ANNUAL FINANCIAL REPORT **2016**

FLUXYS BELGIUM

Regulated information – 7 April 2017

88th financial year

Reports to the Annual General Meeting of 9 May 2017

KEY FACTS

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** These chapters form the annual report referred to in articles 96 and 119 of the Company Code.*

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In accordance with the Belgian Company Code, the Board of Directors is pleased to be able to present the annual report for the financial year 2016 for your company and those companies included in its consolidation scope and to submit for your approval the annual accounts for the period ending 31 December 2016.

Significant event after the balance sheet date: an upcoming decrease of 7,5% in natural gas transmission tariffs, see p. 169.

Declaration regarding the financial year closed on 31 December 2016

We hereby attest that to our knowledge:

- Fluxys Belgium's financial statements, drawn up in accordance with the applicable accounting standards, give a true and fair view of the company's assets, liabilities, financial position and profit or loss and those of the companies included in the consolidation scope;
- the annual report gives a fair review of the development and performance of the business and of the position of the company itself and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

Brussels, 29 March 2017

Paul Tummers
Member of the Executive Board
Chief Financial Officer

Pascal De Buck
Chairman of the Executive Board
Chief Executive Officer

Foreword

Fluxys Belgium can look back on 2016 with a real sense of pride. The company won the European gas industry's 'TSO of the Year' award for its role in the development of the European market and the small-scale use of liquefied natural gas (LNG). This is a welcome recognition of the company's forward-looking approach and in particular of the know-how, dedication, creativity and agility of the men and women working for Fluxys, who are the driving force behind what the company has achieved. Their team spirit and commitment inspire confidence in the future.

Strong operational and commercial results

First and foremost, Fluxys Belgium recorded strong operational results in 2016. Our customers were able to count on the continuous full availability of our services, and against a backdrop of changing flexibility needs on the North-Western European market, our infrastructure once again proved its importance with record volumes passing between Belgium and the UK both in summer and winter. Furthermore, the ZTP gas trading place kept on breaking records and traded volumes for 2016 finished 50% up on the previous year.

Competitive tariffs and a proactive sales approach made 2016 also a good year from a commercial perspective. Thanks to the company-wide efficiency drive among other things, Fluxys Belgium managed to maintain the 7% tariff reduction introduced in 2015 for its transmission activities. Despite the continued shift towards a short-term market, the company also sold the capacity volumes as set out in the tariff proposal for the current regulatory period 2016-2019. As for storage, the changing flexibility needs on the North-Western European market brought about that Fluxys Belgium was able to sell all of the short-term capacity that was still available, and thanks to the success of its small-scale LNG activities, the Zeebrugge LNG terminal once again recorded a favourable utilisation rate compared with other terminals in North-Western Europe.

Further decrease in OLO interest rates again hits profit levels

Once more the company's strong commercial and operational results were not reflected in corresponding profits due to the regulated rate of return again being hit by a further decrease in OLO interest rates. In spite of this, we are offering shareholders the same dividend as the previous financial year by drawing on the company's capital and reserves. However, as this solution is not sustainable, an equitable return on invested capital is one of the points of attention for the future.

Investments largely focused on growing LNG activities

Some 75% of investments in 2016 focused on developing the company's LNG activities. With the completion of the second jetty at Zeebrugge LNG terminal, Fluxys has taken a new step in the development of the small-scale LNG market. Belgium now has in its armoury a key asset allowing LNG to make its breakthrough as a marine fuel - one that is further enhanced by the arrival of the LNG bunkering vessel in which parent company Fluxys is a partner and which has Zeebrugge as its home port. Still in the small-scale LNG segment, the company decided to build a second facility for loading LNG trucks.

The second LNG project is the construction of the fifth storagetank and additional processing facilities at the LNG terminal as part of the long-term contract concluded with Yamal Trade in 2015. This capacity enhancement makes the terminal one of the largest in Europe with a throughput capacity of nearly 15 million tonnes of LNG per year.

As for transmission infrastructure, the Belgian network became entirely bidirectional with the commissioning of the Dunkirk-Zeebrugge link in 2015 and can now fully play its role as a gas crossroads on the North-Western European market. Since then, transmission investments have focused on further interlinking and upgrading the network vis-à-vis the distribution system operators (who continue to record 55,000 to 60,000 new connections each year), connecting new industrial customers, keeping the network in a good, safe condition and making the adjustments required to cope with the gradual reduction of imports of low-calorific gas from the Netherlands.

Decline of low-calorific natural gas production: solutions for neighbouring countries

Against the background of declining low-calorific natural gas (L-gas) production levels, Fluxys Belgium actively promotes the Belgian network as a solution for neighbouring countries affected by the progressive fade-out of L-gas as a source. Germany for example, can use its connections to the Belgian network to diversify its natural gas portfolio with LNG available through the Zeebrugge and Dunkirk LNG terminals, thus avoiding investment in new LNG terminalling infrastructure in Germany. The country also could import gas from any of the other sources connected to the Belgian network. The same goes for France, which currently imports L-gas via the Fluxys Belgium network.

Natural gas to remain key in the future energy mix

The company continues to believe that natural gas and natural gas infrastructure are to remain key in tomorrow's low-carbon economy because natural gas has the best emissions profile of any fossil fuel. This allows not only to cut carbon emissions but also to immediately curb the impact on air quality and offer solutions for high concentrations of particulate matter. With natural gas technology in addition being a strong energy-efficiency performer, this combination of factors means that natural gas offers particular benefits for electricity generation, the burgeoning market for natural gas as a transport fuel and in the heating market, where high-performance gas technology can meet demand for high energy efficiency solutions.

Moreover, natural gas infrastructure provides the ideal solution for transporting and storing large volumes of energy in a cost-efficient way, with cost-efficiency levels increasing in line with rises in utilisation rate. Natural gas infrastructure, in other words, has a key role to play in the efforts to keep the overall cost of the energy system affordable.

However, all this cannot disguise the fact that electricity still takes pride of place in the energy and climate debate. Against this backdrop, Fluxys Belgium in 2016 set out its vision of the role of natural gas and natural gas infrastructure in the future across an array of forums and with various stakeholders in the preparatory process to develop a long-term vision for energy policy in Belgium. It is expected that this long-term vision will shape into maturity in 2017 and the company will make special efforts to continue drawing attention to the key contribution of natural gas and natural gas infrastructure.

Due consideration for the further development of European regulation

Another priority for Fluxys are new developments in European regulation. For example, at the end of 2016 the European Commission published its Winter Package comprising a wide-ranging series of new regulatory proposals with a view to completing the internal energy market. A large number of the proposals focus on the electricity market, and the expectation is that these will be replicated for the natural gas market.

This approach was already applied various times in the past, thereby showing that in many cases too little attention is paid to the specifics of the natural gas market and what the European natural gas transmission system operators already do in practice. For this reason, Fluxys Belgium is carefully following developments relating to the Winter Package. In this respect it is not only important to avoid unnecessary additional regulation but also not to lose sight of the need for appropriate flexibility as the overall aim is to have a properly functioning market. Experience with the current regulation for that matter has taught that limiting commercial freedom is making it increasingly complex for transmission system operators to devise innovative, diversified services and to provide timely responses to new needs in a rapidly evolving market.

Pascal De Buck
CEO and Chairman of the Executive Board

Daniël Termont
Chairman of the Board of Directors

Fluxys Belgium in a nutshell

3 core businesses

Transmission and hub services – Fluxys Belgium sells capacity in its pipeline infrastructure to its customers to transmit natural gas to distribution system operators, power stations and major industrial end-users in Belgium or to move natural gas to a border point for transmission to other end-user markets in Europe. Fluxys Belgium also offers its customers a package of hub services, allowing them to buy and sell gas on Belgian gas trading places.

Storage – Fluxys Belgium offers storage services enabling customers to use buffer capacity flexibly according to their needs to ensure the continuity of deliveries to end-users or for their activities at gas trading places.

Liquefied natural gas (LNG) terminalling – At the Zeebrugge terminal, Fluxys Belgium sells capacity for loading and unloading LNG carriers, storing LNG or regasifying it for transmission on the network. The terminal's customers can also load LNG trucks to supply local networks or industrial sites in Europe where pipeline supplies are unavailable, to supply filling stations for trucks that use LNG as a fuel, or to supply ships powered by LNG.

Crossroads for international natural gas flows

The Belgian grid has excellent connections with all sources available to the European market and customers can move LNG they import by ship or natural gas they supply by pipeline in any direction: to France, the United Kingdom, the Netherlands, Germany and Luxembourg. Thanks to Fluxys Belgium's versatile entry/exit system, they can book and use capacity with complete flexibility. LNG can also be transported from Zeebrugge to other destinations in Europe by ship or truck.

Extensive trading opportunities

The Belgian network's gas trading places Zeebrugge Beach and ZTP offer a range of trading options, and is already today realising the EU's blueprint of an integrated European gas market: a unified system of optimally interconnected transmission grids that suppliers, producers and industrial customers can access through flexible entry/exit systems and liquid gas trading points between which quantities of natural gas can easily be exchanged.

Competitive prices

An optimum investment policy, a keen eye for cost-efficiency and a finger on the pulse when it comes to the services that customers want: with this combined approach, Fluxys Belgium offers its customers a set of quality services tailored to market demand and at competitive prices.

Fluxys Belgium: part of the Fluxys group

Our vision: Europe needs natural gas and Fluxys builds bridges between markets

Natural gas will remain a core component of the energy mix in tomorrow's low-carbon economy. As a natural gas infrastructure company, Fluxys aims to build bridges between markets so that suppliers can transport natural gas flexibly to their customers or between European gas trading places.

Our mission

- Ensure security of supply and connect and promote liquid trading places
- Operate infrastructure safely, efficiently and sustainably
- Provide quality services tailored to market expectations
- Create long-term value for shareholders

Our values

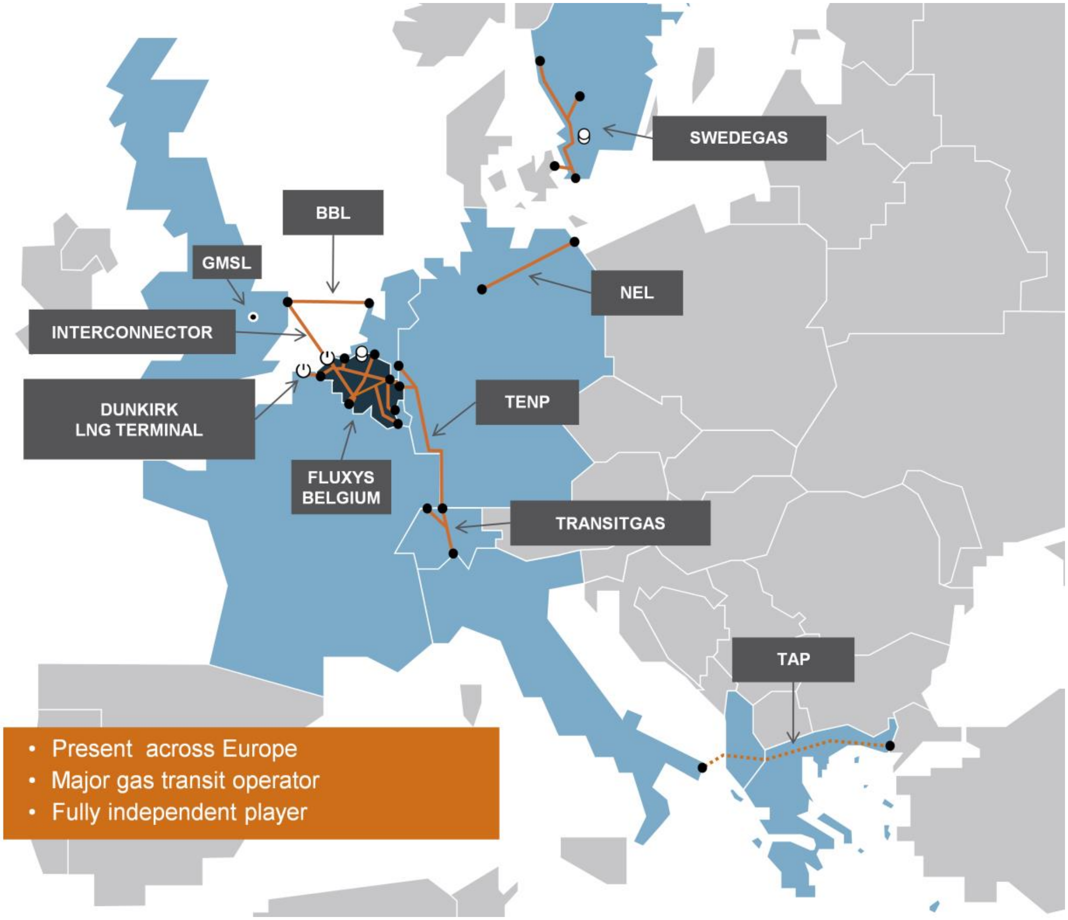
Customer focus – We pay close attention to our surroundings and we listen to our customers' needs. This approach provides the driving force enabling us to achieve the results we strive for.

Cohesion - Cooperation and team spirit are key to jointly achieve our desired results.

Professionalism and commitment – We are committed to achieving our results by adopting an efficient approach and ensuring we are guided by best practices in everything we do. We systematically develop our expertise and continually seek creative and reasonable-cost solutions.

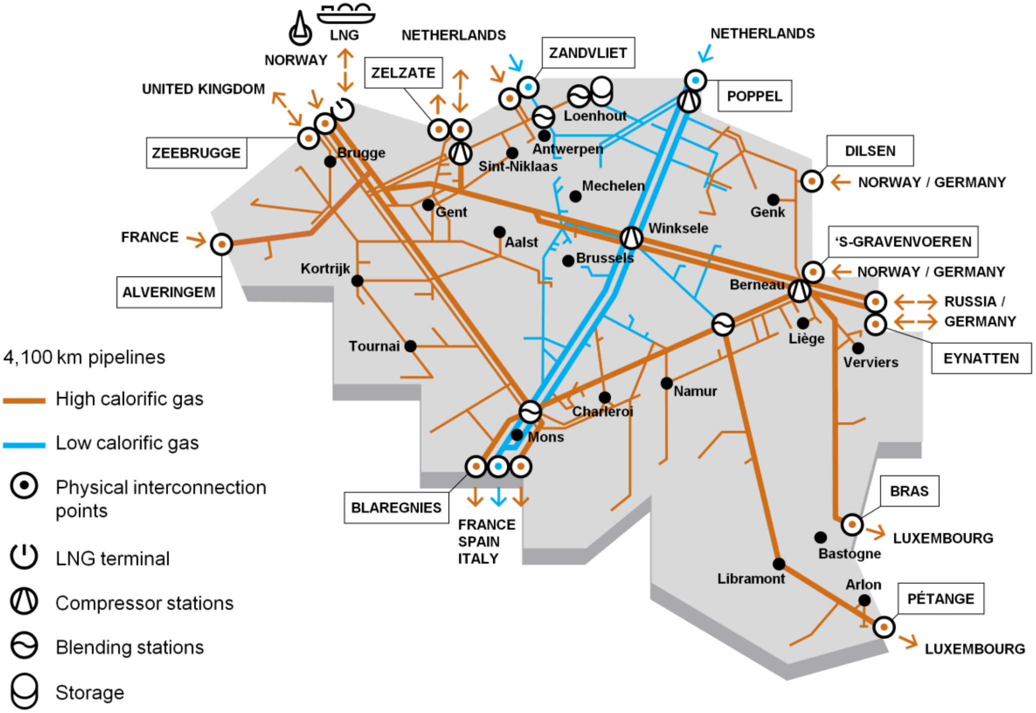
Safety and environment - We jointly give priority to the safety of our facilities because we are responsible for transmission of a type of energy that entails risks. In the same spirit of sustainability, we strive to minimise the environmental impact of our operations whilst keeping a close eye on well-being at work.

Good neighbourly relations - We provide services of general economic interest and have to ensure our activities are properly integrated in society. Through open dialogue, we want to establish good relations and cooperate with all those affected by the construction and operation of our facilities.


SWEDEGAS
BBL
GMSL
NEL
INTERCONNECTOR
DUNKIRK
LNG TERMINAL
TENP
FLUXYS
BELGIUM
TRANSITGAS
TAP
• Present across Europe
• Major gas transit operator
• Fully independent player


Transmission
and hub services
Storage
LNG
Terminalling

Our infrastructure



01

TRANSMISSION

432.4 TWh

imported volumes
(+ 3% as to 2015)

179.4 TWh

volumes transported for the Belgian market
(+ 2% as to 2015)

41.7 TWh

consumed by industrial companies directly connected to the Fluxys network
(down 3.3% on 2015)

44.7 TWh

consumed by power plants
(up 0.3% on 2015)

93 TWh

drawn off by distribution system operators
(up 5.6% on 2015)

2.9 million households

100,000 SMEs

253 TWh

volumes transported from border to border neighbouring networks
(+ 3% as to 2015)

ACTIVITIES

LNG TERMINALLING

30
LNG carriers unloaded
(41 in 2015)
= 26.4 TWh LNG

1,456: number of carriers that have unloaded since commercial activities began in 1987

35
LNG carriers loaded
of which 21 small vessels
(17 in 2015)
= 14.9 TWh LNG

Industrial sites

LNG filling stations

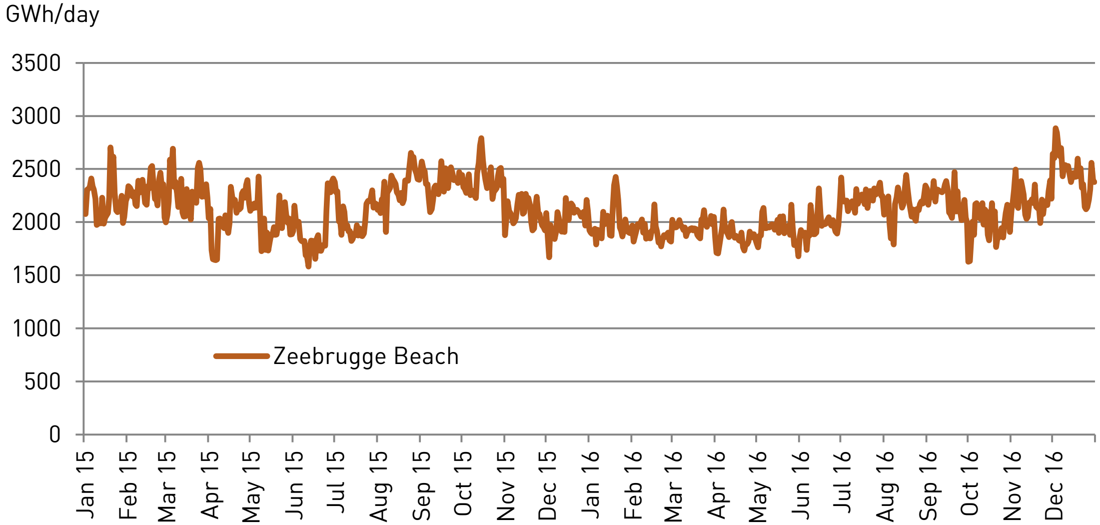
1,480
trucks loaded with LNG
(1,184 in 2015)

Destination: Belgium, the Netherlands, Poland, the UK, Scandinavia

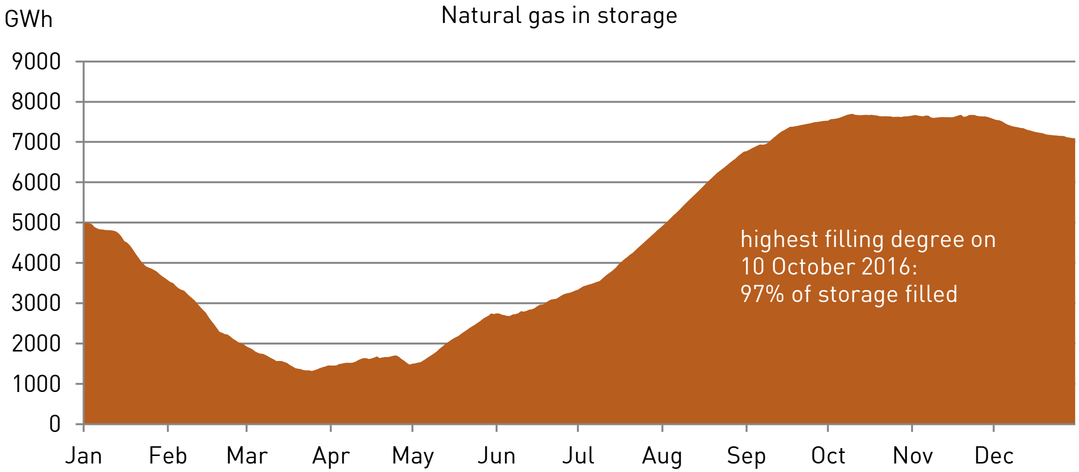
12 TWh
regasified
(- 54% as to 2015)
and transmitted in the Fluxys Belgium pipeline network

