FLUVIUS SYSTEM OPERATOR Group

Consolidated Financial Statements IFRS

Year end 31 December 2019

Content

Financial Statements

Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2019	2018
Operating revenue	**4**	**1.659.700**	**1.392.051**
Revenue from contracts with customers		1.628.959	1.369.772
Other operating income		30.741	22.279
Operating expenses		**−1.640.292**	**−1.374.139**
Cost of trade goods		−150.281	−115.266
Cost for services and other consumables	5	−916.127	−780.323
Employee benefit expenses	6	−564.209	−440.980
Depreciation, amortization, impairments and changes in provisions	7	−8.629	−35.053
Other operational expenses		−1.046	−2.517
Result from operations		**19.408**	**17.912**
Finance income	8	125.030	116.165
Finance costs	8	−135.690	−123.883
Profit before tax		**8.748**	**10.194**
Income tax expenses	9	−8.748	−10.194
Profit for the period		**0**	**0**

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2019	2018
Profit for the period		**0**	**0**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	22	−28.365	−65.385
Actuarial gains (losses) on rights to reimbursement on post-employment employee benefits	22	28.365	65.385
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**0**	**0**
Total comprehensive income for the period		**0**	**0**

Consolidated statement of financial position

(In thousands of EUR)	Notes	2019	2018
Non-current assets		**4.094.994**	**4.228.706**
Intangible assets	10	2.150	2.697
Property, plant and equipment	11	5.451	16.414
Right-of-use assets	12	36.972	0
Investment in joint ventures and associates	13	16	16
Other investments	14, 25	905	845
Rights to reimbursement on post-employment employee benefits	15	258.499	256.730
Long-term receivables, other	16	3.791.001	3.952.004
Current assets		**1.104.429**	**534.445**
Inventories	17	78.542	68.088
Short-term receivables, other	16	170.000	0
Trade and other receivables	18, 25	391.907	327.328
Receivables cash pool activities	18, 25	435.758	136.934
Cash and cash equivalents	19.24	28.222	2.095
TOTAL ASSETS		**5.199.423**	**4.763.151**
EQUITY	**20**	**1.617**	**10.500**
Total equity attributable to owners of the parent		**1.517**	**10.407**
Share capital, reserves and retained earnings		1.517	10.407
Non-controlling interest		**100**	**93**
LIABILITIES		**5.197.806**	**4.752.651**
Non-current liabilities		**4.112.761**	**4.260.875**
Interest bearing loans and borrowings	21, 25	3.821.108	3.991.963
Lease liabilities	12	26.937	6.545
Employee benefit liabilities	22	245.624	224.587
Derivative financial instruments	23	6.217	5.637
Provisions	22	12.875	32.143
Current liabilities		**1.085.045**	**491.776**
Interest bearing loans and borrowings	21, 25	637.986	28.456
Lease liabilities	12	10.472	1.787
Trade payables and other current liabilities	24, 25	300.538	271.482
Liabilities cash pool activities	24, 25	133.069	187.978
Current tax liabilities	24, 25	2.980	2.073
TOTAL EQUITY AND LIABILITIES		**5.199.423**	**4.763.151**

Consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2018	**915**	**72**	**19**	**1.006**	**93**	**1.099**
Merger by incorporation	9.260	141	0	**9.401**	0	**9.401**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**9.260**	**141**	**0**	**9.401**	**0**	**9.401**
Balance at 31 December 2018	**10.175**	**213**	**19**	**10.407**	**93**	**10.500**
Balance at 1 January 2019	**10.175**	**213**	**19**	**10.407**	**93**	**10.500**
Change in consolidation scope	0	0	0	**0**	7	**7**
Repayment of equity	−8.891	0	1	**−8.890**	0	**−8.890**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**−8.891**	**0**	**1**	**−8.890**	**7**	**−8.883**
Balance at 31 December 2019	**1.284**	**213**	**20**	**1.517**	**100**	**1.617**

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

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2019	2018
Profit for the period		0	0
Amortization of intangible assets	7	713	−183
Depreciation on property, plant and equipment and right-of-use assets	7	13.228	0
Change in provisions (Reversal -; Recognition +)	22	−19.268	32.143
Impairment current assets (Reversal -; Recognition +)	25	13.956	380
Gains or losses on realization receivables		465	337
Net finance costs	8	10.080	7.912
Change in fair value of derivative financial instruments	23	580	−194
Gains or losses on sale of property, plant and equipment		−827	1.088
Income tax expense	9	8.748	10.194
Operating cash flow before change in working capital and provisions for employee benefits		**27.675**	**54.390**
Change in inventories		−10.454	−376
Change in trade and other receivables		−88.202	38.507
Change in trade payables and other current liabilities		29.076	−64.091
Change in employee benefits	22	19.268	−32.143
Net operating cash flow		**−50.312**	**−58.103**
Interest paid		−131.457	−136.635
Interest received		124.547	122.775
Financial discount on debts		408	420
Income tax paid (received)	9	−7.842	−21.453
Net cash flow from operating activities		**−36.981**	**−38.606**
Proceeds from sale of property, plant and equipment		2.500	−453
Purchase of intangible assets		−65	0
Purchase of property, plant and equipment		−926	−2.450
Acquisition of business combinations		0	18.205
Proceeds from sale of companies and other investments		222	0
Net investments in long-term receivables		0	28
Net cash flow used in investing activities		**1.731**	**15.330**
Repayment of share capital	20	−8.891	0
Change in non-controlling interest	20	7	0
Repayment of borrowings	21	−3.500	−1.750
Payment of finance lease liabilities		−12.050	−862
Change in current financial liabilities	21	439.544	24.956
Change in cash pool		−353.733	−28.363
Net cash flow from/used in financing activities		**61.377**	**−6.019**
Net increase/decrease in cash		**26.127**	**−29.295**
Cash and cash equivalents at the beginning of period	**18**	**2.095**	**31.390**
Cash and cash equivalents at the end of period	**18**	**28.222**	**2.095**

Notes to the consolidated financial statements

1 Corporate information

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

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

Fluvius’s consolidated financial statements for the year ended 31 December 2019 contain the information of the company and its subsidiary, investments in joint ventures and associates (see note 'List of group entities included in the consolidation '), and together they form the 'Group'.
Since the acquisition of Infrax cv took place on 1 July 2018, the statement of profit or loss for 2018 will only contain the results of the last six months of 2018 of the acquired company.

The shareholders of Fluvius are Mission Entrusted Associations or MEAs in the Flemish Region (Belgium): during 2019 arestructuring of the legal structure was implemented reducing the number from fourteen to eleven MEAs: Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West (changing its name as from 1 January 2020 to Fluvius West), Fluvius Limburg (merger company of Inter-energa with Inter-aqua and Inter-media), Fluvius Antwerpen (merger of Iveg with IMEA and Integan, a company acquired on 1 April 2019 and some municipalities of Iveka), PBE (merged with Intergas), and Riobra.
Fluvius’s shareholders, together with this ‘Group’, Fluvius OV and Interkabel Vlaanderen form the ‘Economic Group Fluvius’, which also publishes its IFRS financial statements.

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

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

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

The Group employed on average 4.637 persons during 2019 and calls on 788 persons on average that are employed at Fluvius OV.

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

The MEAs have appointed Fluvius System Operator as their operating company.
On 26 June 2018, the Flemish energy regulator (VREG) decided to grant permission to the distribution system operators for energy Gaselwest, Imewo, Intergem, Iveka, Iverlek, Sibelgas, Infrax West, PBE, Fluvius Antwerpen and Fluvius Limburg to call on the services of the operating company Fluvius System Operator for electricity and gas. This authorisation shall apply until 25 September 2026 (electricity) and 14 October 2027 (gas).

Fluvius has chosen to obtain a rating from the rating agencies 'Moody's Investor Services Ltd.' (Moody's) and 'Creditreform Rating AG' (Creditreform). On 1 July 2018, the rating received from Moody's was A3 with a positive outlook and on 25 July 2019 the outlook was changed to stable.
On 15 October 2018, Creditreform granted to all of Fluvius's bonds the rating A+. This rating was confirmed on 2 August 2019.

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

This financial report for the financial year ended 31 December 2019 was approved on 25 March 2020 by the Board of Directors.

2 Summary of significant accounting policies

2.1 Statement of compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB) and endorsed by the European Union. The Group has not early adopted any new IFRS standard that is effective after 2019.

