be consulted on the website www.fluvius.be

For sewerage, Fluvius's income comes from subsidies from VMM (Vlaamse Milieumaatschappij) for sewerage projects, from the municipal remediation contribution (GSB) and from any landowners. The GSB is charged by the water company to the consumer on the water bill and passed on to Fluvius.

There are agreements with Telenet for income related to **cable activities**. Fluvius is remunerated for both maintenance costs ('opex fee') based on an agreed amount that is indexed annually and for investments based on pre-approved investment budgets.

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Report of the statutory auditor to the shareholders of the Flemish distribution grid owners on the review of the interim condensed consolidated financial statements as of 30 June 2020 and for the 6 month period then ended

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of the Economic Group Fluvius (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated statement of financial position total of € 15.728.613 thousand and a consolidated profit for the 6 month period then ended of €181.431 thousand. Management is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the entity as at 30 June 2020, and of its financial performance and its cash flows for the 6 month period in accordance with IAS 34.

Emphasis of matter

We draw the attention to Note 33 to the Interim Condensed Consolidated Financial Statements relating 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. Our conclusion is not qualified in respect of this matter.

Ghent, 23 September 2020

EY Bedrijfsrevisoren BV
Statutory auditor
represented by

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

Ref: 21MVD0058