01

TRADED VOLUMES ON ZEEBRUGGE BEACH: -4%

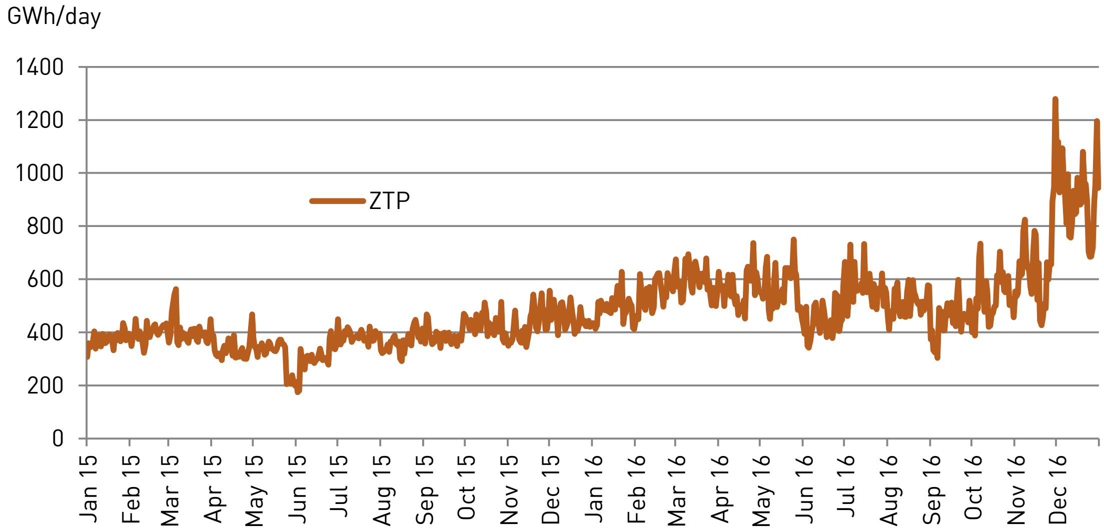


STORAGE



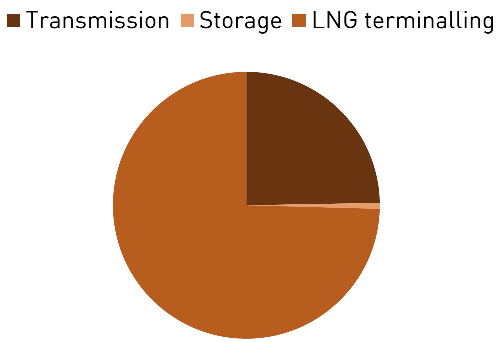
ACTIVITIES

TRADED VOLUMES ON ZTP: +50%



INVESTMENTS

139,2 million € invested in 2016



Largest projects:

second jetty at the LNG-terminal in Zeebrugge

renewal of the network between **Ravels and Oud-Turnhout**

new pipelines between **Tessenderlo** and **Diest** and between **Houthulst** and **Langemark-Poelkapelle**

fifth storage tank under construction at the LNG-terminal in Zeebrugge

ACTIVITIES: CONTENTS

Key events

1.1. Transmission

1.1.1. Shift towards a short-term capacity market

Grid users optimise capacity portfolio. For a number of years capacity sales on the European natural gas transmission market have been under pressure, due to a combination of factors. First, there is the demand for natural gas itself. Provisional figures for 2016 suggest that natural gas consumption in Europe was over 10% lower than in 2007. Moreover, grid users are increasingly optimising their capacity portfolios, calculating the capacity to be contracted as precisely as possible based on the capacity they estimate they will need to supply their customers. At the same time, transmission system operators must ensure that enough peak capacity remains available at all times.

Shift from long term to short term. The trend towards increased optimisation of capacity portfolios means that the practice of long-term capacity bookings is making way for more and more short-term capacity bookings. As such, suppliers are increasingly buying their natural gas on a short-term basis at gas trading platforms, leading to more short-term capacity contracts. The shift towards short-term contracts is fuelled further by the new harmonised European rules on system usage. As soon as long-term contracts expire, for example, capacity will have to be sold via auctions. Given the fact that there is certainly more than enough capacity available in North-Western Europe, system users have an incentive to only buy short-term capacity.

Challenge for transmission system operators. In view of the shift towards more short-term contracts, the amount of capacity sold will become more volatile in line with short-term needs. This development is a real challenge for operators of regulated infrastructure like Fluxys Belgium, since their cost basis remains the same regardless of how much capacity is booked.

Key event >> Gas-fired power plants compensate for the unavailability of other generation units

In the first half of 2016, a number of Belgian electricity producers informed the government that they planned to shut down five gas-fired generation units on the grounds that they were not operating for enough hours and were therefore unprofitable. This economic reality stands in stark contrast with the need for sufficient centralised gas-fired generation capacity to guarantee security of electricity supply.

In late 2016, for example, Belgium's gas-fired power plants were indispensable to compensate for the temporary unavailability of other generation units in Belgium and abroad. Moreover, during the coldest days of January 2017, the Belgian electricity market was on the verge of activating the natural gas power plants in their capacity as a strategic reserve.

The actual functioning of the electricity market over the past winter has shown once again that, in view of the withdrawal from nuclear energy, natural gas remains a key factor in power generation. Renewable sources will play an increasingly substantial role, but the amount of nuclear capacity to be replaced cannot solely be provided by additional capacity generated through wind or solar power and by imports. From this point of view, gas-fired power plants are the best option for providing both a baseload and increased flexibility as renewable generation grows, bringing with it greater variation in power generation levels. The challenge is to come up with a solution for the current low profitability of some gas-fired generation facilities, given that keeping existing capacity available is much more cost-effective than building new gas-fired power plants in a few years' time to restore lost capacity.

Natural gas also has a lot to offer when it comes to decentralised electricity generation. Cogeneration powered by natural gas can further expand within SMEs, and this technology is rapidly evolving for use in households.

1.1.2. Continuing focus on competitive tariffs

Fluxys Belgium has developed its network into a central crossroads for international natural gas flows in North-Western Europe, offering excellent interconnectivity, with access to all the available sources and liquid trading points. To consolidate and retain this role in a border-to-border transmission market increasingly characterised by short-term bookings, it is vital that tariffs are kept at competitive levels. Competitive tariffs also mean that the share of transmission costs in the natural gas price charged to end users in the Belgian market remains low.

Key event >> Fluxys Belgium retains its 7% tariff reduction

In line with its focus on competitive tariffs, Fluxys Belgium has carried over the 7% tariff reduction applying since early 2015 into its tariffs for the new four-year regulatory period that began in 2016. The tariffs for the 2016-2019 period also offer the market stability in terms of both price and structure.

A key factor in keeping tariffs at competitive levels are the efforts Fluxys is making to improve efficiency. For some years now, it has paid systematic attention to further enhancing efficiency throughout the business. Teams and staff from all departments of the company have wholeheartedly adopted new, more efficient organisational structures and ways of working while retaining a strong focus on safety and other company values.

1.1.3. Transported volumes up, booked capacity down

In 2016, Fluxys Belgium transmitted somewhat more natural gas through its network than in 2015, with slight increases in volumes for both the Belgian market and border-to-border transmission. Despite the increase in transported volumes, Fluxys Belgium sold slightly less transmission capacity, reflecting a general trend across Europe.

Capacity bookings to **supply the Belgian market** were slightly down.

- The rising number of connections to distribution systems prompted a corresponding increase in capacity sales to distribution system operators.
- There was a slight increase in booked capacity for industry.
- In the electricity generation segment, a number of power plants optimised their capacity portfolios.

Capacity bookings for **border-to-border transmission** were down as system users optimised their capacity at entry points. Although sales of short-term capacity again grew sharply, this did not fully offset the reduction in long-term capacity sales.

1.1.4. Belgian network plays key role in meeting flexibility needs on the UK market

The storage shortage in the UK in 2016 once again demonstrated the vital role the Belgian network, as a crossroads for natural gas flows, plays in meeting the UK market's flexibility needs. During the summer, Fluxys transmitted record volumes from the UK, while during the winter, record volumes flowed in the opposite direction.

1.1.5. Belgian gas trading platforms remain successful

Fluxys Belgium hub services. Since 1 January 2016, Fluxys Belgium's customers have been able to both book transmission capacity and subscribe to hub services for buying or selling gas on Belgian trading platforms. To this end, the company took over the hub services from its sister company Huberator in late 2015, with the transfer on 1 January 2016 leading to significantly lower prices for these services.

The traded volumes on the Zeebrugge Trading Point **(ZTP)** shot up 50%. To bolster the rise in liquidity on ZTP, more 'market maker agreements' were concluded, in which hub customers commit to trade a minimum volume of gas. There was a slight fall of 4% in traded volumes on **Zeebrugge Beach**, likely caused by the lower volume of LNG delivered there. Overall, the total traded volumes on Belgian gas trading platforms increased again on the level recorded the previous year, rising from 936 to 967 TWh.

Key event >> Belgian gas trading platform ZTP hits record highs (up 50%)

In 2016, the traded volumes on the Zeebrugge Trading Point (ZTP) gas trading platform were 50% up from the previous year. ZTP enjoyed a number of record-breaking days towards the end of the year, pushing the traded volumes above 1 TWh per day, as opposed to the highest daily traded volume of 557 GWh in December 2015.

This sharp increase in traded volumes is due, among other factors, to the attractive gas price compared with other European gas trading platforms and the significant rise in the number of market players operating on ZTP. Liquidity on ZTP was also bolstered by 'market maker agreements' in which hub customers commit to trade a minimum volume of gas.

1.1.6. Preparations for full conversion to high-calorific natural gas

Depletion of low-calorific natural gas field. The gradual depletion of the Groningen natural gas field (which produces low-calorific natural gas, or L-gas) has prompted the Dutch government to completely phase out L-gas exports to Belgium and France between 2024 and 2030 and to Germany between 2020 and 2030. Moreover, the extraction of natural gas from the declining field has triggered seismic tremors, leading to a cap on production since 2014. This output reduction remains a subject of debate. In 2016, the Dutch Minister of Economic Affairs announced that a new, lower production cap of 24 billion cubic metres per year would apply as from gas year 2016-2017.

As L-gas exports from the Netherlands decline, the networks in Belgium, France and Germany must be adapted to enable a gradual switchover from L-gas to high-calorific natural gas (H-gas) from other sources.

In Belgium, some 5 billion cubic metres of L-gas are currently imported every year. The Belgian network also acts as a corridor for channelling an additional 5 billion cubic metres of L-gas a year to France. Gas from Groningen accounts for around 30% of supply in Belgium as a whole and approximately half of all the gas consumed by households and SMEs.

International cooperation. Given the cross-border nature of the measures required, Fluxys has signed a Memorandum of Understanding with the transmission system operators in the Netherlands and France to optimise technical cooperation and coordination for conversions across national borders.

Fluxys Belgium prepared for conversion in Belgium. With a view to guaranteeing security of supply, Fluxys Belgium and the distribution system operators will progressively convert their L-gas networks so that suppliers will be able to supply H-gas instead of L-gas to their customers.

Synergrid, the federation of electricity and gas system operators, has drawn up a technical methodology and road map in preparation for the switchover. In summer 2016, the indicative conversion plan 2016-2029 was presented to market players in the presence of the relevant regulators and public authorities.

Fluxys Belgium has elaborated on the Synergrid road map in its ten-year investment plan and is on track to complete the conversion on schedule in 2029. In summer 2016, a pilot project was undertaken in Houthalen in which around 6,000 households and SMEs connected to the Infrax distribution system were converted to H-gas without any problems. Two industrial customers directly connected to the Fluxys network were also switched over. Fifteen or so SMEs connected to the network of distribution system operator Eandis in Antwerp will be switched in 2017, before the large-scale conversion begins in 2018. Minor adjustments are also being made to the network to enable future conversions.

Belgian network major asset for H-gas conversion in Germany. Germany currently consumes approximately 30 billion cubic metres of low-calorific natural gas per year. These volumes will also have to be gradually replaced with high-calorific gas from other sources by 2030. With Germany looking to diversify its sources by adding LNG, the Fluxys Belgium network is well placed to offer a solution.

The level of Germany's interconnection capacity with Belgium means that it could opt to expand its natural gas portfolio with the LNG sources that are available via Zeebrugge LNG Terminal and Dunkirk LNG Terminal without having to invest in any LNG terminalling infrastructure itself. Germany could also import gas from any of the other sources connected to the Belgian network, as could France, which currently imports L-gas via the Fluxys Belgium network.

1.2. Storage

Market conditions for storage in Europe remain challenging. Europe has had a relative surplus of storage options for a few years now. In addition, stagnating demand for natural gas has resulted in an oversupply of natural gas on the gas trading platforms. This situation has resulted in very marginal price differences between winter and summer, which, in turn, have priced physical natural gas storage out of the market. Moreover, various other European countries are increasingly using their storage facilities as a means of ensuring security of supply, for example by obliging suppliers to book certain levels of storage capacity in the country concerned.

Responding flexibly to changing market needs. In coming years, the challenge will be to continue developing products and services that correspond as closely as possible to storage customers' changing needs. Therefore, it is important that the regulatory framework continues to offer the possibility to flexibly respond to market needs.

Key event >> Loenhout storage facility fully booked for the 2016-2017 season

Due to a contract coming to an end in the first half of 2016 the amount of long-term booked capacity at the Loenhout storage facility fell from approximately 70% to around 60%. The company's proactive approach to storage sales could not offset poor market conditions in the first half of the year and the remaining short-term capacity was not sold, as was the case in 2015 for that time of year. However, market conditions changed in July, when the UK was faced with a storage shortage. Against this backdrop, Fluxys Belgium managed to sell all of its remaining short-term capacity.

1.3. LNG terminalling

1.3.1. Good utilisation rate at Zeebrugge LNG Terminal

In 2016, new LNG production capacity was commissioned worldwide which can produce around 43 billion cubic metres per year. As natural gas prices in Europe remained below those of other regional markets, much higher volumes of LNG went to China, India and the Middle East, among other destinations. Reduced natural gas production in Europe was offset by more pipeline gas imports from Russia and Norway.

Despite this market situation, Zeebrugge LNG Terminal once again had a good utilisation rate in 2016 compared with other terminals in North-Western Europe. Although fewer LNG vessels were unloaded there than the previous year, more such ships were loaded and small-scale LNG activities increased. The combination of fewer unloaded vessels and more loaded ships led to less gas being sent out from the terminal into the pipeline network.

1.3.2. Success of small-scale LNG continues

In addition to the transshipment of large LNG volumes, Zeebrugge LNG Terminal is successfully diversifying its range of services with a view to capitalising on the new and growing market for small-scale LNG.

- In this context, the number of **loading operations involving small LNG vessels** grew again in 2016. A market test held in 2015 showed there was also an interest in other options for loading small LNG ships. As a result, Fluxys LNG is looking into expanding the range of small-scale LNG services on offer.
- The number of **LNG tanker-truck loading operations** also continued to rise, despite the launch of similar services at other terminals in North-Western Europe. Trucks load up with LNG at the Zeebrugge terminal to supply LNG-fuelled ships, LNG-truck filling stations and industrial companies not connected to the natural gas network. With a view to making sure it can keep responding in future to the growing level of demand, Fluxys LNG will construct a second loading station at the terminal in 2017.

Key event >> Second jetty at Zeebrugge LNG Terminal commissioned for commercial use

The second jetty at Zeebrugge LNG Terminal was commissioned for commercial use in late December 2016. The jetty is designed to receive LNG carriers ranging from the smallest ships with a capacity of 2,000 cubic metres of LNG up to large vessels with a capacity of 217,000 cubic metres of LNG. Some 200 loading operations have already been booked at the second jetty for small LNG carriers under long-term contracts.

The ability to receive the smallest LNG vessels means that LNG bunker ships can now also berth: a milestone in the further development of small-scale LNG and in particular the development of LNG as a marine fuel (see p. 33-34).

The second jetty also enables the terminal to respond flexibly to demand for simultaneous or quickly successive berthings, as using both jetties allows two LNG carriers to be unloaded and/or loaded at the same time.

1.4. Natural gas as transport fuel

1.4.1. Active on various fronts to develop the new market segment

Natural gas has the best emission profile of all fossil fuels, making it an important alternative fuel in the transport segment. Switching from petrol, diesel or heavy fuel oil to natural gas not only directly cuts carbon emissions but also directly reduces the impact on air quality and health: nitrogen oxide emissions are 90% lower, and emissions of sulphur and particulate matter are negligible.

Fluxys Belgium and the Fluxys Group are active on various fronts to promote natural gas as a fuel for transport and to boost this highly promising but still emerging market. The main challenge is to develop the necessary infrastructure for cars, trucks and ships to refuel easily with natural gas.

This has been bolstered by the European Directive on the deployment of alternative fuels infrastructure, for which Belgium submitted its policy framework to the European Commission in late 2016.

1.4.2. LNG for shipping and road freight

LNG is becoming increasingly important as a marine fuel as stringent sulphur emission regulations are in force in the English Channel, the North Sea and the Baltic. There are currently around 40 ships under construction for use in those areas, half of which will run on LNG. A further 15 LNG-powered inland waterway vessels are on order.

Inland waterway vessels can refuel at the ports of Zeebrugge and Antwerp. Currently, trucks that load LNG at Zeebrugge LNG Terminal supply eight LNG-fuelled inland waterway vessels. Given the number of LNG-powered vessels on order, that traffic is expected to increase further. In Antwerp, the port authority plans to increase the availability of LNG by building a permanent LNG bunkering and filling facility. The new facility is expected to be operational in 2018-2019.

Following the **commissioning of the second jetty at Zeebrugge LNG Terminal end 2016,** LNG bunker vessels can now also berth at the terminal (see p. 31). These are vessels that load LNG to supply other ships that use LNG as a fuel. Previously, this could only be done by using LNG trucks which come to load at the terminal but which are not ideal for supplying seagoing vessels due to their limited capacity. LNG bunkering vessels can also be used to transport LNG to small LNG bunker terminals in other ports.

LNG bunkering vessel with Zeebrugge as its home port. As of April 2017, Zeebrugge is the home port of the LNG bunkering vessel Engie Zeebrugge. Fluxys Belgium's parent company Fluxys is a partner in the vessel, which will initially be responsible for supplying two LNG-powered car carriers commissioned by shipping company UECC in early 2017.

This is the world's first purpose-built LNG bunkering vessel specifically designed for supplying LNG-powered ships, which is a milestone in the development of the European LNG bunkering chain. Up to now, LNG-powered vessels were predominantly assigned to fixed bunker locations or filled by the limited bunker capacity of LNG trucks. LNG bunker vessels, however, sail to the ships they supply.

Upturn in LNG truck market. Logistics companies are increasingly considering switching to LNG as a cleaner option for long-haul transport as more powerful LNG trucks come onto the market and it becomes easier to convert parts of their fleet to run on LNG.

Belgium currently has two filling stations where trucks can refuel with LNG: in Kallo in the Antwerp Kempen region and in Veurne, where Fluxys Belgium's parent company Fluxys teamed up with haulage firm Mattheeuws to invest in an LNG filling station. There are also plans to build further LNG filling stations in other parts of Belgium.