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

2.2 Principles of consolidation

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

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

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

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

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

2.3 Segment reporting

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

2.4 Significant accounting policies

The accounting policies are consistently applied with last year's accounting principles except for those that refer to the newly adopted standards on leases (see note 'Summary of changes in accounting policies applicable as from 2019').

a) Revenue recognition

Revenue from contracts with customers

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

The revenue stream from *construction works for third parties* includes various works performed for third parties in the context of, among others, ESLA (Energy Services for Local Authorities) and public lighting. The ESLA activities are offered to the affiliated public authorities (cities and municipalities) at cost in support of the local energy policy
In addition, the Group is responsible for the management of the public lighting infrastructure of the municipalities.
The proceeds from construction works for third parties are valued on the basis of the remuneration which the Group expects to be entitled to as a result of the contract. The contracts include no variable elements. The Group recognizes revenue once the performance obligations have been met, namely when the control is transferred to the customer. Revenue recognition follows the specific five-step model. Step 1 in this model is the identification of the contracts with the client; step 2 identification of the obligations in the performance contracts; step 3 determining the

transaction price; step 4 the allocation of the transaction price to the performance obligations and revenue recognition and step 5 when the performance obligations have been fulfilled.
The ESLA revenue is recognised at some point in time at provisional acceptance of works after acceptance by the customer. The proceeds from public lighting will also be recognised at some point in time when the performance obligations have been fulfilled.

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

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

b) Expenses

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

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

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

The income tax of the year comprises the tax charge payable. The tax on profit is recognised in the statement of profit or loss. The current tax expenses are the expected current taxes payable on the taxable income for the year, based on tax rates in effect at the statement of financial position date and any adjustment to current taxes payable from previous years.

c) Intangible assets

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

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

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

d) Property, plant and equipment

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

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

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

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

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

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

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

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

e) Leasing
As a result of the implementation of IFRS 16 as from 1 January 2019 onwards, the following rules for financial reporting of the Group have been applied.

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual

value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease.The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases with a value below 5.000 euro.
Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

f) Investments in joint ventures and associates

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

g) Other investments

Investments are accounted for at trade date.
Investments in equity securities are undertakings in which the Group does not have significant influence or control. This is the case for companies in which the Group holds less than 20% of the voting rights. Such investments are designated as available for sale financial assets and are at initial recognition measured at fair value, unless the fair value cannot be reliably determined in which case they are measured at cost.
The effects of remeasurement are accounted for in the statement of profit or loss.
An impairment is recognised if the carrying amount exceeds the expected realizable value.

h) Inventories

Inventories are measured at purchase cost. Their value is determined using the moving weighted average method.
An impairment is carried out for consumption goods or necessities that, due to their obsoleteness, are no longer usable for operational purposes or of which the estimated sale price is below the net realizable value. If items of inventory have not been used for more than a year, a loss of 100,00 % is recorded.
This impairment loss is recognised as an expense in the statement of profit or loss.

i) Trade and other receivables

Trade and other receivables are measured at their amortized cost.
A provision for doubtful debt is recorded on the basis of the expected future losses for a future period of 12 months as from the moment the receivable arises. Claims for which the risk of collection is higher are analysed on their entire term.
The Group has a relatively low risk with regards to invoices to Mission Entrusted Associations due to the support they receive from the Flemish Government. As a consequence of the fact that the

receivables have no financing component, the Group has opted to use the ‘simplified approach’ for calculating the impairment losses. The method starts from the historical write-downs on the sales of the past three financial years. This ratio is applied to the current outstanding receivables to arrive at the provision of doubtful debts.

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

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

j) Cash and cash equivalents

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

k) Loans and borrowings

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

l) Employee benefit liability

Pension plans and other post-employment benefits

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

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

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

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

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

Past service costs are recognised in the statement of profit or loss in the period of a plan amendment.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.
The amounts recognised in the statement of profit or loss comprise service costs (including current service costs, past service costs, gains and losses on other long-term employee benefits as well as curtailments and settlements), net interest expense.
The Group presents the pension and interest costs in the statement of profit or loss on the line item Employee benefit expenses and Financial expenses. The actuarial profit or loss is presented in the statement of comprehensive income.

Other long-term employee benefits contain provisions for retirement and jubilee bonuses, deferred leave and overtime.
These benefits are treated in the same manner as pension plans; however, past service costs and actuarial gains and losses have immediately been recognised in the statement of profit or loss.

All pension liabilities are annually valued by a qualified actuary.

Right to reimbursement on post-employment employee benefits
A right to reimbursement on post-employment employee benefits has been recognised as an asset, since it is absolutely certain that another party (the shareholders, Mission Entrusted Associations) will take over all obligations relating to the personnel rights of the company's employees or retired employees.
The reimbursement rights are therefore recognised at the same value as the recognised employee benefit liabilities (fair value). The adjustments in the period as a result of changes in the assumptions or experience adjustments are all recognised as other comprehensive income as well as these adjustments for the reimbursement rights.

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

n) Trade and other liabilities
Trade and other liabilities have been stated at amortized cost.

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

2.5 Summary of changes in accounting policies applicable as from 2019
The new standards and interpretations that are applicable from 1 January 2019 and that do **not affect** the condensed consolidated interim financial statements of the Group were the following:

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

- Amendments to IAS 19 *Employee Benefits* - Plan Amendments, Curtailment or Settlement,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* - Long-term Interests on Associates and Joint Ventures
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements Cycle – 2015-2017

IFRS 16 *Lease*, applicable from 1 January 2019, has the following **changes in accounting policies**

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases*-Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases in which the Group is the lessor.
The Group adopted IFRS 16 using the *modified retrospective approach – option 2* with the date of initial application of 1 January 2019. Under this method, the cumulative effect is recognised at the start date of applying the standard, effecting the opening balance sheet by recognizing the right of use assets and similar lease obligations.
The Group elected to use the transition practical expedients for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of property, vehicles and other (IT) equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.
Upon adoption of IFRS 16, the Group is obliged to apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 have been applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of the interest rate (interest rate implicit in the contract or if not known, the incremental borrowing rate) at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were

recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Applied the exemption to assets with a value lower than 5.000 euro
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

The new accounting policies of the Group applied upon adoption of IFRS 16 have been described in the note 'Significant accounting policies'.

Judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases (rent of buildings), to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the renewal option. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the renewal option.

Reconciliation of the operating lease liability as of 31 December 2018 to the lease liability at 1 January 2019

(in thousands EUR)	**2019**
Operating lease commitments at 31 December 2018	**23.181**
Adjustments to service components of operating lease	12.125
Practical expedients for short-term leases	−1.907
Practical expedients for leases for low-value assets	−670
Adjustments due to lease extensions, applied indexes, numbers	13.842
Other adjustments	−27
Gross lease liabilities at 1 January 2019	**46.544**
Discounting	−2.736
Present value of lease liabilities at 1 January 2019	**43.808**

Further information is disclosed in the note 'Right of use asset and lease liability'.

2.6 Use of estimates and judgments

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

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

Right of use assets and lease liabilities
This information has been disclosed in the chapter 'Summary of changes in accounting policies applicable as from 2019' in the post IFRS16, Leases.

Fair value of financial instruments
The following methods and assumptions were used to estimate the fair values see note note 'Financial instruments: risks and fair value':
Cash and short-term deposits, trade receivables (after deduction of provisions), trade payables and other current liabilities approximate the carrying amounts as to the short-term maturity of these instruments.
The fair value of the unquoted other investments is based on the latest available financial information.
The derivative financial instruments are interest rate swaps. The valuation techniques are swap models that use fair value calculations. The models include various kinds of input including forward prices, yield curves that are obtained on the basis of market interest rates and derivatives from market prices of various financial products that are requested with various market participants.
The fair value of the quoted bond loans is based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other) at the reporting date.

2.7 Standards issued but not yet effective

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

- *Amendments to References to the Conceptual Framework* in IFRS Standards. The Conceptual Framework sets out the fundamental concepts of financial reporting that guides the Board in developing IFRS Standards. The amendments apply to entities using IFRS as from 1 January

2020, while the IASB will immediately apply the revised Conceptual Framework for the development of new or revised standard and interpretations.

- Amendments to IFRS 3 *Business Combinations* – Definition of a business, effective 1 January 2020
- 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
- IFRS 17 *Insurance Contracts*, effective 1 January 2021
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material, effective 1 January 2020

3 Business combination and merger by absorption

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

On 1 July 2018, the new network company Fluvius System Operator cvba was created by the merger between Eandis System Operator cvba and Infrax cvba. From a legal standpoint, it was opted to absorb Infrax into Eandis System Operator, with Eandis System Operator cvba changing its name to Fluvius System Operator cvba. The legal transaction chosen, being a merger by absorption, offers the most advantages in the integration of the two operating companies in the areas of human resources, current financial obligations and legal aspects.
Consequently, this business combination concerns a merger by absorption and shares are issued to the former shareholders of ex-Infrax. Hence, equity increased but no goodwill was created.
The valuation and determination of the exchange ratio was calculated based on equity (according to the Belgian Statutory Accounts) in combination with the number of EANs (European Article Numbering), which are the access points for energy supply or the connection points for sewerage and cable television. The shares thus created were divided into voting and non-voting shares. Initially, 203.053.670 Eandis shares (of which 8.711.831 voting shares and 194.341.839 non-voting shares) were received in exchange for 470.000 Infrax shares. Following the capital decrease on 28 June 2018, 42.528.869 non-voting shares were cancelled due to the re-establishment of the fixed share capital of the newly created entity Fluvius System Operator (see note 'Equity').
The number of shares per shareholder in Fluvius System Operator at 31 December 2018 is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance of the year

4 Operating revenue

(In thousands of EUR)	2019	2018
Recharge of costs to the distribution system operators	1.624.261	1.365.158
Construction works for third parties	4.698	4.614
Revenue from contracts with customers	**1.628.959**	**1.369.772**
Other operating revenue	**30.741**	**22.279**
Total	**1.659.700**	**1.392.051**

The total operating revenue has increased, compared to 2019, with 267.640 k EUR from 1.392.051 k EUR to 1.659.700 k EUR mainly explained by the merger of ex-Eandis with ex-Infrax at 1 July 2018. On 1 April 2019, the company Integan was taken over by Fluvius Antwerpen and its costs, alike all other MEAs, pass through the operating company Fluvius System Operator.