Tanker trucks can also supply industrial customers with LNG from Zeebrugge. LNG is also an attractive alternative for industrial companies in areas with no gas lines nearby. Such companies receive LNG by truck from Zeebrugge LNG Terminal and regasify it on site. This technique has long been used to ensure continuity of supply for customers, for example in the event of maintenance work disrupting their normal natural gas supply.

1.4.3. CNG for cars

Fluxys Belgium, Gas.be (formerly the Royal Association of Belgian Gas Companies), distribution system operators, filling-station operators and automotive manufacturers have joined forces in the umbrella organisation The Belgian Natural Gas Vehicle Association **(NGVA.be)** to encourage private individuals, companies and local authorities to use CNG-fuelled cars.

Several of Belgium's governments are also increasingly supporting the switch to CNG by adopting a range of measures to promote its use.

For example, the Flemish government has exempted new CNG cars from annual road tax and vehicle registration tax until 2020, and is extending this environmentally friendly tax regime to light trucks in 2017. This arrangement does not apply to lease vehicles, as the regions need to consult on this first.

The Walloon government changed regulations in 2016 so that CNG filling-station operators now have a regulatory reference framework. Also, as from 2017, public authorities in Wallonia are required to ensure that 50% of the new vehicles they buy run on an alternative fuel. This will rise to 100% as from 2030.

Key event >> Natural gas as a transport fuel takes a big leap forward

The efforts of Fluxys Belgium, Gas.be (formerly the Royal Association of Belgian Gas Companies), distribution system operators, filling-station operators, automotive manufacturers and the public authorities really paid off in 2016 as the number of CNG vehicles in Belgium more than doubled from 2,600 to 5,400 in the space of just one year. The number of CNG filling stations also rose sharply, from 42 to 74 in 2016, and if things go according to plan, will hit the 100 mark in 2017.

1.5. Active voice in the Belgian energy debate and the European consultations on development of the natural gas market

1.5.1. The role of natural gas in Belgium's vision for energy

In 2016, Fluxys Belgium has paid close attention to its participation in the preparations for Belgium's long-term energy vision. As natural gas supplies twice as much energy as electricity in Belgium, it is only right that it receives the proper attention.

It is equally important that policy focuses on the total system cost for gas and electricity, exploits the complementarity of gas and electricity systems and strives for optimal use of existing infrastructure. In this regard, Fluxys Belgium firmly believes that even in a low-carbon economy, gas and gas infrastructure have a central role to play in:

- electricity generation (see p. 23 'Gas-fired power plants compensate for the unavailability of other generation units');
- the mobility segment (see p. 32-35 'Natural gas as a transport fuel');
- the heating segment, where gas has unique advantages over other fossil fuels thanks to the highly efficient nature of gas technology in terms of energy efficiency and emissions.

Furthermore, questions need to be asked about the preference for large-scale electrification in the heating segment, expressed in some quarters. As long as a substantial part of central electricity generation comes from fossil fuels, there is no benefit in terms of emissions in first converting heat from fossil-fuel power plants into electricity, and then converting it back into heat in homes. Large-scale electrification is also a dubious option in terms of the total cost of the energy system. Much of Belgium's energy consumption is used for heating, and switching a substantial share of this consumption to electricity would require massive investments in the electricity system. At the same time such a scenario would substantially reduce the utilisation rate of the gas infrastructure, which is a far more efficient way of supplying the same amounts of energy to end users than the electricity system.

1.5.2. European Network of Transmission System Operators for Gas (ENTSOG)

As Belgium's transmission system operator, Fluxys Belgium is dedicated to achieving an integrated European natural gas market and works closely with other transmission system operators on specific projects to achieve this goal. More broadly, Fluxys Belgium is also active within organisations such as the European Network of Transmission System Operators for Gas (ENTSOG), of which it is one of the founding members.

Development of European network codes. Via ENTSOG, Europe's transmission system operators are working within the framework of the EU's Third Energy Package to draw up harmonised rules, or network codes, on the use of transmission systems. Each network code is being drawn up on the basis of framework guidelines compiled by the Agency for the Cooperation of Energy Regulators (ACER). Once the network code has been approved by the European authorities, it enters into force.

2016 saw the entry into force of the Network Code on **Interoperability**, which includes rules on data exchange. Since Fluxys Belgium has always been a frontrunner in the move towards strong interoperability and has long striven to harmonise data-sharing protocols, the code's impact on the company and its customers is minimal.

In addition, the Network Code on **Capacity Allocation Mechanisms** was adapted. Previously confined to existing capacity at interconnection points, the code has been expanded to include a section on the approach to planning investments in new interconnection points or additional capacity at existing interconnection points.

The Network Code on **Harmonised Tariff Structures** was adopted during the consultation with Member States and comes into force in 2017. It provides for gradual implementation of its various provisions, with existing approved tariffs remaining in force.

European Network Development Plan. Within ENTSOG, a development plan for European natural gas infrastructure is developed every two years (Ten-Year Network Development Plan). The plan provides an overview of all major planned investments in natural gas infrastructure in the European Union and contributes to the development of an integrated European natural gas market.

- The consistent approach across different countries enables potential investment gaps and supply bottlenecks to be identified.
- An investment project must be included in the European Network Development Plan to qualify for recognition as a Project of Common Interest (PCI). Projects with PCI status are eligible for various forms of EU support.

The next European Network Development Plan will be published in 2017 and Fluxys Belgium's investment programme, the company's annually updated indicative investment plan for the next 10 years (see p. 41), will form the basis for Belgium's contribution

1.6. Investments

1.6.1. 2016: €139.2 million invested in infrastructure

In 2016, Fluxys Belgium invested €139.2 million in infrastructure projects in Belgium. Over € 34.4 million of the total investment amount went to transmission projects and about € 103.8 million went to LNG infrastructure.

For transmission projects, the construction of pipelines and stations are becoming increasingly challenging . Fluxys Belgium is committed to selecting its routes and sites with care, consulting thoroughly with the relevant local authorities and engaging with local residents at an early stage. However, local communities are increasingly unwilling to accept new infrastructure in their area, despite its direct role in ensuring security of supply for end users.

Key event >> Fifth storage tank and additional process facilities under construction at Zeebrugge LNG Terminal

In 2015, Fluxys LNG concluded a 20-year contract with Yamal Trade for the transshipment of up to 8 million tonnes of LNG per year (approximately 11 billion cubic meters of natural gas) at Zeebrugge LNG Terminal. The aim is to transship LNG brought over by icebreaker/LNG carriers from the new production terminal in Yamal in northern Siberia onto conventional LNG carriers that will convey the LNG to its final destination. A fifth storage tank and additional process facilities are being built to enable the provision of transshipment services.

Construction of second jetty at Zeebrugge LNG Terminal. In 2016, the construction of a second jetty at Zeebrugge LNG Terminal was completed. The addition of the second jetty means that both the smallest and largest vessels can now berth at the terminal (see p. 31).

The Zeebrugge Port Authority was responsible for the underwater structure of the second jetty while Fluxys Belgium built the superstructure and LNG facilities. The preliminary studies for the second jetty were co-financed by the European Commission as part of the Trans-European Energy Networks (TEN-E) programme, while a grant was awarded for the construction works under the Trans-European Transport Network (TEN-T) programme.

Co-financed by the European Union
Trans-European Transport Network (TEN-T)

New pipeline between Tessenderlo and Diest (18 km) and new pressure-reducing station in Diest. The new pipeline and associated above-ground facilities were commissioned in November 2016. This expansion of the Fluxys network will allow it to accommodate the expected increase in natural gas consumption by households and SMEs. The new pipeline and offtake point in Diest also relieve pressure on Interenerga's distribution network in the province of Limburg, safeguarding security of natural gas supply in that region as well.

New pipeline between Houthulst and Langemark-Poelkapelle (6.8 km). Fluxys Belgium has built a new pipeline and associated pressure-reducing station between Houthulst and Langemark-Poelkapelle to improve supply in the Ieper area. This line is a branch of the Alveringem-Maldegem pipeline constructed in 2015.

New pipeline commissioned between Virton and Rouvroy. Fluxys laid a pipeline between Virton and Rouvroy to connect the Burgo Ardennes paper mill to the transmission network, following its switch from heavy fuel oil to natural gas for its energy needs. The new facilities were opened in 2016.

Developments in the industrial segment. At the end of 2016, the Fluxys network comprised 231 direct connections with industrial end users, power plants and cogeneration facilities. New connections were built for four industrial customers during the year: Herdi Zwijndrecht, Stadsbader Kallo, ADC Beveren and Milcobel.

1.6.2. Indicative investment programme 2017-2026: €671 million

Each year Fluxys Belgium updates its indicative investment programme for the next 10 years. The company plans to invest €671 million in projects for natural gas transmission, storage and LNG terminalling in the 2017-2026 period. The programme is based on three pillars: investments to maintain the integrity of the network and upgrade infrastructure (57%), investments for commercial initiatives and external partnerships (36%), and investments to address the expected growth of peak demand in Belgium (7%).

1.7. Research and development

1.7.1. Aims and approach

Fluxys Belgium undertakes applied research either by itself or in conjunction with academic institutions. It also collaborates with Gas.be (formerly the Royal Association of Belgian Gas Companies) and other European gas companies in various national and international organisations including:

- Pipeline Operators Forum (POF);
- European Gas Research Group (GERG);
- European Committee for Standardisation (CEN);
- European Pipeline Research Group (EPRG);
- International Organisation for Standardisation (ISO);
- EASEE-gas (European Association for the Streamlining of Energy Exchange – gas);
- Marcogaz, the Technical Association of the European Natural Gas Industry.

1.7.2. New gas applications

Power-to-gas. Power-to-gas is a technology for converting electricity into hydrogen or synthetic natural gas. By converting electricity into a different form of energy, power-to-gas is particularly valuable as a solution to the problem of storing electricity: for example, when wind turbines are running at full capacity while electricity demand is low, the surplus energy generated can be stored in the gas infrastructure in the form of hydrogen or synthetic natural gas.

In 2013, Fluxys Belgium joined forces with 10 other European companies (including natural gas and electricity system operators) in the *European Power to Gas Platform* to monitor the technology and exchange best practices.

Biomethane quality requirements. Biomethane is the gas that is left when the CO_2 is removed from biogas. Biogas is gas produced from green waste and, like natural gas, its main component is methane. Fluxys Belgium is involved in various working groups examining the quality requirements biomethane must meet before it can be injected into a gas network and what the impact might be. It will use the results of this research as a point of reference in the biomethane injection projects that are currently under development in Belgium.

Injection of biomethane and hydrogen into gas networks Blending biomethane or hydrogen with natural gas in the networks is one way of reducing the carbon footprint of natural gas and supplying greener gas for heating, electricity generation, transport and industrial processes.

As regards the injection of hydrogen into the natural gas system, Fluxys Belgium has finalised the HIPS (Hydrogen In Pipeline Systems) study in the European Gas Research Group (GERG). The study's results show that it is theoretically possible to blend large quantities of hydrogen with natural gas, but that for some applications the higher sensitivity to hydrogen must be kept in mind..

Combined heat and power. As a member of the Cogen Vlaanderen working group, Fluxys carries out research into different natural gas cogeneration systems that both generate electricity and heat water. Cogeneration reduces greenhouse gas emissions and lowers energy bills.

1.7.3. Design and operation of pipelines and facilities

Improving the design of pressure-reducing stations. In 2016, Fluxys Belgium further optimised the design and dimensioning principles of its pressure-reducing stations, without compromising performance or safety. One of the improvements was to further limit greenhouse gas emissions by opting for the most appropriate pressure and flow control technologies. Other adjustments were aimed at enhancing the efficiency of odorisation and gas heating facilities. The new principles will be applied to the construction of new facilities and the adaptation of existing stations.

1.7.4. Loenhout storage facility: dynamic models of the underground environment

Hydrodynamic model. At the Loenhout storage site, natural gas is stored in a layer of porous, water-containing reservoir rock more than a kilometre underground. Fluxys Belgium is working with Ghent University to develop a hydrodynamic model of this layer with a view to charting, among other things, how water pressure is changing over time in certain locations in connection with the storage reservoir. The model will be completed in 2017.

Dynamic geological model. In collaboration with the Geology Department at KU Leuven, a 3D geological model of the karstified limestone in the ground beneath Loenhout has been transformed into a dynamic model providing information as to the future development of the storage facility. This gives us a clear picture of natural gas movements within the reservoir, how the gas interacts with the water, and gas pressure changes within the facility. In 2016, Fluxys and a consultancy firm further developed the existing model to demonstrate the impact of nearby geothermal projects on the gas storage facility.

1.7.5. LNG

International measurement standard for small to medium-sized LNG flow rates. LNG is enjoying increasing success as an alternative fuel for trucks and ships. For such small-scale applications, LNG needs to be measured as accurately as other fuels. In light of this, Fluxys Belgium and various metrology institutes and industrial partners have come together in a project group to develop an international standard for measuring small to medium-sized LNG flow rates. A new LNG measurement and calibration facility is being built at the Maasvlakte in Rotterdam with a view to developing the international standard.

LNG for distribution. Fluxys Belgium joined forces with a distribution system operator in 2016 to study the possibility of creating an alternative gas supply system with an LNG facility in a city with no natural gas pipelines. The study is being continued in 2017.

02

- **15 %** < 5 years experience
- **42 %** 5-15 years experience
- **43 %** >15 years experience

12 % work part-time

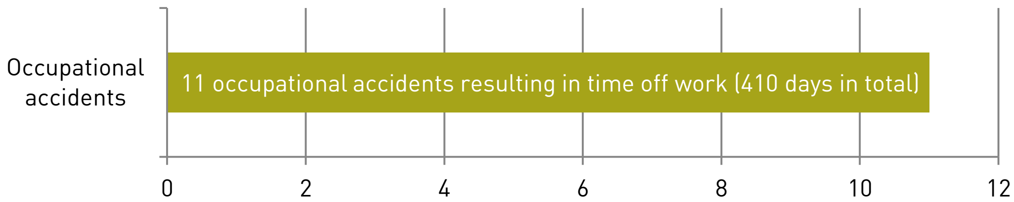
737 men

164 women

32,200 hours of training, of which over half covered technology and safety.

- **7 %** < 30 years old
- **27 %** 30 – 39 years old
- **40 %** 40-49 years old
- **26 %** > 49 years old

2016: period of 131 days without occupational accidents resulting in time off work



60,810 : number of pieces of correspondence regarding third-party works in the vicinity of Fluxys infrastructure

86 % of all work requests were made by using the KLIM-CICC or KLIP digital platforms.

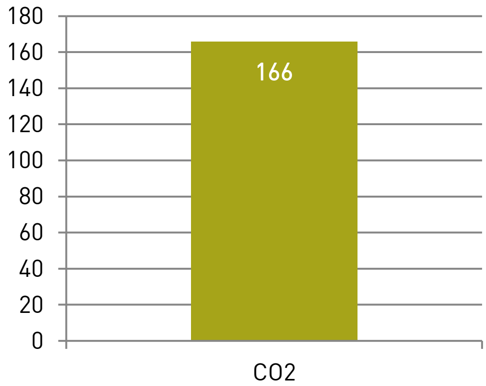
Patrol officers have drawn up **5,437** official notices regarding works near our infrastructure

Fluxys has infrastructure in **417** Belgian munincipalities.

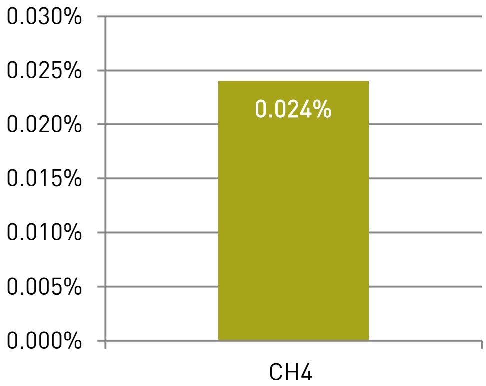
Crisis drills are organised each year in cooperation with the emergency services to share our know-how and to test the emergency plan. In 2016, we ran joint exercises with the emergency services in East Limburg, Liège, Mouscron and Leuze-en-Hainaut.

SUSTAINABLE DEVELOPMENT

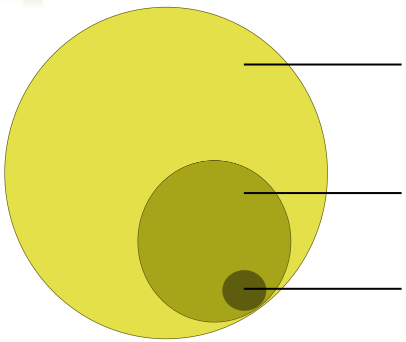
CO_2 emission relative to the volume of natural gas transported (in mg/kWh)



CH_4 emission relative to the volume of natural gas transported (in %)



Fluxys Belgium is continuing its efforts to reduce emissions.



In 2016, Fluxys received **331** reports of the smell of gas or a gas leak, from the 112-emergency centres, local residents, Fluxys detection facilities, fire brigade, police and so forth. Fluxys sends technicians out to a site depending on the information received as to where the smell of gas leak has been identified.

Fluxys sent technicians out to sites on **88** occasions.

19 occasions were determined to indeed affect Fluxys infrastructure. None of the incidents reported required the authorities to activate an emergency plan.

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SUSTAINABLE DEVELOPMENT: CONTENTS

2.1 People: our strength in changing times

As a company in the energy sector, Fluxys Belgium is operating in a rapidly evolving market that will be subject to change for a long while as the energy transition continues to take shape. To maintain its success in this context, it is essential that the company can continue to count on skilled, motivated employees and a flexible employability of everyone. The core of the HR policy is therefore all about activating that adaptability in the interplay between people, processes and structures. In this way, Fluxys Belgium will remain ready for the challenges facing it today and be prepared plan for those of the future.

Flexibly evolving with the changing business environment and new ways of working and cooperating are major challenges for the workforce as a whole. At the same time staff satisfaction levels are high, as shown by the company-wide survey of members of staff in 2016. The survey gauged their commitment and welfare levels and how they view their jobs at the company. The high response rate of 80% was in itself a sign of the high level of staff involvement. Moreover, there was a good overall satisfaction rate, with 80% of participants indicating that they felt involved or very involved within the company.

Organisation moving with the growth strategy

Fluxys Belgium constantly examines its processes and structures in light of new emerging challenges. After all, a transforming market requires in essence an organisation that moves along with it. More efficient processes and structures are the key to achieving the enhanced performance the company strives for to keep growing sustainably and continue to bolster its market position. The input of employees is crucial for this: it is expected of them that they critically analyse their day-to-day approach and adapt to changes flexibly and with an open mind.

Fully focused on talent

Fluxys Belgium's talent management policy ensures that the right talent is in the right place at the right time. This allows talented personnel to make the maximum possible contribution to the company's success against the backdrop of an evolving market and changing company processes and structures.

Attracting the right talent for today and tomorrow. Based on its company objectives, Fluxys Belgium assesses its future staffing needs to gain a clear overview of which profiles and skills are required now and in the future. As such, our recruitment strategy is not based on simply filling vacancies as they arise, but rather on finding driven, motivated and committed employees who over time could also make a valuable contribution to other parts of the company or to the Fluxys Group. To attract and retain talent, Fluxys Belgium offers competitive salary packages that are in line with market levels.

Helping talent to contribute. Fluxys Belgium uses two levers, tailor-made induction programmes and dynamic performance management, to help its employees make the maximum possible contribution to achieving the company's aims.

To ensure that new employees and other members of staff get off to a quick and effective start in their new position, Fluxys Belgium uses a **personalised induction and integration programme** in which their managers play a central role. Moreover, in every induction and integration programme an experienced member of staff acts as a mentor providing the new colleague with support in their work environment.

In fact, 2016 was an outstanding year for internal job mobility: almost 80 members of staff took the opportunity to take up another job in the company or in the Fluxys Group.

In the **performance management** cycle, constructive consultations take place each year to translate the corporate objectives into personal goals. Over the course of the year, these goals are the subject of regular dialogue between the staff members and their managers. To increase the incentive to realise the corporate goals, members of staff are rewarded for good performance with a boost to their pay package and career prospects.