Within the framework of the main assignment of Fluvius System Operator, tasks are performed for its shareholders, MEAs and the associated costs are passed on to these shareholders at cost. The revenues therefore reflect the costs resulting from this transaction.

The Group realized most of its revenue from management fees invoiced mainly to the Mission Entrusted Associations. The pass-through via the management invoices reflects all costs necessary in order to carry out its duties as an independent service delivery company for the operation of the electricity and gas grids and other grid-related activities.

Revenue from contracts with customers
The proceeds from passing on costs to the MEAs are recognised on a monthly basis. The proceeds from construction works for third parties are recognised at some point in time.
The pass-through via the management invoices reflects all costs necessary in order to carry out its duties as an independent service delivery company for the operation of the electricity and gas grids and other grid-related activities.

The billing on a monthly basis reported as ‘Construction works for third parties’ comprises revenue from various executed works by De Stroomlijn for its shareholders.

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

Company	2019 Revenue in k EUR	2019 % relative to revenue	2018 Revenue in k EUR	2018 % relative to revenue
Gaselwest	212.969	13,1%	210.035	15,3%
IMEA	27.951	1,7%	122.434	8,9%
Imewo	263.461	16,2%	257.091	18,8%
Iveka	117.982	7,2%	153.071	11,2%
Iverlek	226.957	13,9%	220.223	16,1%
Fluvius Limburg	275.519	16,9%	NA	NA
Fluvius Antwerpen	191.436	11,8%	NA	NA
Other	312.684	19,2%	406.918	29,7%
Total	**1.628.959**	**100,0%**	**1.369.772**	**100,0%**

As a result of the merger of the MEAs IVEG, IMEA, and Integan into Fluvius Antwerpen, the amount of IMEA in the period 2019, only contains the revenues of the first quarter of 2019.
Since Fluvius Antwerpen and also Fluvius Limburg (merged company of Inter-energa, Inter-aqua and Inter-Media) were created at 1 April 2019, no revenues for these companies were included in 2018.

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

Energy Services for Local Authorities (ESLA)
The contracts with customers are generally from three promises. The first promise is to perform a study of possible energy savings. After this study, works are started up and the Group is responsible for the project coordination and the implementation. These three promises form one performance obligation as the Group provides a significant integrated service to bundle its promises for the combined project for its customer.
The performance obligation is fulfilled upon provisional acceptance and the payment is due within 30 to 60 days on average after the provisional acceptance.
A guarantee period of 12 months is allowed to the customer. This is a standard warranty that is not seen as a separate performance obligation.

Public lighting
These contracts with the municipalities include the periodic maintenance of public lighting installations. There are also obligations to carry out smaller works on public lighting. These performance obligations are met upon delivery and the payment is due on average between 30 to 60 days after delivery.
In 2019, the MEAs have effectuated a 'renewed' offer to the public authorities to take over public lighting by the MEAs and to ensure the greatest possible relief for the cities and municipalities. In total, 175 cities and municipalities have accepted the proposal. As a result, no settlement had to be made to these cities and municipalities for the works for public lighting.

The **‘Other operating revenue’** mainly comprises groundworks in synergy, whereby their respective share in the costs is charged to the other utility companies as well as repayments of general costs of contractors, insurance companies, other entities and staff.

5 Cost for services and other consumables

(In thousands of EUR)	2019	2018
Cost contractors for grid construction and maintenance	481.728	385.011
Cost for direct purchases	104.419	104.707
Fee for usage of installations including charges	64.353	82.605
Advertising, information, documentation, receptions a.o.	9.977	9.737
Subsidy for rational use of energy (RUE)	65.354	51.197
Contracts and administration costs	27.000	12.204
Consultancy and other services	106.673	80.783
Other	56.623	54.079
Total	**916.127**	**780.323**

The cost for services and other consumables increases with 135.803 k EUR compared to 780.323 k EUR in 2018 and amounts to 916.127 k EUR in 2018.

The costs for the rational use of energy (RUE) amount to 65.354 k EUR in 2019 and 51.197 k EUR in 2018. These costs reflect the payment of the premiums for RUE applied for by individuals and companies. In 2019, premiums could be requested for insulation (roof, floor and basement), high-efficiency glazing, relighting, heat pump and solar water heater. For 2018, especially roof insulation premiums were applied.

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

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

6 Employee benefit expenses

(In thousands of EUR)	2019	2018
Remunerations	310.390	267.533
Social security contributions	78.788	65.187
Contributions to defined benefit plans and other insurances	34.422	7.918
Other personnel costs	140.609	100.342
Total	**564.209**	**440.980**

The employee benefit expenses amounted to 564.209 k EUR in 2019, an increase of 123.228 k EUR compared to 440.980 k EUR in 2018. This increase is mainly explained by the recorded provision for employee benefits, the acquired employees of ex-Infrax and the passed-on personnel costs of Fluvius OV.
The energy decree stipulates that every MEA can rely on only one operating company. All MEAs, shareholders of the Group, have selected Fluvius System Operator cv to carry out their

assignments with its own personnel and who can appeal via secondment to statutory (permanent) personnel.
On 1 April 2019, the entire contractual personnel of the ex-Infrax MEAs and of Integan were taken over by Fluvius System Operator cv.

In order for the secondment to take place via a single company, all statutory staff of the ex-Infrax OV's/DNB's were transferred to Fluvius OV. This company passes on its costs to Fluvius System Operator cv.
The item 'Other personnel costs' includes these personnel costs as well as costs charged through by third parties.

All costs are passed through to the respective MEAs.

The average number of employees amounted to 4.637 persons in 2019.

7 Depreciation, amortization, impairment and changes in provisions

(In thousands of EUR)	2019	2018
Amortization of intangible assets	713	−183
Depreciation of property, plant and equipment	13.228	2.713
Total amortization and depreciation	**13.941**	**2.530**
Impairment of inventories and trade receivables	**13.956**	**380**
Changes in provisions	**−19.268**	**32.143**
Total	**8.629**	**35.053**

As of 2019, the costs of depreciation also include depreciation on the right of use of assets for 10.895 k EUR.

The write-downs on trade receivables in 2019 include an amount for dishonest claims for green certificates (13.657 k EUR).

The item changes in provisions includes the write back of the provision, other (see note 'Employee benefit provisions') regarding pension benefits that do not qualify for recognition under IAS19.

8 Financial results

(In thousands of EUR)	2019	2018
Interest income Mission Entrusted Associations	124.076	116.262
Interest income banks	9	28
Interest income, derivative financial instruments	0	194
Other financial income	945	−319
Total financial income	**125.030**	**116.165**
Interest expenses Mission Entrusted Associations	515	0
Interest expenses banks	346	544
Interest expenses bond loans	122.278	114.392
Interest expenses, derivative financial instruments	580	0
Other financial expenses	11.971	8.947
Total financial expenses	**135.690**	**123.883**

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

Other financial income mainly comprises financial discounts (408 k EUR in 2019; 420 k EUR in 2018).

The interest expenses were the result of the interest on the bond loans, loans with the banks and partly from the cash pool activities with the Mission Entrusted Associations.
The other financial expenses comprise costs related to debt, financial costs for rent, interest costs on defined benefits liabilities and various bank costs.

9 Income tax expenses

(In thousands of EUR)	2019	2018
Current income tax expenses	−9.135	−9.670
Current income tax expenses on previous year result	387	−524
Total income tax expenses	**−8.748**	**−10.194**

(In thousands of EUR)	2019	2018
Taxable profit (loss) according to BEGAAP	8.748	10.194
Effect non-deductible expenses	22.133	22.495
Tax basis	**30.881**	**32.689**
Total current income tax expenses	**−9.135**	**−9.670**

* Subject to the Belgian legal tax rate of 29,58% (financial year 2019 and 2018)

Total income tax expenses amount to 8.748 k euro at the end of 2019 and 10.194 k EUR at the end of 2018.
The income tax expenses of 8.745 k EUR (2018: 10.194 k EUR) consist of prepaid taxes for the financial year 2019 (7.738 k EUR; 2018: 7.699 k EUR), the estimated income taxes for 2019 (1.397 k EUR; 2018: 1.970 k EUR) and a regularisation for the previous financial years (2019: -387 k EUR; 2018: 525 k EUR).
In total, 7.842 k EUR of taxes were paid during 2019 (2018: 21.454 k EUR) relating on the one hand to previous financial years (2019: 104 k EUR; 2018: 13.755 k EUR) and on the other hand to prepaid taxes (2019: 7.738 k EUR; 2018: 7.699 k EUR).

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

Assets

10 Intangible assets

(In thousands of EUR)	Licences and similar rights	Development costs	Total
Acquisition value at 1 January 2019	4.768	2.785	**7.553**
Acquisitions	46	19	**65**
Other	117	2	**119**
Acquisition value at 31 December 2019	**4.931**	**2.806**	**7.737**
Amortization and impairment at 1 January 2019	4.580	276	**4.856**
Amortization	152	561	**713**
Other	18	0	**18**
Amortization and impairment at 31 December 2019	**4.750**	**837**	**5.587**
Net book value at 31 December 2019	**181**	**1.969**	**2.150**

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

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

11 Property, plant and equipment

(In thousands of EUR)	Installation, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Others	Total
Acquisition value at 1 January 2019	185	97.655	8.636	3.133	**109.609**
Acquisitions	0	857	0	69	**926**
Sales and disposals	0	−4.140	0	−304	**−4.444**
Transfer to others	0	−99	−8.636	0	**−8.735**
Acquisition value at 31 December 2019	**185**	**94.273**	**0**	**2.898**	**97.356**
Depreciation and impairment at 1 January 2019	58	90.959	853	1.325	**93.195**
Depreciation	18	2.019	0	296	**2.333**
Sales and disposals	0	−2.466	0	−304	**−2.770**
Transfer to others	0	0	−853	0	**−853**
Depreciation and impairment at 31 December 2019	**76**	**90.512**	**0**	**1.317**	**91.905**
Net book value at 31 December 2019	**109**	**3.761**	**0**	**1.581**	**5.451**

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

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

As of 31 December 2020 and 2019 there were no limitations on ownership and on property, plant and equipment which serve as guarantee for obligations.

There were no engagements for the acquisition of property, plant and equipment at the end of 2019 and 2018.

12 Right of use assets and lease liabilities

Below is the overview of the right of use assets as at 31 December 2019

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Total
Acquisition value at 1 January 2019	21.328	804	21.675	43.808
Acquisitions	85	378	4.764	5.227
Other	−1.167	0	0	−1.167
Acquisition value at 31 December 2019	**20.246**	**1.182**	**26.439**	**47.868**
Depreciation	3.736	409	6.751	10.896
Depreciation and impairment at 31 December 2019	**3.736**	**409**	**6.751**	**10.896**
Net book value at 31 December 2019	**16.511**	**773**	**19.688**	**36.972**

Below is the overview of the lease liabilities during 2019:

(in thousands EUR)	2019
Lease liabilities at 1 January	**43.808**
Additions	4.051
Accretion of interest	1.042
Payments	−11.491
Lease liabilities at 31 December	**37.410**
Non-current lease liability	26.937
Current lease liability	10.472

The following discount rates have been used to determine the lease liability:
For buildings: 2,00% and 3,075%
For IT equipment: 2,00%
For vehicles: the discount rate used by the supplier

13 Investments in other companies

The investments in other companies amount to 16 k EUR at the end of 2019 and 16 k EUR at the end of 2018. At 31 December 2019, these investments are held in Atrias cvba and Synductis cvba.

On 9 May 2011, Atrias cvba was established as a joint initiative of Belgium's largest energy distribution operators Fluvius, Ores, Sibelga and RESA.
Atrias is a central clearing house for the Distribution System Operators and charged with the development of a Message Implementation Guide (MIG), the development of a clearing house application, and the management and maintenance of this application. MIG describes how the communication flow between the various players of the energy market should happen.
The Group has acquired 50% (2018: 50%) of the shares representing an amount of 9 k EUR (2018: 9 k EUR).
Atrias is an unlisted company and has no official price quotation.

Synductis cvba was founded on 21 December 2012 and aims to coordinate the infrastructure works by various utility companies in the Flemish cities and municipalities and so reduce nuisance of the works.
Fluvius System Operator participates in the 'implementation coordination' and 'planning coordination' sectors for an amount of 7 k EUR.
Due to changes in the shareholder structure and the participation of Pidpa into Synductis, the participation will change to 40,75% (previously 33.28%).
Synductis is an unlisted company and has no official price quotation.

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

14 Other investments

The other investments amount to 905 k EUR at the end of 2019 (2018: 845 k EUR).
The other investments comprise the participations held by the Group in the business centres situated in the distribution area of Gaselwest (business centres Kortrijk, Flemish Ardennes and Waregem) and Imewo (business centres Bruges, Ghent, and Ostend). During 2019 the business centre Roeselare was sold and the business centre Meetjesland was dissolved.
Also, the Group has a participation in the company Duwolim cv, which aims to reduce energy consumption at home.

15 Rights to reimbursement on post-employment employee benefits

The costs related to the employee benefit liabilities are recoverable from the Mission Entrusted Associations. At the end of 2019, the rights to reimbursement on the long-term employee benefits amounted to 258.499 k EUR and 256.730 k EUR at the end of 2018 (see note ‘Pensions and other post-employment benefit plans’).

16 Short- and long-term receivables, other

(In thousands of EUR)	2019	2018
Receivable from MEAs following lending-on funds from issuance bonds with private investors (retail)	200.000	370.000
Receivable from MEAs following lending-on funds from issuance bonds with institutional investors (stand alone)	440.000	440.000
Receivable from MEAs following lending-on funds from issuance bonds with European institutional investors (EMTN programme*)	3.110.500	3.110.500
Other	40.500	31.504
Total long-term receivables	**3.791.000**	**3.952.004**

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

The item **long-term receivables** includes the receivables to the MEAs following lending on the funds received from the issuance of the bond loans by the working company since 2010.
The terms of the long-term loans to the Mission Entrusted Associations were identical to those of the respective bond loans (see note 'Interest bearing loans and borrowings').

The long-term receivables from the MEAs decrease with 170.000 k EUR as one of the bond loans, of this amount, has its maturity date in 2020.
Consequently, this receivable is reported as a short-term receivable, other.

The post Other of the long-term receievables contains merely the financing lent on to a subsidiary and passed through costs to MEAs.

17 Inventories

(In thousands of EUR)	2019	2018
Raw materials and consumables	84.715	74.453
Accumulated impairment on inventories	−6.173	−6.365
Total	**78.542**	**68.088**

The impairment losses (addition) amounted to 192 k EUR in 2019 (2018 a write-back: 1.049 k EUR). These amounts were included in the profit or loss account.

18 Trade and other receivables, receivables cash pool activities

(In thousands of EUR)	2019	2018
Trade receivables – gross	339.508	267.447
Impairments on trade receivables	−28.778	−14.823
Trade receivables – net	**310.730**	**252.624**
Other receivables	**81.177**	**74.704**
Total trade and other receivables	**391.907**	**327.328**
Receivables cash pool activities	**435.758**	**136.934**

The trade receivables consist mainly of receivables with the Mission Entrusted Associations and energy suppliers and amount to 174.426 k EUR in 2019 and 130.707 k EUR in 2018. This increase in the receivables from the Mission Entrusted Associations is the result of the invoicing of the costs made by the working company to the MEAs.
Besides, receivables are recorded relating to an external customer group. Based on the valuation principles, an impairment of 28.778 k EUR (2018: 14.823 k EUR) had to be recorded (See note 'Financial instruments: policy').

The 'Other receivables' mainly contain the receivable of VAT for an amount of 34.934 k EUR at the end of 2019 (2018: 35.419 k EUR) and the accrued interest from the Mission Entrusted Associations on the bonds that were recharged for an amount of 30.279 k EUR (2018: 30.484 k EUR).

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

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

19 Cash and cash equivalents

Cash resources amount to 28.222 k EUR on 31 December 2019 (2018: 2.095 k EUR) and comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash.
All resources are reported in euro.

Liabilities

20 Equity

The separate components of shareholders' equity and the movements therein from 1 January 2018 until 31 December 2019 are included in the 'Statement of changes in equity'.

The share capital at the end of December 2019 amounts to 1.284 k EUR (2018: 10.175 k EUR) and was fully subscribed and paid up.

The shares are nominative in the name of the Mission Entrusted Associations.
The capital decrease during 2019 for an amount of 8.891 k euros was decided by the General Meeting of Shareholders by canceling the 151.812.970 shares without voting rights that were issued following the acquisition of Infrax cv in 2018. The funds were paid out to the public authorities of ex-Infrax (see note 'Business combination and merger by absorption').
Shareholders of Fluvius System Operator have mutually merged (Inter-energa with Inter-aqua and Inter-media to Fluvius Limburg; Iveg with IMEA and the acquired company Integan to Fluvius Antwerpen and PBE with Intergas) and have also entered into partial divisions and area exchanges that commence as of 1 April 2019. As a result, the membership within Fluvius System Operator was reviewed and adjusted on the basis of the weight of EANs (European Article Numbering) without further changes to the total amount.