Allowing talent to grow and flourish. Fluxys Belgium's competence management and its professional development and training programmes are geared towards providing employees with the support they need to fulfil both the company's objectives and their own career goals.

Fluxys Belgium also knows full well that talent thrives most when members of staff have a good work/life balance and therefore offers staff the chance to telework from home. This has proved a success, with personnel making considerably more use of this option in 2016.

In terms of **competency management**, in 2016 executives and supervisory staff mapped their competencies, using this as a basis to draw up targeted plans for their personal development. Following the same logic, managers are encouraged to coach staff in the areas of both performance and development.

The competency mapping exercise in 2016 showed that excellent progress had been made compared with the previous such exercise: the *Think* and *Do* competencies, which were already well entrenched, were further consolidated, while the *Interact* and *Lead* competencies have made good headway.

The **development and training policy** ensures that members of staff have the relevant knowledge and skills. To increase effectiveness, a varied mix of learning tools will be used: teaching jobs inside or outside the function, internal or external coaching, internal and external training and, for executives and supervisory staff, also an online learning platform.

As well as technical and safety training, a wide range of courses are offered to develop general thinking, behavioural, interactional and leadership skills. In 2016, members of staff followed over 32,000 hours of training, of which 52% covered safety and technology.

In a bid to improve staff's sustainable employability within the company, Fluxys Belgium introduced a new programme in 2016 to develop computer skills. The programme will continue to be rolled out in 2017 and the years after that. It will play a key role in keeping the digital capability of the organisation up to date.

Working on the talent of tomorrow. Through the performance management cycle and the annual talent review process, Fluxys Belgium maintains an overview of competencies at the company. This process results in a succession planning to meet future personnel requirements and so contribute to business continuity. In the same vein we also encourage internal mobility and prioritise internal candidates when seeking to fill vacancies or new positions. Our parent company Fluxys' international development also regularly gives rise to opportunities for further career development.

Providing clarity and creating commitment

Fluxys Belgium attaches great importance to ensure employees are familiar with the business context and the challenges of the company, as this fosters personal commitment to the company's vision, strategy and objectives.

In 2016, Fluxys Belgium made special efforts, using a variety of means, to give members of staff a better understanding of ongoing changes in the energy sector, how the company is adjusting its goals to address these developments and what these goals mean for each individual staff member.

Transparent and constructive social dialogue

Good employee relations are vital for company cohesion and activity development, which is why Fluxys Belgium conducts a transparent, constructive social dialogue with all the social partners, the members of the works council, the committee for prevention and protection at work, the trade union delegation and the executives' association.

In line with the positive social dialogue, the social elections in 2016 passed off smoothly and in a cordial atmosphere. The company is working with the newly constituted bodies to continue fostering the trust that has grown over the years: a relationship involving an open dialogue about employee concerns and the economic climate the company is operating in, and also the desire to maintain the level of harmonisation with each other's activities and to make coordinated efforts to meet the organisation's goals.

2.2 Safety: it's in our DNA

As the operator of the natural gas transmission system, safety is the number one priority for Fluxys and forms a constant thread running through all of its activities. More than half of our employees are responsible for the construction of safe facilities and their safe operation.

Safety in the workplace: consistently aiming for fewer occupational accidents

2016 was an atypical year In terms of occupational accidents. More than two thirds of these accidents were due to moving around, resulting in a considerable rise in the percentage of ankle and foot injuries. In this light, a decision was made to particularly focus on this issue through awareness-raising initiatives. On the other hand, there was a prolonged period in 2016 (131 days) with no accidents at all involving lost time due to injury. In any case, every accident is investigated and measures are taken to prevent such accidents from recurring.

Fluxys Belgium brings together its initiatives to improve the prevention of accidents and incidents at work in five-year Global Prevention Plans (GPPs). The new validated GPP for 2017-2021 encompasses projects based on seven central themes: psychosocial risks, safety culture as part of the corporate culture, transportation in Belgium, health and welfare, changes based on the legal developments involving the facilities, the Safety Management System, and industrial risks.

Constructing and operating safe infrastructure

Safety in construction. For Fluxys Belgium, safety is a constant thread running through every stage of a facility's lifetime. The route for a pipeline is carefully chosen in close consultation with the local and regional authorities and with local residents. The steel pipes are compliant with the Belgian regulations and the international safety standards currently in force. The quality of the pipes is approved at the factory by an authorised independent inspection agency.

When working on any construction project, Fluxys Belgium only works with qualified and certified specialists in the field. Fluxys Belgium's Project Management, Supervision & Interventions and Cathodic Protection Departments are also SCC-certified**. Before any facility is commissioned, a series of tests is carried out under the supervision of an authorised inspection agency to check, among other things, the density and resistance of the pipes. The condition of the pipes will then be regularly reviewed as part of an inspection programme. The pipes are also fitted with a cathodic protection system to prevent corrosion.

Ready to intervene 24 hours a day. Central Dispatching manages and controls gas flows 24 hours a day and also handles emergency phone calls from the emergency services or local residents. At both Fluxys headquarters and its regional operating plants there are staff ready 24 hours per day to take immediate action if an incident occurs. A crisis team can also be rapidly deployed in case of emergency. Fluxys Belgium regularly organises crisis drills to ensure the team's responsiveness. Drills are also organised every year in consultation with the emergency services to exchange expertise and test emergency plans. In this context, in addition to the internal Fluxys drills, drills were also held with another pipeline operator and the emergency services in the provinces of Limburg, Liège and Hainaut.

Keeping all the relevant parties close to our infrastructure informed and continuing to raise their awareness

Information programmes. Fluxys Belgium runs a range of programmes to provide information and raise awareness about safely working in the vicinity of its infrastructure. These programmes are aimed at all those involved in such work, e.g. architects, developers, designers, contractors, owners and operators, municipalities, notaries and the emergency services. In this light, Fluxys Belgium regularly sends a reminder to all owners and operators of land with Fluxys infrastructure. The company also holds an information session for municipalities at least once every legislature. All municipalities, fire brigades and police zones also receive updated plans of our infrastructure and can look up our data in databases used by fire brigades, Communication and Information Centres (CICs) and emergency call centres.

Reporting works easily. Most damage to natural gas transmission pipelines is caused by work carried out by third parties in the vicinity of this infrastructure. For that reason, anybody wishing to carry out work close to our pipelines has a legal obligation to inform Fluxys in advance. Our company is undertaking a series of initiatives to raise awareness among all the relevant parties of this requirement and of safety issues in the vicinity of the infrastructure.

Fluxys Belgium also supports initiatives that make the reporting of works as easy as possible. In recent years, meeting the statutory notification requirement has been made a lot easier with the arrival of online portals, with Fluxys Belgium being a prime mover in the launch and development of the Federal Cable and Pipeline Information Database (CICC/KLIM).

Network inspections. Not all works in the vicinity of natural gas transmission infrastructure are reported to Fluxys Belgium in time. Therefore, Fluxys Belgium patrol officers based at the eight regional offices check the network every day to detect such works.

Consistent digging methods in the vicinity of Fluxys infrastructure. Every day, Fluxys Belgium staff attend preliminary meetings to discuss the safety measures required when working in the vicinity of natural gas infrastructure. Fluxys has also worked with the regional employment services VDAB and Forem to develop training programmes entitled '*Graafwerken voor Fluxys-contractanten*' and '*Fouilles et excavations pour contractants Fluxys*' (Excavation works for Fluxys contractors). Pipelines were laid on pilot sites so that practical digging exercises could be held using the Fluxys methodology. The programmes have been accredited by the Fund for Vocational Training in the Construction Sector. Furthermore, Fetrapi is now also recommending this digging method, which simplifies matters for the contractors carrying out excavation work near Fetrapi infrastructure.

2.3 Involved in an ongoing dialogue with our neighbours in search of consensus

Transparent communication from the project phase on. For new infrastructure projects, Fluxys Belgium aims to transparently provide information and communicate with the relevant municipal authorities, local residents and other parties involved from the planning phase on. The company focuses on the public-interest nature of the natural gas infrastructure and on the company's safety policy. The owners and operators of the land in question have a contact person at Fluxys Belgium who they can contact from the start of the project to talk about their concerns and the characteristics of their plot or operation.

Information sessions. In the context of permit applications for major infrastructure projects, Fluxys Belgium proposes that the municipalities organise an information evening for local residents before these procedures get under way so that any feedback can be taken on board at the start of the project. Again in the public consultation stage, Fluxys Belgium suggests to the municipalities to organise an information session so that local residents can ask any questions they might have about the project. For pipeline projects in urban areas where the pipes run below streets, Fluxys Belgium pays particular attention to communication with local residents.

2.4 Environment: systematic reduction of the environmental impact of our work

With its environmental policy, Fluxys Belgium continuously strives to further reduce the already small environmental impact of its pipeline transmission activities. Of all the transmission options available, pipeline transmission is already the most efficient method when it comes both to air and noise pollution and to soil pollution and visual impact.

Reduced emissions meaning improved air quality

Fluxys Belgium closely monitors its air emissions to ensure continued optimal performance and to reduce harmful emissions. The company also participates in national and international working groups studying best practices for preventing and/or minimising emissions of nitrogen oxide (NOx) and methane (CH_4) linked to the operation of gas facilities.

Special approach for Kyoto sites. Fluxys Belgium has CO_2 emission rights for each of its five sites that are subject to the European Directive on tradable emission rights (the Kyoto Directive). For each site, Fluxys Belgium applies procedures for monitoring emissions of CO_2 and organises an internal audit every year. The 2016 internal audit did not reveal any non-conformities in the approach followed by the company. In line with the Directive, Fluxys Belgium also prepares an annual emissions report for each Kyoto site. These reports are then audited externally. The company again successfully passed its audit in 2016.

Towards carbon-neutral gas supply in 2050. Along with other European gas infrastructure companies, Fluxys Belgium has made a commitment to cooperate closely in various areas to achieve a carbon-neutral gas supply by 2050. In Belgium various initiatives are being taken to further pursue these efforts to reduce CO_2 emissions:

- in the case of natural gas transmission in Belgium, Fluxys Belgium opts for those routes that involve the least possible use of its compressor facilities;
- a plan has been devised to limit the use of the natural gas heating facilities in the pressure-reducing stations;
- to regasify LNG, Zeebrugge LNG Terminal uses a plant that recovers heat from seawater in combination with a cogeneration facility.

Minimising methane emissions. In certain circumstances the operation of natural gas infrastructure involves the release of methane gas. However, the company tries to keep these losses to a minimum. Total methane losses in the network amount to 0.023% to 0.026% of total transmitted volumes. While this compares favourably with the European average, Fluxys Belgium is working on further measures to slash methane losses to an even lower level.

- For example, in 2015 a new pressure-reducing station commissioned in Herne was fitted with a control system that prevented methane losses completely. This technology has since become standard for all new pressure-reducing stations of that type. Five such stations have been built since then.
- In 2016, a specialist company was called on to assess methane emissions in light of the methodology Fluxys Belgium uses to map these emissions. Based on the results of the research, a two-year maintenance programme is being conducted involving systematically detecting and resolving methane losses.
- A multi-annual programme is also in progress that aims to cut these losses even further by replacing certain pieces of pneumatic equipment with electrical alternatives.

Consistent focus on energy efficiency

Fluxys Belgium carries out an in-depth energy study of any new natural gas transmission infrastructure project that will consume a significant amount of energy. This study is used to adopt the most effective way of improving the project's energy efficiency.

Reducing noise pollution: effective measures

Fluxys Belgium uses a number of techniques to limit the noise levels of its pressure-reducing stations, compressor stations and venting installations.

When building new infrastructure, potential noise pollution is considered as a factor from the design phase on. In view of the legislation in force, the infrastructure's location and the various environmental factors, various options are examined to ensure that the most appropriate and cost-effective solution is chosen.

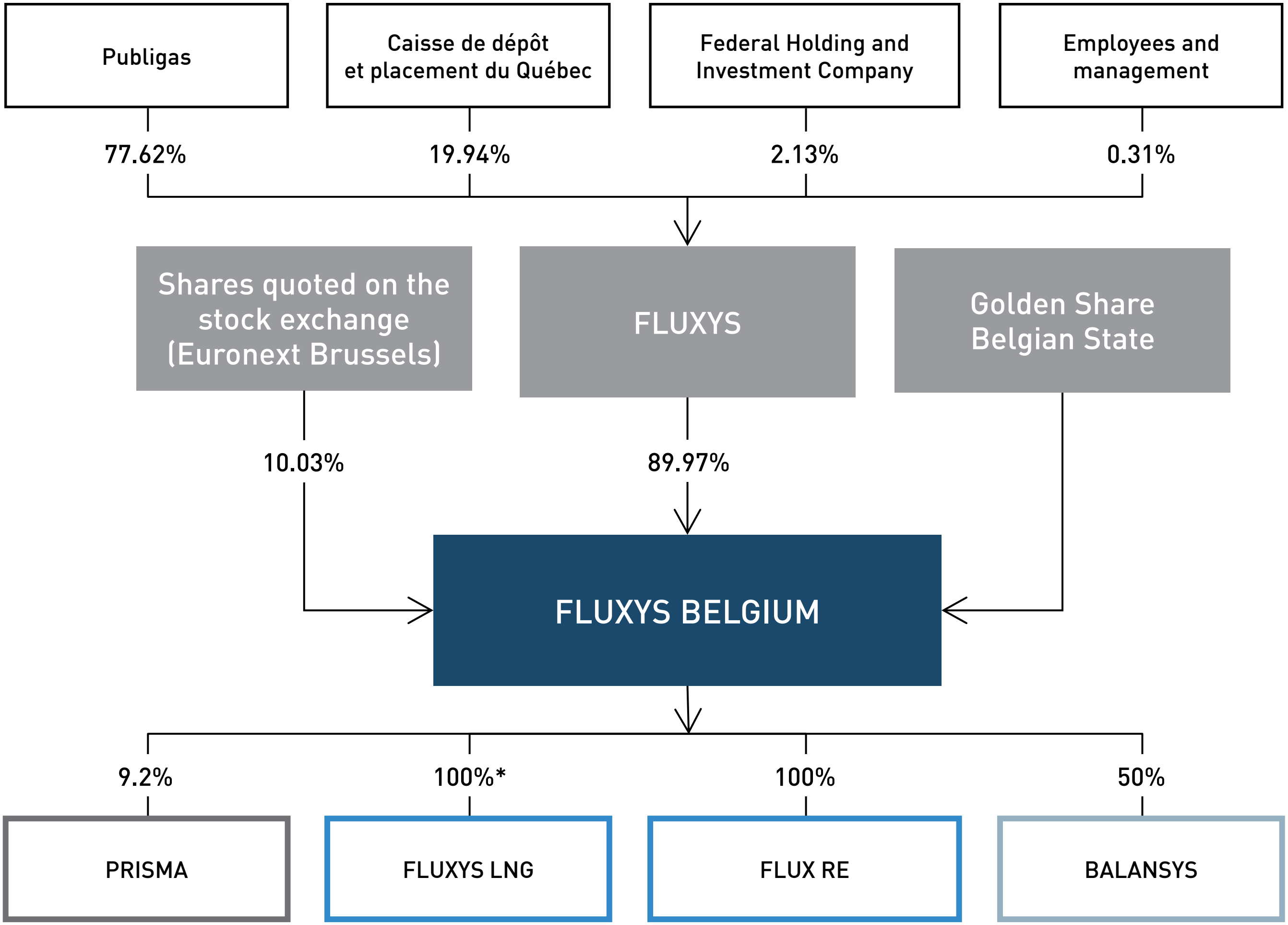
Fluxys Belgium also takes targeted control measures to monitor its existing infrastructure so as to identify potential noise pollution and makes the appropriate adjustments where noise levels produced by its infrastructure are out of kilter with the surroundings.

Conservation of ecosystems

Fluxys Belgium takes great pains to conserve ecosystems in the areas where it builds its infrastructure. Where required, the company carries out environmental impact assessments for new projects - assessments that must be approved by the relevant authorities.

When laying a new pipeline, Fluxys Belgium always takes care to ensure that the environment is disturbed as little as possible and that flora and fauna return to the area once the works have been completed. Wherever possible, Fluxys Belgium also invests in nature-compensatory measures.

THE STRUCTURE OF THE FLUXYS BELGIUM GROUP AS AT 31-12-2016



* Flux Re hold 1 share in Fluxys LNG

Consolidated using the full consolidation method

Consolidated using the equity method

FINANCIAL SITUATION

KEY FIGURES FOR 2016 (in millions of €)

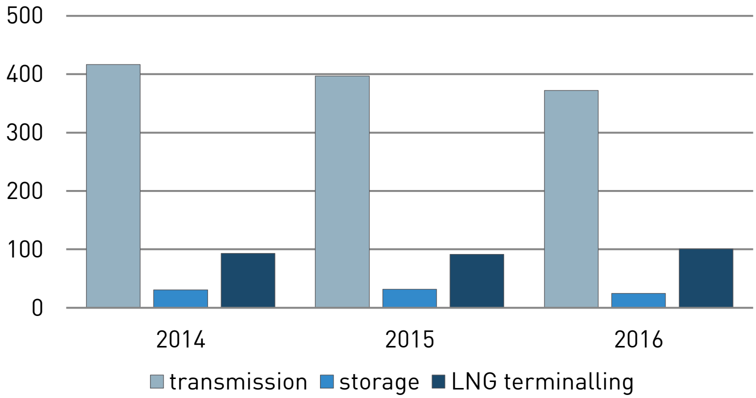
Operating revenue	**509.5**
EBITDA*	**276.7**
EBIT*	**118.6**
Net profit	**48.5**
Investments for the period in property, plant and equipment	**139.2**
Total property, plant and equipment	**2,321.1**
Equity	**694.3**
Total consolidated balance sheet	**2,989.2**

* See glossary p. 242

Shareholder		Class	Number of shares	%
Fluxys	Nominative	B	58,523,700	89.97
	Dematerialized	D	1,033,400	
	Nominative	D	3,660,000	
Public	Nominative	D	27,698	10.03
	Dematerialized	D	7,018,702	
Belgian State	Nominative	Golden share	1	-
			70,263,501	

- Class D shares are quoted on the first market of Euronext Brussels
- Fluxys is a public limited company under Belgian law. The company's head office is established in Belgium at Avenue des Arts 31, 1040 Brussels.
- The Belgian State is represented by the Finance Minister

CHANGE IN OPERATING REVENUE (in millions of €)



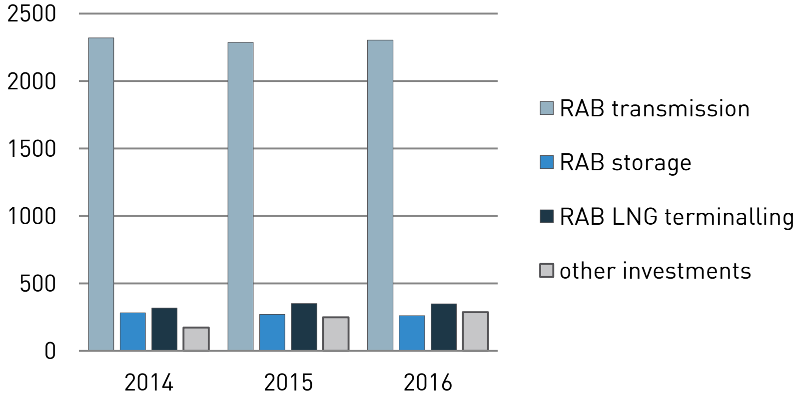
Operating revenue stable

The Fluxys Belgium group generated a revenue of €509.5 million in 2016 as compared with €538.0 million in the same period in 2015, a fall of 5.3%.

In accordance with the regulatory principles, this decrease in regulated revenue reflects a reduction in authorised costs to be covered by the tariffs, in terms of operating expenses, finance costs and regulated authorised return. This reduction in costs has enabled Fluxys Belgium to maintain tariffs invoiced to clients at their 2015 levels, including a 7% reduction as compared with the previous tariffs.

The regulated asset base (RAB), which is used to calculate the WACC, has remained at a stable level over the past three years, investments being at a similar level to deprecations.