At 31 December 2019 the shares were allocated as follows:

Mission entrusted associations	Amount in euro of voting shares	Amount in euro of non-voting shares	Amount of voting shares	Amount of non-voting shares
Gaselwest	137.762	0	2.778.997	0
Fluvius Antwerpen	222.546	0	4.489.304	0
Fluvius Limburg	231.332	0	4.666.524	0
Imewo	182.209	0	3.675.610	0
Infrax West*	67.277	0	1.357.143	0
Intergem	91.258	0	1.840.902	0
Iveka	87.688	0	1.768.879	0
Iverlek	172.853	0	3.486.875	0
PBE	46.855	0	945.183	0
Riobra	19.551	0	394.394	0
Sibelgas	24.644	0	497.124	0
Total	**1.283.976**	**0**	**25.900.935**	**0**

*As from 1 January 2020 name change to 'Fluvius West'

The distribution of the shares on 31 December 2018 was disclosed in the note 'Business combinations and merger by absorption'.

The total share capital related to the voting shares, consists of the fixed part, amounting to 27.952,00 EUR and the variable part amounting to 1.256.023,84 EUR.

The variable part of the capital is the result of the acquisition of the activities and employees of the subsidiary Indexis cv as at 1 January 2016 (896.574,84 EUR) and by the acquisition of the activities of Infrax cv on 1 July 2018 (359.449,00 EUR).

The **reserves and the issuance premium** remain unchanged and amount to 213 k EUR at the end of 2019 and 2018.
The legal reserve was formed out of profits to be distributed at a rate of 5,00% up to a maximum of 10,00% of the assigned capital.
As a result of the merger with Infrax cvba, reserves amounting to 82 k EUR were incorporated and a share premium of 59 k EUR arose.

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

The non-controlling interest at the end of 2019 amounts to 100 k EUR (2018: 93 k EUR) comprising the participation held by Farys/TMVW in De Stroomlijn cv and also the participation recorded during 2019 of De Watergroep in De Stroomlijn (7 k EUR) .

21 Interest-bearing loans and borrowings

(In thousands of EUR)	2019	2018
Long-term loans	**3.821.108**	**3.991.963**
Current portion of long-term loans	173.486	3.500
Short-term loans	464.500	24.956
Short-term loans	**637.986**	**28.456**
Total	**4.459.094**	**4.020.419**

At the balance sheet date of 2019, the interest bearing loans and borrowings increase with 438.675 k EUR from 4.020.419 k EUR at 31 December 2018 to 4.459.094 k EUR at 31 December 2019.

This increase is mainly due to the financing for the distribution of dividends to the MEAs amounting to 229.000 k EUR, the repayment of more than 261.000 k EUR loans in December 2019 and the acquisition of public lighting of the municipalities.
The negative cashpool balance of 440.443 k EUR per end of 2019 was financed on short term by including commercial paper for 411.500 k EUR and a fixed loan of 53.000 k EUR (2018: 24.956 k EUR).

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

(In thousands of EUR)	2019		2018	
	Cash	Non-cash	Cash	Non-cash
Total as at 1 January	**4.020.419**		**3.449.329**	
Movements on non-current loans (LT)				
Incorporation of long-term loans	0	0	541.840	0
Change in non-current loans	0	2.631	0	2.544
Transfer of short-term portion of LT loan to ST	0	−173.486	0	−1.750
Movements on current loans (ST)				
Proceeds of current loans	464.500	0	24.956	0
Incorporation of short-term loans	0	0	3.500	0
Transfer of short-term portion from LT loan to ST	0	173.486	0	1.750
Repayment of short-term portion of long-term loan	−3.500	0	−1.750	0
Repayment current loans	−24.956	0	0	0
Total movements	**436.044**	**2.631**	**568.546**	**2.544**
Total at end of reporting period	**4.459.094**		**4.020.419**	

Loans on long-term

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

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

The composition of the loans on long-term was as follows:
At the end of 2019

(In thousands of EUR)	2019	Initial amount	Current interest rate %	Maturity
Bond issue - retail	369.806	370.000	2,00 - 4,25	2020 - 2025
Bond issue - EMTN*	3.147.907	3.160.500	1,75 - 4,50	2021 - 2033
Bond issue - private**	435.756	440.000	2,60 - 3,55	2027 - 2044
Bank loans - with derivative instrument	41.125	70.000	3,31	2031
Total	**3.994.594**	**4.040.500**		
Current portion of long-term debt	−173.486	0		
Total long-term loans	**3.821.108**	**4.040.500**		

At the end of 2018

(In thousands of EUR)	2018	Initial amount	Current interest rate %	Maturity
Bond issue - retail	369.760	370.000	2,00 - 4,25	2020 - 2025
Bond issue - EMTN*	3.145.560	3.160.500	1,75 - 4,50	2021 - 2033
Bond issue - private**	435.518	440.000	2,60 - 3,55	2027 - 2044
Bank loans - with derivative instrument	44.625	70.000	3,31	2031
Total	**3.995.463**	**4.040.500**		
Current portion of long-term debt	−3.500	0		
Total long-term loans	**3.991.963**	**4.040.500**		

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

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

During the course of 2019 no additional bonds nor additional bank loans were issued by the Group.

Loans on short-term
The loans on short-term contain the portion of the long-term loans which are repayable within one year (169.986 k EUR of a bond loan and 3.500 k EUR of a bank loand at year-end 2019; 3,500 k EUR of a bank loan at the end of 2018) and borrowings from financial institutions as listed below:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate*
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**	
Commercial paper	NA	522.000	0	522.000	NA
Fixed advances	NA	200.000	0	200.000	NA
Fixed loans/Bank overdraft	NA	200.000	24.956	175.044	0,006%
Fixed loans	NA	50.000	0	50.000	NA
Total on 31 December 2018		**972.000**	**24.956**	**947.044**	

* The average interest rate of the used amounts at the end of the period
(1) Maturities between 10 January 2020 and 31 March 2020
NA Not applicable

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

22 Employee benefit liability

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

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

The guaranteed interest is variable and each year aligned to 65% of the average return over the last 24 months of linear bonds of the Belgian State (OLOs) with a duration of 10 years (at least 1,75% and maximum 3,75%).
The applied interest rate starting from 2016 is 1,75% and is applied, according to the vertical method, for all contributions paid to the pension funds and in the insurance company (products of TAK 21 with interest guarantee).

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

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

On April 1, 2019, the entire contractual staff of the ex-Infrax MEAs and of ex-Integan were taken over by Fluvius System Operator cv. The employees of ex-Infrax and ex-Integan retain their fixed contribution scheme at Ethias. The pension obligations of ex-Infrax executives, who have switched to the Fluvius SO status, and ex-Integan executives have been included in the existing structure Cash Balance plan Powerbel New. The executives who have not switched to the Fluvius SO status, retain their fixed contribution scheme at Ethias. Ex-Infrax executives will each year be given the option to switch to Fluvius SO status. In that case, they will be affiliated to the Cash Balance Powerbel New plan. Employees who will be promoted to executives in the future, will also be affiliated to the Cash Balance Powerbel New Plan.
The fixed contribution plan at Ethias is managed horizontally, as a result of which a return guarantee of 1,75% is applied to the premiums from 2016 and a return guarantee of 3,25% for the 2016 premiums. The evaluation of the plan is done according to the PUC method but without projection of future premiums.

Defined benefit plans
The Collective Labour Agreement of 2 May 1952 stipulated an additional pension equal to 75 % of the last annual salary after deduction of the legal pension at the end of a complete career, as well as a survival pension and an orphan allowance. This defined benefit plan has been fully paid up by the employer (except for employees who retired before 2007) and the pensions have been paid out directly to the beneficiaries. The remaining subsequent obligations are for the largest part related to current pensions.

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

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

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

The current defined benefit plans are financed through pension funds in which the assets, dedicated to specific plans, are identified. The Belgian legislation and the pension regulations provide that the dedicated assets should only finance the relevant benefits. This results in determining an **asset ceiling**. The determination of the asset ceiling takes into consideration the projected total benefit payable under the assumptions and as per the pension plan rules.

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

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

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

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

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

Longevity risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan’s liability.
Prospective mortality tables were used to reflect future improvements in life expectancy, as defined in the IAS19 standard.