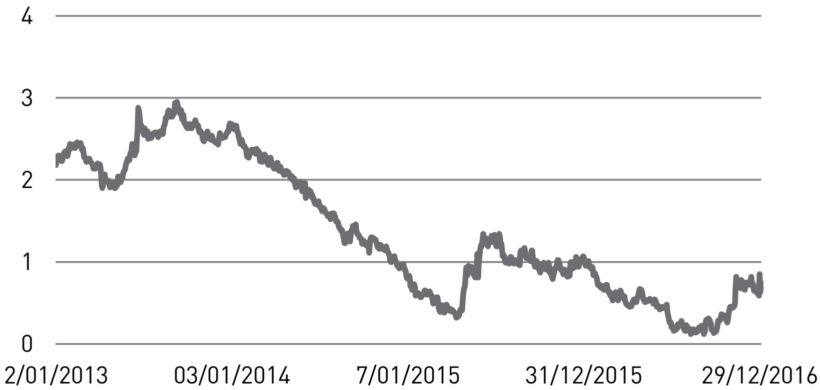
CHANGE IN RAB AND OTHER INVESTMENTS
(in millions of €)



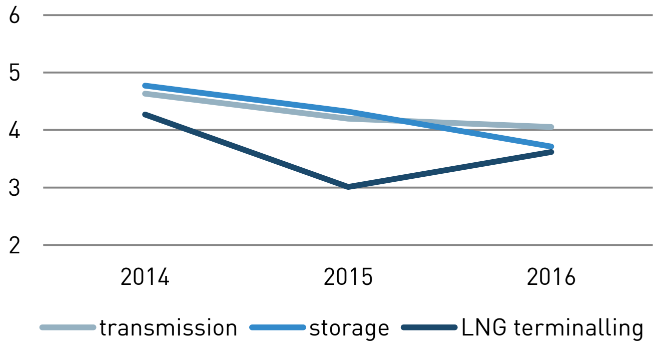
FINANCIAL SITUATION

The average OLO interest rate for the period totalled 0.49% in 2016 compared to 0.86% in 2015. This drop had a negative effect on the regulated return on capital invested and therefore on results for 2016.

CHANGE IN OLO RATES (in %)



CHANGE IN WACC (in %)



The trend in OLO rates is having a direct effect on the authorised regulated return on capital investment and therefore also on the weighted average cost of capital (WACC).

The figures for 2016 include the impact of the new tariff methodology, hence the change in the WACC. The WACC for LNG terminalling activities was also affected by the funds spent on extension investments.

* See glossary p. 242

Financial situation: table of contents

3.1. Key information 2016

- New regulatory period 2016-2019
- The regulated revenue reflects the decrease in authorised costs, in particular operating expenses, financial costs and regulated return affected by very low interest rates.
- Investments: €139.2 million, mainly in the fifth storage tank and the second jetty at the Zeebrugge LNG Terminal.
- At the Annual General Meeting of 9 May 2017, Fluxys Belgium will propose a gross dividend identical to that of the previous year, i.e. EUR 1.20 gross per share.

3.1.1. Key financial figures

Income statement	**(in thousands of €)**	**31.12.2016**	**31.12.2015**
Operating revenue		509,490	538,007
EBITDA *		276,705	291,977
EBIT *		118,607	150,640
Net profit		48,484	61,096
Balance sheet	**(in thousands of €)**	**31.12.2016**	**31.12.2015**
Investments in property, plant and equipment for the period		139,219	188,094
Total property, plant and equipment		2,321,123	2,330,542
Equity		694,352	736,222
Total consolidated balance sheet		2,989,171	3,037,352

** See glossary p. 242*

Revenue in 2016: €509.5 million. The Fluxys Belgium group generated a revenue of €509.5 million in 2016 as compared with €538.0 million in the same period in 2015, a fall of 5.3%. In accordance with the regulatory principles, this decrease in regulated revenue reflects a reduction in authorised costs to be covered by the tariffs, in terms of operating expenses, finance costs and regulated authorised return. This reduction in costs has enabled Fluxys Belgium to maintain tariffs invoiced to clients at their 2015 levels, including a 7% reduction as compared with the previous tariffs. The tariff proposal for the 2016-2019 regulatory period sets out a new reference framework for Fluxys Belgium with regard to authorised manageable expenses. By controlling its operating expenses and focusing on efficiency efforts, the Fluxys Belgium group has managed to achieve these new regulatory objectives and to benefit from incentives.

Interest rates are still very low, affecting the results of the group. The majority of the Fluxys Belgium group's business activities are regulated. The profit/loss from these latter is determined based on different regulatory parameters, in particular the equity invested, the financial structure, and interest rates (OLO).

The average OLO interest rate for the period totalled 0.49% in 2016 compared to 0.86% in 2015. This drop had a negative effect on the regulated return on capital invested and therefore on results for 2016. In addition, the results for 2015 had benefited from the revaluation surpluses recovered during the decommissioning of old installations. These latter formed part of a decommissioning programme which ended at the end of 2015. This recovery of revaluation is no longer authorised since 2016. The net profit for 2016 therefore totalled €48.5 million, down €12.6 million on the same period in 2015 (€61.1 million).

€139.2 million invested. In 2016, investments in property, plant and equipment came to €139.2 million compared to €188.1 million in 2015. €34.4 million was allocated to transmission projects and €103.8 million to projects for the LNG infrastructure.

3.1.2. Indicators

Indicators	2016	2015
RAB * (in millions of €)		
Transmission	2,302.4	2,284.9
Storage	259.3	270.2
LNG terminalling	348.3	349.5
Other property, plant and equipment investments out of RAB * (in millions of €)	285.8	247.6
WACC * before taxes (in %)		
Transmission	4.05	4.20
Storage	3.71	4.32
LNG terminalling	3.62	3.01
EBITDA * (in millions of €)	276.7	292.0
EBIT * (in millions of €)	118.6	150.7
Net financial debt * (in millions of €)	992.1	998.1

3.1.3. Fluxys Belgium SA – 2016 results (Belgian GAAP): proposed allocation of profit

Fluxys Belgium SA's net profit/loss amounted to €33.7 million, compared to €49.3 million in 2015.

The decrease of net profit as compared with the previous financial year is caused essentially by the same reasons as the decrease of the consolidated profit; the low rates for linear bonds (OLOs) affecting the regulated return, the new regulatory period which sets a new reference framework for manageable expenses and the revaluation surpluses recovered in 2015 for the decommissioning of old installations.

As of 2010 and barring unforeseen events, Fluxys Belgium aims to distribute 100% of its net profit for the year plus any reserves released as and when the revaluation surplus depreciates.

* *See glossary p. 242*

At the Annual General Meeting of 9 May 2017, Fluxys Belgium will propose a gross dividend identical to that of the previous year by freeing €9.9 million of reserves not available for distribution. Factoring in a profit of €30.9 million carried over from the previous financial year and withdrawal from reserves of €53.3 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:

- €84.3 million as a dividend payout and
- €33.6 million as profit to be carried forward.

If the proposed allocation of profits is accepted, the total gross dividend per share for the 2016 financial year will be €1.20. That amount will be payable as of 18 May 2017.

3.1.4. Outlook for 2017

The net profit/loss from Belgian regulated activities is determined based on different regulatory parameters, in particular equity invested, the financial structure, and interest rates (OLO). The recurring dividend will continue mainly to evolve based on the development of these three parameters. The current financial markets do not allow for accurate projections regarding changes to interest rates and therefore return on regulated activities.

3.1.5. Activities and results of subsidiaries

Fluxys LNG SA (consolidated subsidiary – Fluxys Belgium stake 99.99% and Flux Re stake 0.01%). Fluxys LNG owns and operates the LNG terminal in Zeebrugge and sells terminalling capacity and related services. Fluxys LNG's equity was €191.1 million at 31 December 2016, compared to €200.1 million the previous year. The net profit from the 2016 financial year amounted to €8.3 million, compared to €10.9 million in 2015.

Flux Re (consolidated subsidiary – Fluxys Belgium stake 100%) Flux Re is a reinsurance company established under Luxembourg law in October 2007. Flux Re's equity was €4.8 million at 31 December 2016, unchanged from 2015.

Balansys (Investments accounted for using the equity method - Fluxys Belgium stake 50%) As part of the integration of the Belgian and Luxembourg markets, Fluxys Belgium and Creos set up the company Balansys on 7 May 2015, a joint venture in which Fluxys Belgium and Creos each have a 50% stake. This company will take over the integrated balancing market activity in 2017.

3.2. Share price

Fluxys Belgium shares

Fluxys Belgium class D shares are listed on Euronext Brussels.

Shareholder calendar

09.05.2017	Annual General Meeting
18.05.2017	Payment of dividend
27.09.2017	Press release from the Board of Directors on the half-yearly results in IFRS

Payment of dividend

The gross dividend to be paid out per share remains unchanged as compared with the previous year, amounting to €1.20 for the 2016 financial year (€0.84 net). It should be noted that the withholding tax on dividends has changed from 27% to 30%. The recurring dividend is primarily determined on the basis of equity invested, the financial structure, and interest rates (OLO). Interest rates continued to go down in 2016.

Fluxys Belgium share

		2016	2015	2014	2013	2012
Price	Maximum	29.00	27.80	30.50	37.56	33.99
	Minimum	25.41	24.45	26.03	26.50	28.15
	Closing rates at 31 December	26.00	26.46	27.09	26.98	32.60
	Average	27.02	25.92	28.38	31.41	31.18
Consolidated net price per share		0.69	0.87	0.86	0.98	1.26
Price/profit ratio as at 31 December		38	30	32	28	26
Number of shares		70,263,501	70,263,501	70,263,501	70,263,501	70,263,501
Average daily volume traded		1,709	2,746	2,352	3,192	5,030

Gross/net dividend per share (€)

	2016	2015	2014	2013	2012
Gross dividend per share	1.20	1.20	1.20	1.32	1.60
Net dividend per share	0.84	0.88	0.90	0.99	1.20

Consolidated net result, Fluxys Belgium SA share (in millions of €)

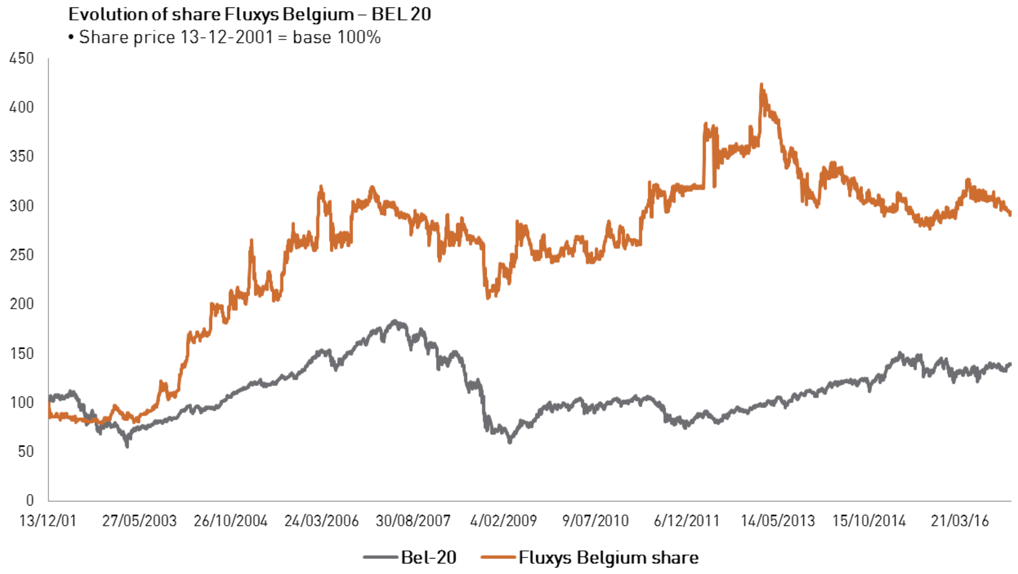
	2016	2015	2014	2013	2012
Consolidated net result, Fluxys Belgium SA share	48.5	61.1	60.4	68.6	88.4

Consolidated equity, Fluxys Belgium SA share (in millions of €)

	2016	2015	2014	2013	2012
Consolidated equity, Fluxys Belgium SA share	694	736	750	791	828

Comment on the Fluxys Belgium share

During the 2016 financial year, the lowest closing price (€25.41) was recorded on 22 February, whilst the highest price (€29.00) was recorded on 10 May. The closing price for the year was €26.00. The average trading volume per day of Fluxys Belgium shares on the Euronext Brussels regulated market was 1,709 shares in 2016, compared to 2,746 in 2015.



3.3. Consolidated financial statements under IFRS

I. General information on the entity

Corporate name and registered office

The registered office of the parent entity Fluxys Belgium SA is Avenue des Arts 31, B – 1040 Brussels, Belgium.

Group activities

The main activities of the Fluxys Belgium group are transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. The Fluxys Belgium group also carries out complementary services related to these main activities.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act[1].

Please refer to the specific chapters in the directors' report for further information on the activities of the Fluxys Belgium group.

[1] Act of 12 April 1965 concerning the transmission of gaseous and other products by pipelines as later amended.

II. Consolidated financial statements of the Fluxys Belgium group under IFRS

A. Consolidated balance sheet

Consolidated balance sheet			In thousands of €
	Notes	31-12-2016	31-12-2015
I. Non-current assets		**2,463,346**	**2,490,573**
Property, plant and equipment	5.1	2,321,123	2,330,542
Intangible assets	5.2	52,250	60,986
Investments in associates and joint ventures		16	16
Other financial assets	5.3/6	57,022	48,624
Finance lease receivables	5.4/6	7,222	12,805
Loans and receivables	5.5/6	0	4,218
Other non-current assets	5.5	25,713	33,382
II. Current assets		**525,825**	**546,779**
Inventories	5.6	21,500	26,116
Finance lease receivables	5.4/6	5,581	3,836
Current tax receivable		113	774
Trade and other receivables	5.7/6	88,309	77,237
Short-term investments	5.8/6	101,209	96,487
Cash and cash equivalents	5.8/6	291,727	327,061
Other current assets	5.9	17,386	15,268
Total assets		**2,989,171**	**3,037,352**

Consolidated balance sheet			In thousands of €
	Notes	31-12-2016	31-12-2015
I. Equity	5.10	**694,352**	**736,222**
Equity attributable to the parent company's shareholders		694,352	736,222
Share capital and share premiums		60,310	60,310
Retained earnings and other reserves		634,042	675,912
Non-controlling interests		0	0
II. Non-current liabilities		**2,107,992**	**2,146,118**
Interest-bearing liabilities	5.11/6	1,765,025	1,778,934
Provisions	5.12	2,437	2,408
Provisions for employee benefits	5.13	62,224	59,781
Deferred tax liabilities	5.14	278,306	304,995
III. Current liabilities		**186,827**	**155,012**
Interest-bearing liabilities	5.11/6	79,472	73,329
Provisions	5.12	6,841	6,502
Provisions for employee benefits	5.13	4,472	3,533
Current tax payables		6,524	1,821
Trade and other payables	5.15/6	87,942	68,489
Other current liabilities		1,576	1,338
Total liabilities and equity		**2,989,171**	**3,037,352**

B. Consolidated income statement

Consolidated income statement			In thousands of €
	Notes	31-12-2016	31-12-2015
Operating revenue	4.1	509,490	538,007
Sales of gas related to balancing of operations and operational needs		47,245	55,104
Other operating income		13,607	12,205
Consumables, merchandise and supplies used	4.2.1	-3,837	-3,920
Purchase of gas related to balancing of operations and operational needs		-47,138	-55,044
Miscellaneous goods and services	4.2.2	-121,894	-123,635
Employee expenses	4.2.3	-113,436	-112,072
Other operating expenses	4.2.4	-7,332	-18,668
Net depreciation	4.2.5	-159,141	-143,068
Net provisions	4.2.6	-964	2,268
Impairment losses	5.6	2,007	-537
Profit/loss from continuing operations		**118,607**	**150,640**
Change in the fair value of financial instruments		-1,010	-494
Financial income	4.3	2,065	5,061
Finance costs	4.4	-47,849	-59,539
Profit/loss from continuing operations after net financial result		**71,813**	**95,668**
Income tax expenses	4.5	-23,329	-34,572
Net profit/loss for the period	**4.6**	**48,484**	**61,096**
Fluxys Belgium share		48,484	61,096
Non-controlling interests		0	0
Basic earnings per share attributable to the parent company's shareholders in €	4.7	0.6900	0.8695
Diluted earnings per share attributable to the parent company's shareholders in €	4.7	0.6900	0.8695

C. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			In thousands of €
	Notes	31-12-2016	31-12-2015
Net profit/loss for the period	4.6	**48,484**	**61,096**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of employee benefits	5.12	-9,147	15,056
Income tax expense on other comprehensive income		3,109	-5,118
Other comprehensive income		**-6,038**	**9,938**
Comprehensive income for the period		**42,446**	**71,034**
Fluxys Belgium share		42,446	71,034
Non-controlling interests		0	0

D. Consolidated statement of changes in equity

Statement of changes in equity								In thousands of €
	Share capital	Share premium	Reserves not available for distribution	Reserves for employee benefits	Retained earnings	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
I. CLOSING BALANCE AS AT 31-12-2014	**60,272**	**38**	**28,779**	**-11,189**	**671,604**	**749,504**	**0**	**749,504**
1. Comprehensive income for the period			16,950	9,938	44,146	71,034	0	71,034
2. Dividends paid					-84,316	-84,316		-84,316
3. Other changes						0		0
II. CLOSING BALANCE AS AT 31-12-2015	**60,272**	**38**	**45,729**	**-1,251**	**631,434**	**736,222**	**0**	**736,222**

Statement of changes in equity								In thousands of €
	Share capital	Share premium	Reserves not available for distribution	Reserves for employee benefits	Retained earnings	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
III. CLOSING BALANCE AS AT 31-12-2015	**60,272**	**38**	**45,729**	**-1,251**	**631,434**	**736,222**	**0**	**736,222**
1. Comprehensive income for the period				-6,038	48,484	42,446	0	42,446
2. Dividends paid					-84,316	-84,316		-84,316
3. Other changes								
IV. CLOSING BALANCE AS AT 31-12-2016	**60,272**	**38**	**45,729**	**-7,289**	**595,602**	**694,352**	**0**	**694,352**

E. Consolidated cash flow table

Consolidated statement of cash flows (indirect method)		In thousands of €
	31-12-2016	31-12-2015
I. Cash and cash equivalents, opening balance	**327,061**	**240,937**
II. Net cash flows from operating activities	**239,258**	**237,106**
1. Cash flows from operating activities	**278,993**	**280,606**
1.1. Profit from operations	118,607	150,640
1.2. Non cash adjustments	158,139	153,187
1.2.1. Depreciation	159,141	143,068
1.2.2. Provisions	964	-2,268
1.2.3. Impairment losses	-2,007	537
1.2.4. Translation adjustments	0	0
1.2.5. Non cash adjustments [2]	41	11,850
1.3. Changes in working capital	2,247	-23,221
1.3.1. Inventories	4,616	3,732
1.3.2. Tax receivables	661	531
1.3.3. Trade and other receivables	-11,072	-3,505
1.3.4. Other current assets	-2,669	42
1.3.5. Tax payables	-723	-9,776
1.3.6. Trade and other payables	7,502	-5,889
1.3.7. Other current liabilities	238	-227
1.3.8. Other changes in working capital	3,694	-8,129
2. Cash flows relating to other operating activities	**-39,735**	**-43,500**
2.1. Current tax paid	-41,483	-46,671
2.2. Interests from investments, cash and cash equivalents	1,903	3,226
2.3. Other inflows (outflows) relating to other operating activities	-155	-55
III. Net cash flows relating to investment activities	**-138,476**	**-225,298**
1. Acquisitions	**-139,297**	**-248,346**
1.1. Payments to acquire property, plant and equipment, and intangible assets	-130,398	-244,213
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	-16
1.3. Payments to acquire other financial assets	-8,899	-4,117

[2] Impact of the decommissioning in 2015 (see Note 4.2.4)

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2016	31-12-2015
2. Disposals	**813**	**2,941**
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	312	2,925
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	501	16
3. Dividends received classified as investment activities	**8**	**7**
4. Subsidies received	**0**	**20,100**
5. Other cash flows relating to investment activities	**0**	**0**
IV. Net cash flows relating to financing activities	**-136,116**	**74,316**
1. Proceeds from cash flows from financing	**57,227**	**376,295**
1.1. Proceeds from issuance of equity instruments	0	0
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	3,838	3,334
1.4. Proceeds from other non-current assets	4,218	3,791
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	49,171	369,170
2. Repayments relating to cash flows from financing	**-62,726**	**-473,726**
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Purchase of treasury shares	0	0
2.3. Repayment of finance lease liabilities	0	-19,700
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-62,726	-454,026
3. Interests	**-41,579**	**-58,721**
3.1. Interest paid classified as financing	-41,712	-58,858
3.2. Interest received classified as financing	133	137
4. Dividends paid	**-84,316**	**-84,316**
5. Increase (-) / Decrease (+) of investments	**-4,722**	**314,784**
6. Bank overdrafts increased (decreased)		
7. Other cash flows relating to financing activities		
V. Net change in cash and cash equivalents	**-35,334**	**86,124**
VI. VI. Cash and cash equivalents, closing balance	**291,727**	**327,061**

III. Notes

Note 1a. Statement of compliance with IFRS

The consolidated financial statements of the Fluxys Belgium group have been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union. Amounts are stated in thousands of euros.