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

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

	2019	2018
Discount rate - pensions DB	0,42%	1,28%
Discount rate - pensions DC	0,96%	1,81%
Discount rate – others	0,86%	1,80%
Expected average salary increase (inflation excluded)	0,43%-2,04%	0,14%-2,38%
Expected inflation	1,75%	1,75%
Expected increase of health benefits (inflation included)	2,75%	2,75%
Expected increase of tariff advantages	1,75%	1,75%
Average assumed retirement age	63 and 65	63
Mortality table used	IA|BE Prospective Tables	IA|BE Prospective Tables
Turnover	0,19% to 3,01%	0,28% to 1,55%
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	20	20
- Female	24	24
For a Person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

Accounting treatment

Within the context of working longer, certain benefits which were granted for early retirement can no longer be recognised as a provision for employee benefits. The Group is working on a 'renewed' pension plan for which the timing and implementation cannot yet be determined precisely.
As a result, an amount of 12.875 k EUR (2018: 32.143 k EUR) was no longer included as a provision for employee benefits but recognised as a constructive obligation for which it was presented on the balance sheet in the caption 'Other provisions'.

The notes below include the total figures of the provisions for employee benefits (2019: 245.624 k EUR; 2018: 224.587 k EUR) and the provisions, other (2019: 12.875 k EUR; 2018: 32.143 k EUR).
The movements of the other provisions generate only a movement through the statement of profit or loss. Therefore, the actuarial effects were classified as "Change from employee benefits to other provision *" and included in the note "Depreciation and amortization, changes in provisions".

Amounts recognised in the statement of comprehensive income

(In thousands of EUR)	2019	2018
Current Service cost (employer only) - tax on service cost included	−36.570	−35.201
Interest expense	−13.493	−11.297
Interest income - interest income from asset ceiling excluded	9.233	7.126
Curtailments	−2.344	−100
Past service cost	0	−18.131
Actuarial gains and (losses) recognised immediately in profit or loss	6.897	1.604
Total costs included in profit or loss	**−36.278**	**−55.998**
Actuarial (gains) losses on liabilities:		
changes in financial assumptions	86.844	28.393
changes in demographic assumptions	1.375	4.796
effect of experience adjustments	−11.274	4.888
Actuarial (gains) losses on assets	−69.974	54.574
Taxes on unfunded employee benefit obligations	0	1.345
Effect of variation of the asset ceiling	−1.001	−28.611
Effect of transition from employee benefit to provision*	22.396	0
Total costs included in other comprehensive income	**28.365**	**65.385**

Amounts recognised in the balance sheet

(In thousands of EUR)	Present value of funded defined benefit obligation	Fair value of plan assets	Total
Pensions - funded status	730.360	−778.930	−48.570
Pensions - unfunded status	33.875	−1	33.875
Healthcare costs, tariff benefits - unfunded status	181.693	0	181.693
Other long-term employee benefits - funded status	76.284	0	76.284
Impact on minimum funding requirement/effect of asset ceiling	0	15.217	15.217
Total defined benefit obligation and long-term employee benefits at 31 December 2019	**1.022.212**	**−763.714**	**258.499**
Pensions - funded status	653.071	−673.263	−20.192
Pensions - unfunded status	32.453	0	32.453
Healthcare costs, tariff benefits - unfunded status	156.623	0	156.623
Other long-term employee benefits - funded status	71.833	0	71.833
Other	0	16.013	16.013
Total defined benefit obligation and long-term employee benefits at 31 December 2018	**913.980**	**−657.250**	**256.730**

Changes in the present value of the obligation

(In thousands of EUR)	2019	2018
Total at 1 January	−913.980	−871.663
Actuarial gains (losses) - financial assumptions	−93.427	−26.611
Actuarial gains (losses) - demographic assumptions	1.724	−9.342
Actuarial gains (losses) - experience adjustments	21.655	−519
Acquisitions/disposals	−39.289	−13.004
Curtailments	−2.344	7.308
Current service cost & taxes included	−36.570	−35.201
Participant contributions	−2.111	−2.162
Interest cost	−13.493	−11.297
Benefit payments & taxes included	55.622	67.987
Past service cost	0	−18.131
Total at 31 December before tax on unfunded obligations	**−1.022.213**	**−912.635**
Taxes on unfunded obligations	0	−1.345
Total at 31 December	**−1.022.213**	**−913.980**

Changes in the fair value of the plan assets

(In thousands of EUR)	2019	2018
Total at 1 January	673.263	704.894
Actuarial gains (losses) - correction on assets at 1 January	399	−15.360
Return on plan assets (excluding interest income)	69.575	−39.215
Acquisitions/disposals	22.922	11.198
Curtailments	0	−7.408
Interest income	9.438	7.572
Employer contributions & taxes included	42.255	77.406
Participant contributions	2.111	2.162
Benefit payments & taxes included	−41.032	−67.987
Total at 31 December	**778.929**	**673.262**
Irrecoverable surplus (effect of asset ceiling)	−15.217	−16.013
Total at 31 December	**763.713**	**657.250**

Changes in the asset ceiling

(In thousands EUR)	2019	2018
Total at 1 January	16.013	44.178
Interest income	205	446
Changes in asset ceiling	−1.001	−28.611
Total at 31 December	**15.216**	**16.013**

Changes in other comprehensive income

(In thousands EUR)	2019	2018
Total at 1 January	207.013	141.628
Other comprehensive loss (gain)	28.365	65.385
Total at 31 December	**235.378**	**207.013**

Classification of the plan investments on the balance sheet date

The classification of the plan investments in function of the major category at the end of 2019

Category	Elgabel %	Other %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
Investments quoted in an active market	**78,71**	**76,87**	**83,40**	**81,68**	**84,46**	**80,81**
Shares (Eurozone)	15,98	12,56	18,16	8,50	12,00	15,21
Shares (Outside eurozone)	21,95	22,51	24,00	0	21,77	21,88
Government bonds (Eurozone)	0	0	0	22,54	7,00	1,92
Other bonds (Eurozone)	26,13	26,79	26,50	48,44	28,42	27,31
Other bonds (Outside eurozone)	14,64	15,01	14,73	2,21	15,27	14,49
Unquoted investments	**21,29**	**23,13**	**16,60**	**18,32**	**15,54**	**19,19**
Real estate	2,52	2,58	2,39	4,18	2,38	2,51
Cash and cash equivalents	2,99	4,37	3,58	1,24	2,69	3,16
Other	15,79	16,18	10,63	12,90	10,48	13,52
Total in %	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)	**347.983**	**77.679**	**184.969**	**20.520**	**147.779**	**778.930**

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

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

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

(In thousands of EUR)	2019	2018
Breakdown of defined benefit obligation by type of plan participants	**−1.022.213**	**−913.980**
Active plan participants	−653.881	−700.098
Terminated plan participants with deferred benefit entitlements	−168.052	−19.607
Retired plan participants and beneficiaries	−200.281	−194.276
Breakdown of defined benefit obligation by type of benefits	**−1.022.213**	**−913.980**
Retirement and death benefits	−764.236	−685.524
Other post-employment benefits (medical and tariff reductions)	−181.693	−156.623
Jubilee bonuses (Seniority payments)	−76.284	−71.833

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

(In thousands of EUR)	Effect: increase (-) / decrease (+)
Discount rate (+0,25%)	28.217
Inflation (+0,25%)	−18.930
Salary increase (+0,10%)	−7.231
Health care increase (+0,10%)	−167
Tariff advantages (+0,50%)	−5.676
Life expectancy of pensioners (+1 year)	−11.975

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

The **average duration** of the defined benefit obligation at 31 December 2019 is 8,4 years (2018: 9 years) and 20 years at 31 December 2019 for the defined benefit obligations (2018: 20 years).

The Group estimates to contribute 1.009 k EUR to the defined benefit pension plans in 2020 and 14.297 k EUR to the defined contribution plans.

23 Derivative financial instruments

The Group has entered into an interest rate swap in order to convert the variable interest rate on long-term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 6.217 k EUR in 2019 and 5.637 k EUR in 2018.

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

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

Overview of the derivative financial instruments as per 31 December 2019 and 2018
An interest rate swap within the framework of the original 70.000 k EUR loan with a maturity of 20 years concluded in September 2011 entered into force in September 2011.

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

(In thousands of EUR)	2019	2018
Trade debts	111.472	96.434
Invoices to be received	50.606	50.164
Subtotal	**162.078**	**146.598**
VAT	32	11
Taxes payable on remuneration	2.061	1.621
Remuneration and social security	78.487	66.894
Other current liabilities	57.879	56.358
Total trade payables and other current liabilities	**300.537**	**271.482**
Liabilities cash pool activities	**133.069**	**187.978**
Current tax liabilities	**2.980**	**2.073**

The items relating to trade payables and other current liabilities increase with 29.055 k EUR from 271.482 k EUR at the end 2018 to 300.538 k EUR at the end of 2019 mainly due to the increase of the supplier balances payable and the debt related to remuneration and social security as a consequence of the transfer of contractual staff from the ex-Infrax MEAs and ex-Integan.

The other current liabilities mainly comprise the costs to be attributed, principally relating to the finance costs for issuing bonds, car fleet and Information & Communication Technology projects.