Note 1b. Judgement and use of estimates

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, and to assess the positive and negative consequences of unforeseen situations and events at the balance sheet date, as well as revenues and expenses of the financial year.

Significant estimates made by the group in the preparation of the financial statements relate mainly to the valuation of the recoverable amount of property, plant and equipment, and intangible assets (see Notes 5.1 and 5.2), and the valuation of provisions (see Notes 5.12 and 7), in particular for litigation and for pension and related liabilities (see Note 5.13).

Due to the uncertainties inherent to all valuation processes, the group revises its estimates on the basis of regularly updated information. Future results may differ from these estimates.

Other than the use of estimates, group management also uses judgement in defining the accounting treatment for certain operations and transactions not addressed under the IFRS standards and interpretations currently in force.

Note 1c. Date of authorisation for issue

The Board of Directors of Fluxys Belgium SA authorised these IFRS financial statements for issue on 29 March 2017.

Note 1d. Changes or additions to the accounting principles and policies

The clarifications made to the accounting principles and policies in 2016 are underlined. They have no impact on the results of the financial year.

Note 1e. Adoption of new accounting principles or revised IFRS standards

The following standards and interpretations are applicable as of 1 January 2016:

- IFRS improvements (2010-2012) (effective for annual periods beginning on or after 1 February 2015)
- IFRS improvements (2012-2014) (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 - Presentation of Financial Statements – Disclosure initiative (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 - Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Methods of Depreciation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 19 - Employee Benefits - Employee Contributions (effective for annual periods beginning on or after 1 February 2015)
- Amendments to IFRS 11 – Joint Arrangements - Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

The standards applicable since 2016 have had no material impact on the group's financial statements.

At the date of authorisation of these financial statements, the standards and interpretations listed below have been issued but are not yet mandatory:

- IFRS 9 – Financial Instruments and consequential amendments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 – Operating revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 - Leases (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)
- Amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017, but not yet adopted at European level)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (date of entry into force postponed indefinitely, as a result of which adoption at European level has also been postponed)
- Amendments to IAS 12 – Income Taxes – Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017 but not yet adopted at European level)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level)
- Improvements to IFRS (2014-2016) (effective for annual periods beginning on or after 1 January 2017 or 2018 but not yet adopted at European level)

The ongoing review of the application of IFRS 9, 15 and 16 to the group's financial statements reveals, at the current stage of analysis, the following effects:

- Certain transmission or LNG terminal installations are built on sites for which the group has long-term concessions. These site concession contracts will be booked in the same way as finance leases under IAS 17 (see Note 7.5).
- Certain building and vehicle leases will also be booked in the same way as finance lease contracts under IAS 17 (see Note 4.2).
- The assessment of credit risk under IFRS 9 relating to counterparty default should not have a significant impact on the group's financial statements, the majority of its activities being regulated.
- The other expected effects of the application of these standards mainly concern the information to be provided in the notes in annex.

Note 2. Accounting principles and policies

The accounting principles and policies set out below were approved at the Fluxys Belgium Board of Directors' meeting of 29 March 2017.

Changes or additions as compared with the previous financial year are <u>underlined</u>.

2.1. General principles

The financial statements fairly present Fluxys Belgium group's financial position, results of operations and cash flows.

The group's financial statements have been prepared on the accrual basis of accounting, except for the cash flow statement.

Assets and liabilities have not been offset against each other, except when required or allowed by an international accounting standard.

Current and non-current assets and liabilities have been presented separately in the balance sheet of the Fluxys Belgium group.

The accounting policies have been applied in a consistent manner.

2.2. Balance sheet date

The consolidated financial statements are prepared as of 31 December, i.e. the parent entity's balance sheet date.

When the financial statements of a subsidiary, a joint operation, a joint venture or an associate are not prepared by 31 December, interim financial statements are prepared as at 31 December for consolidation purposes.

2.3. Events after the balance sheet date

The book value of assets and liabilities at the balance sheet date is adjusted when events after the balance sheet date provide evidence of conditions that existed at the balance sheet date.

Adjustments can be made until the date of authorisation for issue of the financial statements by the Board of Directors.

Other events relating to circumstances arising after the balance sheet date are disclosed in the notes to the consolidated financial statements, if significant.

2.4. Basis of consolidation

The Fluxys Belgium group's consolidated financial statements have been prepared in accordance with IFRS and in particular with IFRS 3 (Business Combinations), IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IAS 28 (Investments in Associates and Joint Ventures).

Subsidiaries

The Fluxys Belgium group's consolidated financial statements include the financial statements of the parent entity and the financial statements of the entities it controls and its subsidiaries.

The investor controls an investee when it is exposed—or has rights—to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investor has power over the investee when the investor holds existing rights that give the current ability to direct the relevant activities, being the activities of the investee that significantly affect the investee's returns, even if the investor does not hold the majority of the voting rights in the concerned investee.

The parent entity must consolidate the subsidiary as from the date it obtains control over it, and must cease to consolidate when it loses control over it. In this way revenues and charges of a subsidiary acquired or transferred in the course of the financial year are included in the consolidated income statement and in the consolidated statement of comprehensive income as from the date on which the parent entity acquired the control over the subsidiary and up to the date on which it ceased to control the latter.

Joint operations

A joint operation is a joint arrangement in which the parties which exercise a joint control over the undertaking have rights to the assets and obligations for the liabilities of the undertaking. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

When a group entity carries out its activities in the framework of a joint operation, the group, as a joint participant, must account for the assets, liabilities, revenues and charges relating to its interests in the joint operation in accordance with the IFRS which are applicable to its assets, liabilities, revenues and charges.

Investments in associates and joint ventures

An associate is an entity in which the group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over these policies.

A joint venture is a joint arrangement in which the parties exercising joint control over the undertaking have rights to the net assets of the undertaking. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

The results and assets and liabilities of associates or joint ventures are accounted for in the present consolidated financial statements in accordance with the equity method, unless the investment, or a part thereof, is classified as an asset held for sale in accordance with IFRS 5.

An investment in an associate or joint venture is initially accounted for at cost. It then integrates the share of the group in the net results and the other elements of the comprehensive result of the undertaking accounted for under the equity method. Finally, dividends distributed by this entity decrease the value of the investment.

An associate is not accounted for under the equity method if its impact on the financial statements is immaterial.

2.5. Business combinations

The group accounts for all business combinations using the acquisition method. This method is also used for business combinations under joint control in the event that the method is in line with the substance of the transaction and helps to give a true and fair view of the financial position.

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The costs connected to the acquisition are accounted for in the results when they are made.

Goodwill represents the excess, at the acquisition date, of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree over the net fair value of identifiable assets acquired and liabilities assumed. If, after revaluation, the net fair value—at the acquisition date—of identifiable assets acquired and liabilities assumed is higher than the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree, the excess is accounted for immediately in the results of the period.

Goodwill is recognised as an asset. For the purpose of impairment tests, goodwill is allocated to the Group's cash-generating units expected to benefit from the synergies of the combination. An impairment test is carried out each year, even when there is no indication that goodwill may have been impaired, or more frequently if events or changes in circumstances indicate that goodwill may have been impaired (IAS 36 – Impairment of assets).

2.6. Translation of foreign entities' financial statements

For consolidation purposes, the assets and liabilities of the group's foreign operations are translated into euros using the closing rate, and the income statements are translated using the average exchange rate for the period unless the exchange rate has fluctuated considerably.

The group's share of the resulting exchange differences is reported as a 'translation adjustment' in the equity item of the balance sheet, whereas the non-controlling interests' share in those differences is reported as 'non-controlling interests' in equity.

2.7. Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can reliably be measured.

Intangible assets are recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Intangible assets with a limited useful life are depreciated over their useful life.

Computer software is depreciated at 20% per annum.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

Intangible assets are reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In case such indications are noted, an estimate of the recoverable amount of the related intangible assets is made. The recoverable amount of an asset is defined as the higher of its fair value less costs of disposal and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discounting rate.

Intangible assets are impaired when their book value exceeds the amount that can be recovered, as a result of obsolescence of these assets or due to economic or technological circumstances.

Intangible assets with an indefinite useful life are subject to an annual impairment test, and an impairment loss is recognised when their book value exceeds their recoverable amount.

The useful life, the depreciation method, as well as the potential residual value of intangible assets are reassessed at each balance sheet date and revised prospectively, if applicable.

Emission rights for greenhouse gases

Emission rights for greenhouse gases acquired at fair value are recognised as intangible assets at their acquisition cost. Rights granted free of charge are recognised as intangible assets at a nil book value.

The emission of greenhouse gases in the atmosphere is recognised as an operating expense, the counterpart being a liability for the obligation to deliver allowances covering the effective emission over the period concerned (other debts). This expense is measured by reference to the weighted average cost of the acquired or granted allowances.

This liability is derecognised on the delivery of allowances to the government by withdrawing emission rights from intangible assets.

In case the allowances are insufficient to cover the emission of greenhouse gases during the financial year, the group accounts for a provision. This provision is measured by reference to the market value at the balance sheet date of the allowances yet to be purchased.

The excess emission rights not sold on the market are valued at the balance sheet date by reference to the weighted average cost of the acquired or granted allowances, or at market value if lower than the weighted average cost.

2.8. Property, plant and equipment

Property, plant and equipment (PPE) is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can reliably be measured.

PPE is recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

PPE is reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In the event that such indications are noted, an estimate of the recoverable amount of the PPE in question is established. The recoverable amount of an asset is defined as the higher of its fair value less costs of disposal and its value in use. The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discounting rate.

Leases are classified as finance leases when the terms of the lease transfers substantially all the risks and rewards included in the ownership of an asset to the lessee. Assets held under these contracts are recognised at the lower of their fair value and the present value of the minimum lease payments under the lease contracts. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease royalties are apportioned between finance costs and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability for each period.

Capital subsidies and tax deductions for investment

Subsidies related to property, plant and equipment as well as contributions by third parties in the funding of such assets are deducted from the acquisition cost of these assets.

The tax benefit arising from the deductions for investment reduces the gross value of the related assets, the counterpart being deferred taxes.

Depreciation methods

PPE is depreciated over its useful life.

Each significant component of PPE is recognised separately and depreciated over its useful life.

The depreciation method reflects the rate at which the group expects to consume the future economic benefits related to the asset, <u>taking into account the time during which the assets may generate regulated revenue</u>.

The regulated investments intended to increase the security of supply in Europe are depreciated under a diminishing balance method, which more accurately reflects the rate at which the group expects to consume the future economic benefits of these assets.

The main useful lives are as follows:
- 50 years for transmission pipelines in Belgium, terminalling facilities and tanks;
- 50 years for administrative buildings, staff housing and facilities;
- 40 years for storage facilities;
- 33 years for industrial buildings;
- 20 years for investments related to the extension of the Zeebrugge LNG terminal;
- 10 years for equipment and furniture;
- 5 years for vehicles and site machinery;
- 4 years for computer hardware;
- 3 years for prototypes;
- 10 to 40 years for other installations.

The useful life, the depreciation method, as well as the potential residual value of property, plant and equipment are reassessed at each balance sheet date and revised prospectively, if applicable.

2.9. Unconsolidated investments (such as shares and equity rights)

Unconsolidated equity investments are recognised at fair value or at cost if their fair value cannot reliably be established.

Changes in fair value are recognised directly in other comprehensive income until the asset is derecognised, at which time the cumulative gains or losses are transferred from equity to the income statement.

In case of objective indications of impairment of unconsolidated equity investments, an impairment test is carried out, and, if necessary, an impairment loss is directly recognised in the income statement.

2.10. Finance lease receivables

Assets under finance lease are assets for which the group transfers substantially all the risks and rewards related to the economic ownership to the lessee. Assets leased under such contracts are recognised on the balance sheet as receivables in an amount equal to the net investment in the lease contract in question. Lease royalties are apportioned between financial income and a reduction of the lease receivable so as to achieve a constant rate of return on the net investment by the group in the finance lease contract.

When the classification of contracts under finance lease is based on the present value of the minimum lease payments, the following criteria is adopted: a contract is considered as a finance lease if the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset at the inception of the lease.

No residual value is assumed for gas transmission assets in Belgium, due to the specific nature of the activities concerned.

2.11. Inventories

Valuation

Inventories are valued at the lower of cost and net realisable value.

Inventories are written down to account for:

- a reduction in net realisable value, or
- impairment losses due to unforeseen circumstances related to the nature or use of the assets.

This impairment on inventories is recognised in the income statement in the period in which they arise.

Gas inventory

Gas inventory changes are valued based on the weighted average cost method.

Supplies and consumables

Supplies and consumables are valued based on the weighted average cost method.

Work in progress

Work in progress for third parties is valued at cost, including indirectly attributable costs.

When the outcome of a contract can reliably be estimated, contract revenue and expenses are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance sheet date. Any expected loss is recognised immediately as an expense in the income statement.

2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, building or production of assets requiring a substantial amount of time to be ready for their intended use (property, plant and equipment, inventories, investment property, etc.) are added to the costs of the assets concerned until they are ready for use or sale.

The amount of the borrowing costs to be capitalised is the actual cost incurred in borrowing the funds, as reduced by income from any temporary investment of these funds.

2.13. Financial instruments

Cash investments

Cash investments in the form of bonds or commercial paper having a maturity date exceeding three months at their acquisition date are reported as financial assets at fair value through the income statement. These are shown in the balance sheet under non-current ‘other financial assets’ and under current ‘cash investments’. Changes in the fair value of these financial assets are directly recognised in the income statement.

Other cash investments are valued at depreciated cost.

Derivative instruments not designated as hedging instruments

Fluxys Belgium group may use derivative financial instruments to hedge its exposure to exchange and interest rate risks.

Certain financial instruments, although hedging clearly defined risks, do not meet the strict criteria for the application of hedge accounting under IAS 39 (Financial Instruments: Recognition and Measurement).

Changes in the fair value of these financial instruments are directly recognised in the income statement.

2.14. Cash and cash equivalents

Cash and cash equivalents include short-term investments, short-term bank deposits and deposits readily convertible to a known cash amount, which are subject to an insignificant risk of changes in value (maximum of three months).

Cash equivalents held in the form of bonds or commercial paper are reported as financial assets at fair value through the income statement. Changes in the fair value of these financial assets are directly recognised in the income statement.

Cash and other cash equivalents are valued at depreciated cost.

2.15. Trade and other receivables

Trade and other receivables are stated at their face value reduced by any amounts deemed unrecoverable.

When the time value of money is significant, trade and other receivables are discounted.

Impairment losses are recognised when the book value of these items at balance sheet date exceeds their recoverable amount.

2.16. Provisions

Provisions are recognised as a liability in the balance sheet when they meet the following criteria:

- the group has a present (legal or constructive) obligation arising from past events, and
- it is probable (i.e. more likely than not) that the settlement of this obligation will lead to an outflow of resources embodying economic benefits, and
- the amount of the obligation can reliably be estimated.

No provision is recognised if the above conditions are not met.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words the amount the entity reasonably expects to have to pay to discharge the obligation at balance sheet date, or to transfer it to a third party at the same date.

This estimation is based either on a request from a third party or on estimates or detailed calculations. For all provisions recognised, management considers that the probability of an outflow of resources exceeds 50%.

When the time value of money is significant, provisions are discounted. The discount rate used is a rate before tax reflecting current market estimates of the time value of money and taking into account any risks associated with the type of liability in question.

All risks incurred by the group that do not comply with the above-mentioned criteria are disclosed as contingent liabilities in the Notes.

Employee benefits

Some companies in the Fluxys group have established supplementary 'defined benefit' or 'defined contribution' pension plans. Benefits provided under these plans are based on the number of years of service and the employee's salary.

Defined benefit' pension plans enable employees to benefit from a capital sum calculated on the basis of a formula which takes into account their annual salary at the end of their career and their seniority when they retire.

Defined contribution' pension plans provide employees with a capital sum accumulated from personal and employer contributions.

In Belgium, the law requires that the employer guarantee a minimum return for defined contribution, which varies based on market rates.

The accounting method used by the group to value these 'defined contribution pension plans, with a guaranteed minimum return', is identical to the method used for 'defined benefit' plans.

In case of death before retirement, these plans provide a capital sum for the surviving spouse, as well as allowances for orphans.

Other employee benefits

Certain group companies offer their employees post-employment benefits such as the reimbursement of medical costs and tariff reductions, and other long-term benefits (seniority premiums).

Valuation

These liabilities are valued annually by a qualified actuary.

Regular payments made in relation to the supplementary pension plans are recognised as expenses at the time they are incurred.

Defined benefit' pension plans

Provisions for pensions and other collective agreements are reported in the balance sheet in accordance with IAS 19 (Employee Benefits), using the projected unit credit method (PUCM).

The current value of post-employment benefits is determined at each balance sheet date based on the projected salary estimated at the end of the employee's career, the rate of inflation, life expectancy, staff turnover and the expected age of retirement. The present value of defined benefit obligations is determined using a discount rate based on high-quality obligations with maturity dates close to the weighted average maturity of the plans concerned and which are denominated in the currency in which the benefits are to be paid.

Where the assets in a supplementary pension plan include eligible insurance contracts that correspond exactly—in terms of amount and maturity—with all or part of the benefits to be paid in accordance with the plan, the fair value of these insurance contracts is considered to be the present value of the corresponding commitments (subject to any reduction required if the amount to be received by virtue of these insurance contracts are not fully recoverable).

The amount accounted for in respect of post-employment liabilities corresponds to the difference between the current value of future obligations and the fair value of assets in the plan destined to cover them. Where the result of this calculation is a deficit, the commitment is entered in the liability side of the balance sheet. Otherwise, an asset is recognised in line with the excess of the defined benefit pension plan, capped at the current value of any future reimbursement from the plan or any reduction in future contributions to the plan.

The revaluations of obligations in liabilities or surpluses in assets in the balance sheet are made up of:

- actuarial gains or losses on the benefit obligations resulting from adjustments relating to experience and/or changes in actuarial assumptions (including the effect of the variation in the discount rate):
- the return from the plan assets (outside net interest) and the changes arising from the capping of the net accounted asset amount (outside net interest).

These revaluations are directly recognised in equity ('Other comprehensive income') through the other items in comprehensive income.

Defined contribution' pension plans

The liabilities of the group with regard to 'defined contribution' plans are limited to those recorded in the results of the employer contributions paid.

Actuarial gains and losses relating to other long-term employee benefits

The other long-term benefits are accounted for in the same way as the post-employment benefits, but revaluations are fully accounted for in the financial results in the financial year in which they occur.

2.17. Interest-bearing liabilities

Interest-bearing liabilities are recognised at the net amount received. Following initial recognition, interest-bearing liabilities are recorded at depreciated cost. The difference between the depreciated cost and the redemption value is recognised in the income statement under the effective interest rate method over the term of the liabilities.

2.18. Trade payables

Trade payables are stated at face value.

When the time value of money is significant, trade payables are discounted.

2.19. Foreign currency assets, rights, borrowings and liabilities

Recognition at the date of the transaction

Foreign currency receivables and payables are measured at the exchange rate prevailing at the transaction date.

Measurement at balance sheet date

At balance sheet date, in accordance with IAS 21 (Effects of Changes in Foreign Exchange Rates), monetary assets and liabilities, as well as rights and liabilities, are valued at the closing rate.

This revaluation results in translation adjustments which are grouped by currency and recognised in the income statement.

2.20. Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received, in case revenue is deemed to belong to the company and the fair value can reliably be measured.

Regulated income received by the group may generate a gain or a loss compared with the target rate of return on the capital invested. Gains are reported and recognised as regulatory liabilities (under interest-bearing liabilities, current or non-current), whereas losses are included in operating revenue to offset the accounting of regulatory assets (under non-current loans and receivables or under current trade and other receivables).

2.21. Income taxes

Current tax is determined in accordance with local tax regulations and calculated on the income of the parent entity, subsidiaries and joint operations.

Deferred tax liabilities and assets reflect the future taxable and deductible temporary differences, respectively, between the book base and the tax base of assets and liabilities.

Deferred tax liabilities and assets are measured at the enacted or substantially enacted new income tax rate applicable to the financial year in which the underlying asset is expected to be realised or the underlying liability settled on the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the future deductible temporary differences can be offset.

Note 3. Acquisitions, disposals and restructuring

Consolidation scope

The consolidation scope and percentage of interests in consolidated entities remained identical to 31 December 2015.

Information on investments

Fully consolidated entities

Name of the subsidiary	Registered office	Entity number	% ownership	Core business	Currency	Balance sheet date
FLUXYS LNG SA	Rue Guimard 4 B - 1040 Brussels	0426 047 853	100.00 %	LNG terminalling	EUR	31 December
FLUX RE SA	Rue de Merl 74 L - 2146 Luxembourg	-	100.00 %	Reinsurance entity	EUR	31 December

Equity accounted investees – Joint ventures

Name of the company	Registered office	Entity number	% ownership	Core business	Currency	Balance sheet date
BALANSYS SA	Rue de Bouillon 59-61 L - 1248 Luxembourg	-	50.00 %	Balancing operator	EUR	31 December

Nature and scope of the restrictions related to the assets and liabilities of the group

Special rights are attached to the special share of the Belgian State in Fluxys Belgium, other than the normal rights attached to all other shares. These special rights are exercised by the Federal Minister in charge of Energy and can be summarised as follows:

- the right to oppose all transfers, any assignment as security or change of the destination of strategic assets of Fluxys Belgium of which the list is set out in an annex to the royal decree of 16 June 1994, if the Federal Minister in charge of Energy considers that this operation prejudices the national interests in the area of energy;
- the right to appoint two representatives of the federal government with a consultative vote in the Board of Directors and the Strategic Committee of Fluxys Belgium;
- the right of appeal of the representatives of the federal government, within four working days, to the Federal Minister in charge of Energy on the basis of objective, non-discriminatory and transparent criteria, as defined in the Royal Decree of 5 December 2000, against any decision of the Board of Directors or any advice of the strategic Committee of Fluxys Belgium (including the investment and business plan and related budget) which they regard as contrary to the guidelines of the country's energy policy, including the government's objectives concerning the country's energy supply. The appeal is suspensive. If the Federal Minister in charge of Energy has not cancelled the decision concerned within eight working days after this appeal, it becomes final.
- a special voting right in case of deadlock in the General meeting on a matter concerning the objectives of the federal energy policy.

There are no other significant restrictions that may limit the ability of the group to access or use its assets and discharge its liabilities. However it must be noted that the assets of Flux Re are destined to cover the risk of the company in the scope of its reinsurance activities. The total assets in the balance sheet of Flux Re came to €172.1 million as at 31-12-2016 compared to €168.4 million as at 31-12-2015.

Note 4. Segment information

Operating segments

Fluxys Belgium group carries out activities in the following operating segments: transmission, storage, LNG terminalling activities in Belgium and other activities.

The segment information is based on classification into these operating segments.

Transmission activities comprise all operations subject to the Gas Act related to transmission of gas in Belgium.

Storage activities comprise all operations subject to the Gas Act related to storage of gas at Loenhout in Belgium.

Terminalling activities comprise all activities subject to the Gas Act related to the LNG terminal at Zeebrugge in Belgium.

The segment 'other activities' comprises other services rendered by Fluxys Belgium group such as participating in the IZT and ZPT[3] terminals in Belgium and work for third parties.

The Fluxys Belgium group operates mainly in Belgium and does not therefore publish information by geographical sector.

Basis of accounting relating to transactions between operating segments

Transactions between operating segments mainly relate to capacity reservations by one segment subject to the Gas Act with another.

They are valued on the basis of the regulated tariffs in force.

Information relating to the main customers

The group's main customers are users of transmission and storage services and of the Zeebrugge LNG Terminal.

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[3] Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

Segment income statement at 31-12-2016

In thousands of €

	Transmission	Storage	Terminalling	Other	Elimination between segments	Total
Operating revenue						
Sales and services to external customers	372,323	24,798	100,564	11,805	0	509,490
Transactions with other sectors	825	8,339	1,980	7,538	-18,682	0
Sales of gas related to balancing of operations and operational needs	46,056	753	278	158	0	47,245
Other operating income	4,385	102	700	9,556	-1,136	13,607
Consumables, merchandise and supplies used	-1,902	-2	-27	-1,906	0	-3,837
Purchase of gas related to balancing of operations and operational needs	-45,936	-753	-284	-165	0	-47,138
Miscellaneous goods and services	-90,250	-7,004	-33,638	-10,820	19,818	-121,894
Employee expenses	-84,639	-7,208	-17,563	-4,026	0	-113,436
Other operating expenses	-4,235	-633	-2,178	-286	0	-7,332
Depreciation and amortisation	-122,530	-11,176	-25,227	-208	0	-159,141
Provisions for risks and charges	-4,481	6	-325	3,836	0	-964
Impairment losses	1,979	0	28	0	0	2,007
Profit/loss from continuing operations	**71,595**	**7,222**	**24,308**	**15,482**	**0**	**118,607**
Changes in the fair value of financial instruments	0	0	0	-1,010	0	-1,010
Financial income	144	16	0	1,905	0	2,065
Finance costs	-34,986	-3,940	-7,277	-1,646	0	-47,849
Profit/loss from continuing operations after net financial result	**36,753**	**3,298**	**17,031**	**14,731**	**0**	**71,813**
Income tax expenses						-23,329
Net profit/loss for the period						**48,484**

Segment income statement at 31-12-2015						In thousands of €
	Transmission	Storage	Terminalling	Other	Elimination between segments	Total
Operating revenue						
Sales and services to external customers	396,963	31,552	91,259	18,233	0	538,007
Transactions with other sectors	7,503	6,402	3,917	7,656	-25,478	0
Sales of gas related to balancing of operations and operational needs	50,337	720	7,095	525	-3,573	55,104
Other operating income	2,642	464	729	8,370	0	12,205
Consumables, merchandise and supplies used	-3,559	2,437	-47	-2,751	0	-3,920
Purchase of gas related to balancing of operations and operational needs	-50,337	-720	-7,098	-462	3,573	-55,044
Miscellaneous goods and services	-97,927	-7,748	-31,747	-11,691	25,478	-123,635
Employee expenses	-84,387	-8,607	-14,475	-4,603	0	-112,072
Other operating expenses	-14,044	-2,284	-2,114	-226	0	-18,668
Depreciation and amortisation	-105,292	-11,232	-25,143	-1,401	0	-143,068
Provisions for risks and charges	144	-43	-77	2,244	0	2,268
Impairment losses	-509	0	-28	0	0	-537
Profit/loss from continuing operations	**101,534**	**10,941**	**22,271**	**15,894**	**0**	**150,640**
Changes in the fair value of financial instruments				-494		-494
Financial income	1,230	145	2	3,684		5,061
Finance costs	-49,445	-5,852	-1,463	-2,779		-59,539
Profit/loss from continuing operations after net financial result	**53,319**	**5,234**	**20,810**	**16,305**	**0**	**95,668**
Income tax expenses						-34,572
Net profit/loss for the period						**61,096**

Note 4.1. Operating revenue

Analysis of operating revenue by business segment:

Operating revenue				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Transmission in Belgium	4.1.1	372,323	396,963	-24,640
Storage in Belgium	4.1.1	24,798	31,552	-6,754
Terminalling in Belgium	4.1.1	100,564	91,259	9,305
Other operating revenue	4.1.2	11,805	18,233	-6,428
Total		**509,490**	**538,007**	**-28,517**

Regulated operating revenue in the 2016 financial year came to €509,490 thousand, compared to €538,007 thousand for the 2015 financial year, representing a decrease of €28,517 thousand.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act.

Revenue from these services should achieve an authorised rate of return on capital invested, cover the operating expenses relating to these services, all the while integrating productivity efforts to be undertaken by the network operator, as well as permitted depreciation.

4.1.1. Revenue from transmission activities decreased by €24,640 thousand as compared with the previous financial year.
This fall in regulated revenue is mainly the result of a reduction in costs to be covered by the tariffs, in terms of operating expenses, finance costs and regulated authorised return. This reduction in costs has enabled Fluxys Belgium to maintain tariffs invoiced to clients at their 2015 levels, including a 7% reduction as compared with the previous tariffs.

The reduction in costs to be covered by the tariffs has also generated a fall in the regulated revenue from storage activity (-€6,754 thousand).

Turnover from terminalling services generated an increase in regulated revenue (+€9,305 thousand). The latter reflects the evolution in operating and finance costs. It should be noted that the second jetty started operating at the end of the year. Services invoiced to clients showed an increase in berthing rights as well as loading services. With 30 unloadings and 35 loadings, (21 of which small scale), the Zeebrugge LNG Terminal registered a favourable usage rate.

4.1.2. Other revenue relates mainly to work and services for third parties and the provision of facilities.

The €6,428 thousand fall as compared with 2015 relates to hub services which are regulated since 1 January 2016 as well as to the volume of works carried out for third parties.

Note 4.2. Operating expenses

Operating expenses excluding net depreciation, impairment losses and provisions				In thousands of €
	Notes	**31-12-2016**	**31-12-2015**	**Change**
Consumables, merchandise and supplies used	4.2.1	-3,837	-3,920	83
Miscellaneous goods and services	4.2.2	-121,894	-123,635	1,741
Employee expenses	4.2.3	-113,436	-112,072	-1,364
Other operating expenses	4.2.4	-7,332	-18,668	11,336
Total operating expenses		**-246,499**	**-258,295**	**11,796**
Of which costs related to lease agreements	4.2.2	-23,154	-27,082	3,928

4.2.1. Consumables, merchandise and supplies used

Consumables, merchandise and supplies used mainly include costs for transport material taken out of inventory for maintenance and repair projects as well as costs for work carried out on behalf of third parties.

4.2.2. Miscellaneous goods and services

Miscellaneous goods and services comprise the purchase of equipment, rent and rental charges (see Note 7.5), maintenance and repair expenses, goods and services supplied to the entity, third party remuneration, royalties and contributions, non-personnel related insurance costs, transport and travel expenses, telecommunication costs, publication and information costs and, finally, temporary and support staff expenses.

The cost of a range of services and goods decreased, largely thanks to the efficiency efforts realised by the group. These have enabled Fluxys Belgium to be in line with the new reference framework set for the regulatory period 2016-2019 and even to make efficiency gains, although these are lower than those realised in 2015.

The remuneration paid to Deloitte in its capacity as the group's statutory auditor totalled €160,455. In addition, Deloitte performed other tasks for which it was paid a total of €33,903.

4.2.3. Employee expenses

Employee expenses are up €1,364 thousand. This can be explained by the non-recurring effects linked to the accounting of long-term employee benefits in accordance with IAS 19. Recurring employee expenses fell, reflecting the evolution of the headcount.

The average headcount for the group went down from 981 in 2015 to 946 in 2016. Expressed in FTE (full-time equivalents), these figures convert to 914.5 in 2016 compared to 949.7 in 2015.

Workforce

	Financial year		Preceding financial year	
	Total number of staff	Total in FTE	Total number of staff	Total in FTE
Average number of employees	**946**	**914.5**	**981**	**949.7**
Fluxys Belgium	**905**	**875.2**	**942**	**911.9**
Executives	274	268.2	286	279.4
Employees	631	607.0	656	632.5
Fluxys LNG	**40**	**38.8**	**38**	**37.4**
Executives	5	4.2	3	2.6
Employees	35	34.6	35	34.8
Flux Re	**1**	**0.5**	**1**	**0.4**

Headcount at balance sheet date	**933**	**901.9**	**967**	**935.3**
Fluxys Belgium	**893**	**862.6**	**930**	**898.5**
Executives	272	266.0	281	274.2
Employees	621	596.6	649	624.3
Fluxys LNG	**39**	**38.8**	**37**	**36.8**
Executives	4	4.0	2	2.0
Employees	35	34.8	35	34.8
Flux Re	**1**	**0.5**	**0**	**0.0**

4.2.4. Other operating expenses

Other operating expenses include property taxes, local taxes, and losses on disposals or decommissioning of PPE. The latter represented an expense of €1,168 thousand in 2016, compared with €12,554 thousand in 2015.

Other operating expenses in 2015 also included the costs associated with decommissioning of old installations. The main part of this programme was finalised in 2015, which explains the reduction in this item in 2016.

Net depreciation, impairment losses and provisions				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Depreciation	4.2.5	**-159,141**	**-143,068**	**-16,073**
Intangible assets		-11,852	-6,996	-4,856
Property, plant and equipment		-147,289	-136,072	-11,217
Provisions for risks and charges	4.2.6	**-964**	**2,268**	**-3,232**
Impairment losses		**2,007**	**-537**	**2,544**
Inventories		2,007	-537	2,544
Total net depreciation, impairment losses and provisions		**-158,098**	**-141,337**	**-16,761**

4.2.5. Depreciation

Depreciation increased during this period largely following the commissioning of installations at the end of 2015, especially the Alveringem-Maldegem pipeline, and the depreciation over a full year of the intangible asset 'Hub services' acquired at the end of 2015.

4.2.6. Provisions for risks and charges

The provisions for litigation and claims showed a net use of €1.9 million in 2015 to cover claims paid out by Flux Re. The provisions for employee benefits (IAS 19) explain the remaining evolution of this item.

Note 4.3. Financial income

Financial income				In thousands of €
	Notes	**31-12-2016**	**31-12-2015**	**Change**
Dividends from unconsolidated companies		8	7	1
Financial income from lease contracts	4.3.1	133	137	-4
Interest income on marketable securities, cash and cash equivalents at fair value through profit and loss	4.3.2	169	1,581	-1,412
Other interest income	4.3.2	1,734	1,645	89
Unwinding of discounts	4.3.3	0	1,630	-1,630
Other financial income		21	61	-40
Total		**2,065**	**5,061**	**-2,996**

4.3.1. Financial income from lease contracts is related to the Interconnector Zeebrugge Terminal (IZT) installations (see Note 5.4).

4.3.2. The fall in income from investments and cash is mainly the result of a decrease in cash volumes invested. In 2015, this latter aspect was affected by Fluxys Belgium's issue at the end of 2014 of a bond in anticipation of the repayment of another bond which matured at the end of 2015.

4.3.3. In 2015, the effects of discounting provisions were recognised as an income. The rate used to discount liabilities relating to employee benefits (1.96% in 2015 compared to 1.45% in 2014) largely explain this change (see Note 4.4.2).

Note 4.4. Finance costs

Finance costs				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Borrowing interest costs	4.4.1	-47,501	-59,462	11,961
Unwinding of discounts	4.4.2	-172	39	-211
Other finance costs		-176	-116	-60
Total		**-47,849**	**-59,539**	**11,690**

4.4.1. Borrowing interest costs primarily include interest on the loans from the European Investment Bank and Fluxys Finance, on bonds, on the RTR finance lease and on regulatory liabilities.

Finance costs were affected in 2015 by the bond issued at the end of 2014 by Fluxys Belgium in anticipation of the repayment of the bond with maturity at the end of 2015. This reduction was attenuated by the loan taken out by Fluxys LNG from Fluxys Finance for €257,000 thousand with a view to financing its investment projects.

4.4.2. The decrease in the rates used for discounting liabilities relating to employee benefits (1.03% over 10 years and 1.55% over 17 years in 2016 compared to 1.96% in 2015 - see Note 4.3.3) had an impact on finance costs in 2016. This change is analysed in Notes 5.12 'Provisions' and 5.13 'Provisions for employee benefits'.

Note 4.5. Income tax expenses

Income tax expense is analysed as follows:

Income tax expenses				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Current tax	4.5.1	-46,909	-52,701	5,792
Deferred tax	4.5.2	23,580	18,129	5,451
Total	**4.5.3**	**-23,329**	**-34,572**	**11,243**

Income tax expenses are down by €11,243 thousand as compared with those of the year 2015. This change is explained as follows:

4.5.1. Current tax			In thousands of €
	31-12-2016	31-12-2015	Change
Income taxes on the result of the current period	**-47,344**	**-53,133**	**5,789**
Taxes and withholding taxes due or paid	-41,483	-51,864	10,381
Excess of payment of taxes and withholding taxes included in assets	0	0	0
Additional taxes	-5,861	-1,269	-4,592
Adjustments to previous years' current taxes	**435**	**432**	**3**
Total	**-46,909**	**-52,701**	**5,792**

Current tax decreased by €5,792 thousand as compared with the previous financial year. This can be largely explained by the decrease in the pre-tax results as well as by the non-recurring increase in non-deductible expenses linked to the accounting of long-term employee benefits in accordance with IAS 19 (see Note 4.2.3).

4.5.2. Deferred tax			In thousands of €
	31-12-2016	31-12-2015	Change
Relating to origination or reversal of temporary differences	**18,616**	**18,129**	**487**
Differences arising from the valuation of property, plant and equipment	20,345	21,959	-1,614
Changes in provisions	-2,041	-4,005	1,964
Other changes	312	175	137
Relating to tax rate changes or to new taxes	**4,964**	**0**	**4,964**
Relating to changes in accounting policies and errors	**0**	**0**	**0**
Relating to changes in fiscal status of entity or shareholders	**0**	**0**	**0**
Total	**23,580**	**18,129**	**5,451**

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment.

The change in the discount rate used for employee benefits (see Note 4.3.3 and Note 4.4.2) affects the change in differences arising from provisions.

The positive effect of variations in tax rates comes from a change in the rates applicable in Luxembourg, which will progressively go from 29.22% in 2016 to 27.08% in 2017, and 26.01% as of 2018.

4.5.3. Reconciliation of expected income tax rate and effective average income tax rate

In thousands of €

	31-12-2016	31-12-2015	Change
Expected tax as per effective average tax rate – Financial year	**-24,409**	**-32,518**	**8,109**
Earnings before tax	71,813	95,668	-23,855
Applicable tax rate	33.99%	33.99%	
Reconciling items	**645**	**-2,486**	**3,131**
Income tax rate differences between jurisdictions	253	409	-156
Change in tax rate	4,964	0	4,964
Tax-exempt income	0	0	0
Non-deductible expenses	-4,455	-2,952	-1,503
Taxable dividend income	-403	-357	-46
Deductible notional interest cost	286	414	-128
Other	0	0	0
Income tax as per effective average tax rate – Financial year	**-23,764**	**-35,004**	**11,240**
Earnings before tax	71,813	95,668	-23,855
Average effective tax rate	33.09%	36.59%	-3.50%
Taxes on tax-exempt reserves	**0**	**0**	**0**
Adjustments to previous years' current taxes	**435**	**432**	**3**
Total income tax expense	**-23,329**	**-34,572**	**11,243**

The average effective tax rate for 2016 amounted to 33.09% compared to 36.59% the previous year. This decrease can be explained by the change in the tax rates in Luxembourg (see Note 4.5.2).