The payable cash pool activities amount to 187.978 k EUR at year end 2018 and 133.069 k EUR at year end 2019 (see note 'Trade and other receivables, receivables cash pool activities').

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

Financial instruments

25 Financial instruments: policy

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

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

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

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

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

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

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	**2019**	**2018**
Total at 1 January	−14.823	−3.586
Acquisition from third parties	0	−9.807
Charge of impaired receivables	−18.631	−3.619
Write-back of impaired receivables	4.676	2.189
Total at 31 December	**−28.778**	**−14.823**

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

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

The Group calls upon several banks to attract resources on short term. Commercial paper was issued within the framework of a treasury bill programme. Fixed advances and commercial papers can be called on with a maturity of one week up to twelve months, as well as fixed loans (straight loans) with a maturity between one day up to one year. All loans have fixed interest rates during the term of the loan except for the bank overdraft that has a variable interest rate.

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

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

To diversify and broaden its funding resources, so that a safe, reliable, efficient and innovative distribution of energy to the customers can be assured, a rating was requested.
In October 2011, 'Moody's Investors Service Ltd.' ("Moody's") granted Eandis System Operator a rating. On 14 December 2016, the rating was A3 with a stable outlook. On 29 June 2018, the rating agency Moody's changed the outlook of the **A3-rating** from stable to positive. This change in outlook reflects the improved credit profile of Eandis System Operator and the influence on the credit profile of the announced merger of Eandis System Operator cv with its peer Infrax cvba to Fluvius System Operator cv that entered into force on 1 July 2018.
Fluvius System Operator cv chose in 2018 to obtain a rating from the rating agencies Moody's and Creditreform.
On 25 July 2019, Moody's changed the outlook to **stable**.
On 15 October 2018, Creditreform Rating AG granted an A+ rating with stable outlook to all bonds. On 2 August 2019, this rating was confirmed.

Fluvius successfully issued bonds in the framework of its 5.000.000 k EUR Euro Medium Term Note (EMTN) programme launched in 2011 and which runs through 2021.
At the end of 2019, an amount of 2.660.500 k EUR or 53,21% was issued. Since year end 2014 no more bonds have been issued under this programme.
Furthermore, through bonds issues by Infrax under its 500.000k EUR EMTN programme launched in 2013, Fluvius has two more bonds outstanding. A first part was issued for 250.000 k EUR in 2013 (to mature in 2023) and a second part of 250.000 k EUR was launched in 2014 (to mature in 2029).
All funds from the bond loans, except for 50.000 k EUR, were fully lent on to the MEAs at the same conditions as the bond loans. The resulting receivables for the Group are included in notes 'Short-term receivables, other' and 'Long-term receivables, other'.
An overview of the loans is included in note 'Interest-bearing loans and borrowings'. The bank loan of 41.125 k EUR (2018: 44.625 k EUR) was not lent on.

The following schedule shows the maturity schedule of the different loans.
At the end of 2019

(In thousands of EUR)	2019	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	369.806	169.986	0	0	199.820
Bond issue - EMTN	3.147.906	0	997.788	997.689	1.152.429
Bond issue - private	435.756	0	0	0	435.756
Bank loans - with derivative structure	41.125	3.500	7.000	7.000	23.625
Total	**3.994.593**	**173.486**	**1.004.788**	**1.004.689**	**1.811.630**

At the end of 2018

(In thousands of EUR)	2019	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	369.760	0	169.973	0	199.787
Bond issue - EMTN	3.145.560	0	499.307	994.674	1.651.579
Bond issue - private	435.518	0	0	0	435.518
Bank loans - with derivative structure	44.625	3.500	7.000	7.000	27.125
Total	**3.995.463**	**3.500**	**676.280**	**1.001.674**	**2.314.009**

Information regarding the repayment schedule of the lease obligations
The Group has lease obligations as at December 31 2019 for a total of 37.409 k EUR. Of this amount 10.472 k EUR need to be repaid within 1 year, 23.415 k EUR must be paid within a period of 2 to 5 years and the remainder of 3.522 k EUR is payable after 5 years.

Interest rate risk
The Group has entered into long-term loans with a fixed and variable interest rate. The loans with a variabel interest rate were swapped to a fixed interest rate (see note ‘Derivative financial instruments’).
The resulting financial costs for Fluvius System Operator are all passed on to MEAs and are reported as a financial income except for the financial costs related to an EMTN bond loan of 50.000 k EUR and the bank loan of 41.125 k EUR, which were not lent through.

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

(In thousands of EUR)	2019	2018
In 2019	0	123.804
In 2020	123.691	123.691
In 2021	116.344	116.344
In 2022	93.724	93.724
In 2023	79.857	79.857
In 2024	55.999	55.999
In 2025 and beyond	401.867	401.867
Total	**871.482**	**995.286**

Other
More information about the risks of the Group and its shareholders is included in the prospectus of 2 June 2017 concerning the issuance of a bond loan (retail) and the investor presentation of September 2019. These documents can be consulted on our website www.fluvius.be.

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

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

The fair value of the quoted bonds, issued for a total amount of 3.530,5 million EUR varies according to the market interest rate. The fair value at 31 December 2019 amounts to 3.920,4 million EUR and differs from the amount that will be reimbursed and the carrying value.

The fair values at 31 December 2019 are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value
Other investments	0	0	905	905
Cash and cash equivalents	28.222	0	0	28.222
Total receivables	391.907	0	0	391.907
Receivables cash pool activities	435.758	0	0	435.758
Total	**855.887**	**0**	**905**	**856.792**
Loans on long-term	4.224.461	0	0	3.821.108
Loans on short-term	641.548	0	0	637.986
Derivative financial instruments	0	6.217	0	6.217
Total current liabilities, other	303.518	0	0	303.518
Liabilities cash pool activities	133.069	0	0	133.069
Total	**5.302.596**	**6.217**	**0**	**4.901.898**

The fair values at 31 December 2018 are as follows:

(In thousands of EUR)	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value
Other investments	0	0	845	845
Cash and cash equivalents	2.095	0	0	2.095
Total receivables	327.328	0	0	327.328
Receivables cash pool activities	136.934	0	0	136.934
Total	**466.357**	**0**	**845**	**467.202**
Loans on long-term	4.412.435	0	0	3.991.963
Loans on short-term	28.456	0	0	28.456
Derivative financial instruments	0	5.637	0	5.637
Total current liabilities, other	273.555	0	0	273.555
Liabilities cash pool activities	187.978	0	0	187.978
Total	**4.902.424**	**5.637**	**0**	**4.487.589**

Other information

26 Related parties

Transactions between Fluvius System Operator and its subsidiaries have been eliminated in the consolidation process and are therefore not included in the present note.
The total remunerations paid to the management committee and the directors for 2019 amounted to 4.558.255 EUR and 4.015.511k EUR for 2018. The post-employment benefits included in the total remuneration mentioned amounted to 347.676 EUR for 2019 and 634.936 EUR for 2018. There are no other benefits in kind, share options, credits or advances in favour of the directors.

Transactions of the Group with companies with a non-controlling interest (Farys/TMVW and since 2019 De Watergroep) were as follows:

(In thousands of EUR)	2019	2018
Amount of the transactions		
Recharge of costs to non-controlling interest companies	81.585	5.787
Recharge of costs from non-controlling interest companies	1.467	194
Amount of outstanding balances		
Trade receivables	8.282	1.658
Trade payables	67	3

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

(In thousands of EUR)	2019	2018
Amount of the transactions		
Recharge of costs to associates	2.432	2.434
Recharge of costs from associates	16.324	11.202
Amount of outstanding balances		
Trade receivables	35.322	26.482
Trade payables	2.141	1.486

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

(In thousands of EUR)	2019	2018
Amount of the transactions		
Recharge of costs to the Mission Entrusted Associations	1.624.261	1.365.164
Recharge of costs from the Mission Entrusted Associations	141.142	172.305
Interest income Mission Entrusted Associations	124.076	115.327
Interest expenses Mission Entrusted Associations	−515	0
Amount of outstanding balances		
Non-current assets, employee benefits	258.499	256.730
Non-current assets, other	3.756.541	3.926.136
Short-term receivable, other	170.000	0
Trade receivables, invoices to be issued	176.724	130.707
Other receivables, cash pool	302.689	−51.044
Other receivables, accrued financial income bond loan	30.348	30.465
Trade payables	29.485	21.264
Guarantees and securities received		
Concerning financial obligations	725.000	792.000

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

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

During 2019, the parent company Fluvius System Operator paid fees of 76 k EUR to the statutory auditor and an amount of 336 k EUR for other assignments. The other assignments have been approved by the Audit Committee.

27 Commitments and contingencies

(In thousand of EUR)	2019	2018
Rent deposits, buildings	1.391	1.585
Other bank guarantees	0	125
Total guarantees given	**1.391**	**1.710**
Guarantees obtained from contractors and suppliers	**27.695**	**27.052**

Committed orders in 2019 amounted to 11.188 k EUR (2018: 9.267 k EUR).
The Group is involved in legal disputes for which the risk of loss is possible but not likely. Currently, the possible timing of the settlements cannot be estimated reliably.

On September 3, 2019, a gas explosion occurred in Wilrijk, Ridderveld. Regrettably, one person died. The judicial investigation in this file is ongoing.

28 Events after the reporting date

On 1 January 2020, four municipalities from the province of Antwerpen (Malle, Ranst, Wommelgem and Zoersel) withdrew from the MEA Iveka and joined the MEA Fluvius Antwerpen.
Following this switch, the membership of the operating company Fluvius System Operator was reviewed, which led to a limited shift in the shareholding of the two MEAs involved.

On 22 January 2020, the Board of Directors approved the strategic choice for Fluvius regarding its **core tasks**: "Fluvius wants to be the multi-utility manager of (public) networks in the public domain, in order to achieve maximum synergy", and this in four sectors:
• energy (electricity, gas and heat)
• public lighting (street and square lighting, monument lighting, light-as-a-service)
• water (drinking water and/or sewage, if regional opportunities arise)
• telecom (fibre, FTTH/5G, cable, ...) with the intention of setting up partnerships with the telecom operators.
This includes setting up and managing the data platforms that are directly connected to the various utilities.
In addition, Fluvius will implement the imposed public service obligations and Fluvius will further provide the ESCO / EDLB service to support local authorities to help realize energy savings in municipal buildings.

On January 24, 2020, the Board of Directors of Aquafin decided to become a full partner of Synductis.

The outbreak of the coronavirus in early 2020 and the results of the measures taken to contain the virus, could impact our financial performance of 2020 and the measurement of certain assets and liabilities. Accordingly, we may thus possibly need to record material adjustments in our accounts during 2020 as certain assets will be negatively impacted such as the pension assets. Based on the facts known as of today, we have currently no knowledge of financial impacts on the 2019 financial statements.

29 List of group entities included in the consolidation

At 31 December 2019

Subsidiary	Registered office	Number of shares owned	voting rights
Parent			
Fluvius System Operator cv	Brusselsesteenweg 199, B-9090 Melle		
Subsidiary			
De Stroomlijn cv	Brusselsesteenweg 199, B-9090 Melle	62,17	62,17
Investment in joint ventures and associates			
Synductis cv	Brusselsesteenweg 199, B-9090 Melle	33,28	32,82
Atrias cv	Kanselarijstraat 17a, B-1000 Brussel	50,00	50,00

At 31 December 2018

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

Information concerning the parent company

The following information is extracted from the statutory Belgian GAAP financial statements of the parent company, Fluvius System Operator cv and is presented in abridged form. The financial statements of 2018 include the 12 months figures of the acquired company Infrax.
These statutory financial statements, together with the report of the Board of Directors to the General Assembly of Shareholders as well as the auditor’s report, will be filed with the National Bank of Belgium within the legally foreseen time limits according to the Belgian company code. These documents are also available as from 24 April 2020 on the website www.fluvius.be or on request at the following address: Brusselsesteenweg 199, 9090 Melle.
The statutory auditor’s report is unqualified and certifies that the financial statements of Fluvius System Operator cv are prepared in accordance with Belgian GAAP.

Condensed balance sheet **In thousands of EUR**	**2019**	**2018**
Fixed assets	**6.843**	**10.295**
Intangible fixed assets	1.969	2.509
Tangible fixed assets	3.110	5.922
Financial fixed assets	1.764	1.864
Current assets	**5.148.754**	**4.737.201**
Amounts receivable after more than one year	3.784.076	3.945.528
Stocks and contracts in progress	78.542	68.088
Amounts receivable within one year	956.570	427.543
Cash at bank and in hand	29.851	3.877
Deferred charges and accrued income	299.715	345.820
Total assets	**5.155.597**	**4.747.496**
Equity	**1.517**	**10.407**
Capital	1.284	10.175
Other equity components: reserves, share premium, retained earnings	233	232
Provisions for liabilities and charges	**258.499**	**256.730**
Amounts payable	**4.895.581**	**4.480.359**
Amounts payable after more than one year	3.821.108	3.991.963
Amounts payable within one year	1.020.217	434.741
Accrued charges and deferred income	54.256	345.820
Total liabilities	**5.155.597**	**4.747.496**

Condensed income statement **In thousands of EUR**	**2019**	**2018**
Turnover	1.649.885	1.633.676
Operating profit (loss)	12.348	14.003
Financial result	−3.766	−3.961
Income taxes	−8.582	−10.041
Profit for the period	**0**	**0**

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Independent auditor's report to the general meeting of Fluvius System Operator CV for the year ended 31 December 2019

As required by law and the Company's articles of association, we report to you as statutory auditor of Fluvius System Operator CV (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of the financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income as at 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 19 May 2017, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and following recommendation of the workers' council. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2019. We performed the audit of the Consolidated Financial Statements of the Group during 9 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Fluvius System Operator CV, that comprise of the consolidated statement of the financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income on 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows of the year and the disclosures, which show a consolidated balance sheet total of € 5.199.423.000 and of which the consolidated income statement shows a profit for the year of € 0.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2019, and of its consolidated results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

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

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

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

Key audit matters

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

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

Employee benefit liability

Description of the key audit matter

The employee benefit liability amounts to € 245,6 million as at 31 December 2019. The Group recognizes the provision for the long-term employee benefits based on the requirement of IAS19 Pensions. The plans of the Group are described in note 22 of the Consolidated Financial Statements. The valuation of this provision is complex and requires judgments of management. Due to its complexity, the Company is assisted by an external actuary for the calculation of the provision. The valuation of the provision is based on the personnel data included in the pension plans and to which certain actuarial assumptions are applied such as expected inflation, discount rates, projected average salary increases and personnel turnover. A change in these assumptions or the use of incorrect personnel data would have a material impact on the Consolidated Financial Statements. Therefore, the valuation of the employee benefit liability is a key audit matter in our audit.

Summary of the procedures performed

Our audit procedures included, amongst others:

- An analysis of the existing plans within the Group and discussion with management of potential changes to these plans.
- Testing of the underlying personnel data through analytical review compared to prior year and through reconciliation (of a.o. age, gender, salary and seniority) for a sample of personnel members to underlying documentation.
- Assessing the competence and independence of the external actuary.
- Involving our internal actuarial specialists to assess the appropriateness of the actuarial models used in accordance with IAS19 and to assess the reasonableness of the significant assumptions (expected inflation, discount rates, projected average salary increases, mortality tables and personnel turnover) used by management to value the provision.
- Assessment of the adequacy and completeness of the Group's disclosures in note 22 of the Consolidated Financial Statements.

Financing activities

Description of the key audit matter

The balance sheet of the Group is significantly affected by the Group's financing activity. As at 31 December 2019, the long term interest bearing loans and borrowings of the Group amount to € 3.821,1 million and the short term interest bearing loans and borrowings to € 638,0 million, as described in note 21 of the Consolidated Financial Statements. These interest bearing loans and borrowings are subsequently used to grant interest bearing loans to the Distribution System Operators ("DSO's"), for a total amount of € 3.750,5 million classified as long term receivable, and a total amount of € 170,0 million classified as short term receivable (as described in note 16 of the Consolidated Financial Statements). Given the magnitude of these amounts compared to total assets and total liabilities on the one hand and the follow-up and the assessment of management regarding the repayment capacity of the DSO's on the other hand, the financing activities are considered as a key audit matter for our audit.

Summary of the procedures performed

We performed following procedures:

- Assessing the accounting treatment of the interest bearing loans and receivables and corresponding transaction costs.
- Reconciling the interest cost and interest income of these loans with the respective terms and conditions as included in the underlying agreements.
- Reconciling the nominal amounts of the loans with underlying contracts, confirmations and payments.
- We received from the Group management the long term financing plan of the Company Group and of the Distribution System Operators in order to determine the repayment capacities of the latter. These plans were assessed taken into consideration the statutory financial statements of the DSO's as well as discussions with management and those charged with governance.
- Assessing the adequacy and completeness of notes 16 and 21 of the Consolidated Financial Statements.

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

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, as well as to report on these matters.

Aspects relating to Board of Directors' report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations. (former article 119 of the Belgian Company code)

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contains any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

In addition, we do not provide any assurance regarding the Board of Directors' report and other information included in the annual report.

The non–financial information required by article 3:32, § 2, of the Code of companies and associations has been included in the Board of Directors' report on the Consolidated Financial Statements. The Company has prepared this non-financial information based on the Global Reporting Initiative ("GRI") standards. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with the GRI standards. Furthermore, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Independence matters

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

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

Other communications

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

Ghent, 25 March 2020

EY Bedrijfsrevisoren BV
Statutory auditor
Represented by

Marnix Van Dooren
Partner*
*Acting on behalf of a BV/SRL

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