Note 4.6. Net profit/loss for the period

Net profit/loss for the period			In thousands of €
	31-12-2016	31-12-2015	Change
Non-controlling interests	0	0	0
Group share	48,484	61,096	-12,612
Total net profit for the period	**48,484**	**61,096**	**-12,612**

The consolidated net profit for the financial year amounted to €48,484 thousand, a decrease of €12,612 thousand compared with 2015.

The net result from Belgian regulated activities is determined based on different regulatory parameters, in particular equity invested, the financial structure, and interest rates (OLO).

The interest rates used as a reference to calculate the authorised return on regulated assets are those of the ten-year Belgian government bonds issued by the Belgian State (OLOs). These interest rates have been at a historic low over the last few years. The average rate for 2016 was 0.49%, compared to an average of 0.86% for 2015. This change directly affects the group's net result.

Furthermore, efficiency gains realised during the period are lower than in 2015 following the introduction of new reference tariffs for the regulatory period 2016-2019.

Finally, the results for 2015 had benefited from the recovery of revaluation surpluses during the decommissioning of old installations. These latter formed part of a decommissioning programme which ended at the end of 2015. This recovery of revaluation is no longer authorised since 2016.

Note 4.7. Earnings per share

Numerator (in thousands of €)	31-12-2016	31-12-2015
Net income from continuing operations attributable to the parent company's shareholders	**48,484**	**61,096**
Net profit	48,484	61,096
Impact of dilutive instruments	0	0
Net income from continuing operations attributable to the parent company's shareholders	**48,484**	**61,096**
Net profit / loss from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit	0	0
Impact of dilutive instruments	0	0
Diluted net profit / loss from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit attributable to the parent company's shareholders	**48,484**	**61,096**
Net profit	48,484	61,096
Impact of dilutive instruments	0	0
Diluted net profit per attributable to the parent company's shareholders	**48,484**	**61,096**

Denominator (in units)	31-12-2016	31-12-2015
Average number of outstanding shares	**70,263,501**	**70,263,501**
Impact of dilutive instruments	0	0
Diluted average number of outstanding shares	**70,263,501**	**70,263,501**

Earnings per share (in euros)	31-12-2016	31-12-2015
Basic earnings per share from continuing operations attributable to the parent company's shareholders	0.6900	0.8695
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	0.6900	0.8695
Basic earnings per share from continuing operations attributable to the parent company's shareholders	0.0000	0.0000
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	0.0000	0.0000
Basic earnings per share attributable to the parent company's shareholders	0.6900	0.8695
Diluted earnings per share attributable to the parent company's shareholders in €	0.6900	0.8695

Note 5. Segment balance sheet

Segment balance sheet at 31-12-2016						In thousands of €
	Transmission	**Storage**	**Terminalling**	**Other**	**Unallocated**	**Total**
Property, plant and equipment	1,628,694	177,274	510,191	4,964	0	2,321,123
Intangible assets	51,432	0	168	650	0	52,250
Other financial assets	87	0	0	56,935	0	57,022
Inventories	18,258	2,837	301	104	0	21,500
Finance lease receivables	0	0	0	12,803	0	12,803
Net trade receivables	65,426	3,038	1,216	15,905	0	85,585
Other assets					438,888	438,888
						2,989,171
Interest-bearing liabilities	1,167,523	130,792	411,596	134,586	0	1,844,497
Other liabilities					1,144,674	1,144,674
						2,989,171
Investments in property, plant and equipment for the period	34,435	803	103,849	132	0	139,219
Investments in intangible assets for the period	3,106	0	24	0	0	3,130

Segment balance sheet 31-12-2015						In thousands of €
	Transmission	Storage	Terminalling	Other	Unallocated	Total
Property, plant and equipment	1,706,283	187,649	431,528	5,082	0	2,330,542
Intangible assets	59,932	1	192	861	0	60,986
Other financial assets	578	0	0	48,046	0	48,624
Inventories	22,706	2,786	312	312	0	26,116
Finance lease receivables	0	0	0	16,641	0	16,641
Net trade receivables	58,283	2,960	3,282	8,360	0	72,885
Other assets					481,558	481,558
						3,037,352
Interest-bearing liabilities	1,116,663	129,369	402,000	204,231	0	1,852,263
Other liabilities					1,185,089	1,185,089
						3,037,352
Investments in property, plant and equipment for the period	126,151	1,535	59,500	908	0	188,094
Investments in intangible assets for the period	56,025	0	94	0	0	56,119

Note 5.1. Property, plant and equipment

Movements in property, plant and equipment

	Land	Buildings	Gas transmission facilities*	Storage facilities*
Gross book value				
As at 31-12-2014	**48,987**	**139,833**	**3,209,742**	**380,570**
Investments	577	7,602	107,997	700
Subsidies	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-2,201	-90	-58,383	-4,252
Internal transfers	0	7,171	105,049	631
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2015	**47,363**	**154,516**	**3,364,405**	**377,649**
Investments	14	1,685	32,729	413
Subsidies	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-33	-5	-7,107	-3
Internal transfers	0	4,022	24,614	502
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2016	**47,344**	**160,218**	**3,414,641**	**378,561**

** Installations subject to the Gas Act*

					In thousands of €
	LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
	1,042,259	**43,325**	**47,107**	**197,885**	**5,109,708**
	1,524	90	4,970	64,634	188,094
	0	0	0	0	0
	0	0	0	0	0
	-4	0	-2,013	-290	-67,233
	1,222	0	0	-114,073	0
	0	0	0	0	0
	0	0	0	0	0
	1,045,001	**43,415**	**50,064**	**148,156**	**5,230,569**
	22,850	61	5,105	76,362	139,219
	0	0	0	0	0
	0	0	0	0	0
	-7	-58	-832	-14	-8,059
	77,949	0	0	-107,087	0
	0	0	0	0	0
	0	0	0	0	0
	1,145,793	**43,418**	**54,337**	**117,417**	**5,361,729**

Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks*	Storage facilities*
Depreciation and impairment losses				
As at 31-12-2014	**0**	**-78,602**	**-1,762,669**	**-189,878**
Depreciation	0	-2,840	-93,387	-10,970
Depreciation on subsidies received	0	0	0	0
Disposals and retirements	0	84	47,611	2,584
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2015	**0**	**-81,358**	**-1,808,445**	**-198,264**
Depreciation	0	-3,074	-103,881	-10,926
Depreciation on subsidies received	0	0	0	0
Disposals and retirements	0	0	5,878	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2016	**0**	**-84,432**	**-1,906,448**	**-209,190**
Net book values as at 31-12-2016	**47,344**	**75,786**	**1,508,193**	**169,371**
Net book values as at 31-12-2015	**47,363**	**73,158**	**1,555,960**	**179,385**

** Installations subject to the Gas Act*

In thousands of €

LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
-709,131	**-42,857**	**-32,859**	**0**	**-2,815,996**
-24,366	-104	-4,405	0	-136,072
0	0	0	0	0
0	0	1,762	0	52,041
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-733,497	**-42,961**	**-35,502**	**0**	**-2,900,027**
-24,374	-94	-4,940	0	-147,289
0	0	0	0	0
0	0	832	0	6,710
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-757,871	**-43,055**	**-39,610**	**0**	**-3,040,606**
387,922	**363**	**14,727**	**117,417**	**2,321,123**
311,504	**454**	**14,562**	**148,156**	**2,330,542**

Movements in property, plant and equipment	In thousands of €			
	Land	Buildings	Gas transmission facilities*	Storage facilities*
Net book value at 31-12-2016, including:	**47,344**	**75,786**	**1,508,193**	**169,371**
At cost	47,344	75,786	1,508,193	169,371
At revaluation	0	0	0	0
Net book values as at 31-12-2016 of assets held under finance leases	0	0	0	0
Supplementary information				
Net book value of assets temporarily retired from active use	110	0	0	0

** Installations subject to the Gas Act*

Property, plant and equipment mainly comprises the group's transmission, storage (Loenhout) and LNG terminalling (Zeebrugge) facilities.

In 2016, the Fluxys Belgium group made investments of €139,219 thousand. The main investments were in:

- transmission facilities (€34,435 thousand, mainly in the pipelines between Tessenderlo and Diest and between Houthulst and Langemark-Poelkapelle) and
- LNG Terminal facilities (€103,849 thousand, primarily relating to the second jetty and the transshipment project).

In relation to investments that are currently in progress or planned, the group has commitments under Engineering, Procurement and Construction contracts for an amount of €112.6 million as at 31-12-2016.

The costs for loans activated on investments under construction came to €1.737 thousand in 2016 compared to €776 thousand in 2015. The interest rates used are based on the cost of the loans concerned.

				In thousands of €
LNG terminal*	**Other installations and machinery**	**Furniture, equipment & vehicles**	**Assets under construction & instalments paid**	**Total**
387,922	**363**	**14,727**	**117,417**	**2,321,123**
387,922	363	14,727	117,417	2,321,123
0	0	0	0	0
0	**0**	**0**	**0**	**0**
0	**0**	**0**	**0**	**110**

The depreciation charge for the period amounts to €147,289 thousand and reflects the rate at which the group expects to consume the economic benefits of the property, plant and equipment.

The assets that are used within the regulated market are depreciated over their useful life, as stated in point 8 of the accounting principles (Note 2), without taking into account a residual value, given the specific nature of the sector's activities.

Other property, plant and equipment is depreciated over its useful life as estimated by the group, taking into account actual and potential contracts, and considering reasonable market assumptions, based on the principle of matching of revenues and costs. Given the specific nature of the activities concerned, the residual value, if any, of the facilities in question has been ignored.

At the balance sheet date the group does not hold property, plant and equipment assets which have been pledged as security against liabilities.

At the end of the financial year, the group has identified no indications or event that would lead any item of property, plant and equipment to be considered impaired.

Note 5.2. Intangible assets

Movements in the book value of intangible assets				In thousands of €
	Software	Client portfolios	C0² emission rights	Total
Gross book value				
As at 31-12-2014	**44,035**	**0**	**0**	**44,035**
Investments	3,319	52,800		56,119
Acquisitions through business combinations				0
Disposals and retirements	-10,502			-10,502
Translation adjustments				0
Changes in the consolidation scope				0
Other				0
As at 31-12-2015	**36,852**	**52,800**	**0**	**89,652**
Investments	3,130			3,130
Acquisitions through business combinations				0
Disposals and retirements	-7,742			-7,742
Translation adjustments				0
Changes in the consolidation scope				0
Other				0
As at 31-12-2016	**32,240**	**52,800**	**0**	**85,040**

Movements in the book value of intangible assets				In thousands of €
	Software	Client portfolios	CO^2 emission rights	Total
Depreciation and impairment losses				
As at 31-12-2014	**-32,095**	**0**	**0**	**-32,095**
Depreciation and impairment losses	-5,800	-1,196		-6,996
Disposals and retirements	10,425			10,425
Translation adjustments				0
Changes in the consolidation scope				0
Other				0
As at 31-12-2015	**-27,470**	**-1,196**	**0**	**-28,666**
Depreciation and impairment losses	-5,401	-6,451		-11,852
Disposals and retirements	7,728			7,728
Translation adjustments				0
Changes in the consolidation scope				0
Other				0
As at 31-12-2016	**-25,143**	**-7,647**	**0**	**-32,790**

Movements in the book value of intangible assets				In thousands of €
	Software	Client portfolios	C0² emission rights	Total
Net book values as at 31-12-2016	7,097	45,153	0	52,250
Net book values as at 31-12-2015	9,382	51,604	0	60,986

Intangible assets include the net book value of software, the portfolio of 'Hub' clients and emission rights.

The software included in intangible assets is investment software developed or purchased by the group. This software is depreciated over 5 years on a straight-line basis. Major investments during the financial year concern software developed in relation to gas flow and asset management and related administrative tools.

In 2015, Fluxys Belgium acquired all of Huberator's business activities for €52.8 million. This intangible asset will be fully depreciated in 2023.

The gas transmission facilities in Belgium are included in the scheme for greenhouse gas emission allowance trading. Accordingly, Fluxys Belgium group was given free emission rights for 2016 amounting to 81,532 tonnes of CO_2 for the compression, storage and terminalling activity sites. In accordance with the accounting policies stated in Note 2, the unused emission rights have been recognised at nil value under intangible assets.

The group emphasises that no indications existed at the balance sheet date that any item of property, plant and equipment may have been impaired.

Note 5.3. Other financial assets

Other financial assets			In thousands of €
	Notes	31-12-2016	31-12-2015
Shares at cost		24	24
Investment securities at fair value through profit or loss	5.3.1	56,935	48,046
Other financial assets at cost		63	554
Total		**57,022**	**48,624**

5.3.1. Investment securities at fair value through the income statement relate to cash investments in bonds or commercial paper with a maturity longer than one year. These come mainly from Flux Re, the cash of which is used to cover the risk incurred by the company within its reinsurance activities. The maturity of these investments is between 2019 and 2026.

Note 5.4. Finance lease receivables

Finance lease receivables			In thousands of €
	31-12-2016	31-12-2015	Change
Non-current receivables	7,222	12,805	-5,583
Current receivables	5,581	3,836	1,745
Total	**12,803**	**16,641**	**-3,838**

Finance lease receivables include the contract relating to the Interconnector Zeebrugge Terminal (IZT): in accordance with IAS 17, the lease contract signed with IZT SCRL for IZT has been accounted for as a finance lease. The contract, which took effect in 1998, has a term of 20 years, at the end of which the lessee can exercise a purchase option. A variable interest rate (based on Euribor) is applied to this receivable.

Maturity of finance lease receivables at 31-12-2016				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance lease receivables	5,581	7,222	0	12,803
Total	**5,581**	**7,222**	**0**	**12,803**
Finance lease receivables				
Present value of minimum lease payments at market rate	5,711	7,311	0	13,022
Total minimum lease payments (A)	5,711	7,311	0	13,022
Interest (B)	130	89	0	219
Total finance lease receivables (A-B)	5,581	7,222	0	12,803

Maturity of finance lease receivables at 31-12-2015				In thousands of €
	Up to one year	Between one and five years	Over five years	Total
Finance lease receivables	3,836	12,805	0	16,641
Total	**3,836**	**12,805**	**0**	**16,641**
Finance lease receivables				
Present value of minimum lease payments at market rate	3,969	13,024	0	16,993
Total minimum lease payments (A)	3,969	13,024	0	16,993
Interest (B)	133	219	0	352
Total finance lease receivables (A-B)	3,836	12,805	0	16,641

The total value of minimum payments corresponds with the best estimate, at the balance sheet date, of the lease royalties to be received regardless of whether they relate to the capital to be received (finance lease receivables), interest to be received (interest), or the purchase option (finance lease receivables). These payments are discounted at market rate so as to obtain the present value of the minimum lease payments.

Note 5.5. Loans, receivables and other non-current assets

Non-current loans and receivables				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Regulatory assets	5.5.1	0	4,218	-4,218
Total		**0**	**4,218**	**-4,218**

5.5.1. This item records the regulatory receivable linked to the storage activity, which was fully recovered in 2016.

Other non-current assets				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Plan asset surpluses 'IAS 19 Employee benefits'	5.13	19,808	25,790	-5,982
Prepaid insurance expenses	5.5.2	5,905	7,592	-1,687
Total		**25,713**	**33,382**	**-7,669**

5.5.2. Fluxys LNG is insured through Credendo against certain risks incurred as part of the transshipment project. This insurance is in effect until 2021. The part of this premium that has been paid and is not past due is included under this item for the part that is due in more than one year, whilst the part that is due within the year is included in the item 'Other current assets' (see Note 5.9).

Note 5.6. Inventories

Book value of inventories			In thousands of €
	31-12-2016	31-12-2015	Change
Supplies	**12,932**	**17,929**	**-4,997**
Gross book value	20,123	25,652	-5,529
Impairment losses	-7,191	-7,723	532
Goods held for resale	**8,464**	**7,875**	**589**
Gross book value	8,471	9,357	-886
Impairment losses	-7	-1,482	1,475
Work in progress	**104**	**312**	**-208**
Gross book value	104	312	-208
Impairment losses	0	0	0
Total	**21,500**	**26,116**	**-4,616**

Inventories of materials connected to the transmission network declined due to their use in investment and maintenance projects in 2016.

The impairment loss on natural gas inventories was reversed following the change of the market value at the end of the financial year.

Impact of movements on net profit/loss			In thousands of €
	31-12-2016	31-12-2015	Change
Inventories – purchased or used	-6,623	-3,195	-3,428
Impairment losses	2,007	-537	2,544
Total	**-4,616**	**-3,732**	**-884**

Note 5.7. Trade and other receivables

Trade and other receivables				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Gross trade receivables		87,110	74,410	12,700
Impairment losses		-1,525	-1,525	0
Net trade receivables	5.7.1	85,585	72,885	12,700
Other receivables		2,724	4,352	-1,628
Total		**88,309**	**77,237**	**11,072**

5.7.1 Fluxys Belgium group reduces its exposure to credit risk, both in terms of default and concentration of risk, by requiring short payment terms from its customers (payment within one month), a strict policy for the follow-up of trade receivables, and a systematic evaluation of its counterparties' financial position.

Trade receivables can be broken down as follows according to their ageing:

Net trade receivables according to ageing			In thousands of €
	31-12-2016	31-12-2015	Change
Receivables not past due	82,709	70,325	12,384
Receivables < 3 months	2,800	2,493	307
Receivables 3 - 6 months	0	0	0
Receivables > 6 months	9	0	9
Receivables in litigation or doubtful	67	67	0
Total	**85,585**	**72,885**	**12,700**

Disputed or doubtful receivables mainly concern grid users. Most of these receivables were subject to impairment at a rate of 100%.

Note 5.8. Short-term investments, cash and cash equivalents

Short-term investments are investments with a maturity of more than three months and maximum one year in bonds, commercial paper and bank deposits.

Cash and cash equivalents are mainly euro investments in commercial paper that mature within a maximum of three months after the date of acquisition, deposits made with Fluxys Finance (cash pooling), term deposits at credit institutions, current account bank balances and cash in hand.

Short-term investments, cash and cash equivalents			In thousands of €
	31-12-2016	31-12-2015	Change
Short-term investments	**101,209**	**96,487**	**4,722**
Cash and cash equivalents	**291,727**	**327,061**	**-35,334**
Cash equivalents and cash pooling	276,659	310,205	-33,546
Short-term deposits	3,253	14,275	-11,022
Bank balances	11,804	2,573	9,231
Cash in hand	11	8	3
Total	**392,936**	**423,548**	**-30,612**

In 2016, the average rate of return on investments, cash and cash equivalents was 0.37% compared to 0.48% in 2015. This decrease can be explained by the change in market interest rates.

Note 5.9. Other current assets

Other current assets				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Accrued income		707	463	244
Prepaid expenses		15,081	12,656	2,425
Other current assets	5.9.1	1,598	2,149	-551
Total		**17,386**	**15,268**	**2,118**

Other current assets mainly comprise prepaid expenses amounting to €15,081 thousand (insurance, fees, rent, etc.) as well as various items of accrued income.

5.9.1 Other current assets include the short-term share of the plan asset surpluses compared with the actuarial debt relating to the group's pension liabilities (see Notes 5.5 and 5.13).

Note 5.10. Equity

Equity amounted to €694,352 thousand at 31-12-2016. The €41,870 thousand decrease since the previous year is due to the 2016 dividend payout (-€84,316 thousand), a decrease partially offset by the overall result for the period
(+€42,446 thousand).

Note on parent entity shareholding

	Ordinary shares	Preferential shares	Total
I. Movements in number of shares			
1. Number of shares, opening balance	70,263,501	0	70,263,501
2. Number of shares issued			0
3. Number of ordinary shares cancelled or reduced (-)			0
4. Number of preference shares reimbursed, converted or reduced (-)			0
5. Other increase (/ decrease)			0
6. Number of shares, closing balance	70,263,501	0	70,263,501
II. Other information			
1. Face value of shares	No face value mentioned		
2. Number of shares owned by the company	0	0	0
3. Interim dividends during the financial year			0

The share capital of Fluxys Belgium SA is represented by 70,263,501 shares with no face value, divided into two categories, in addition to the specific share.

Shares in category B are and remain registered. They are held by long-term shareholders.

Category D shares are registered or dematerialised and are mainly held by the general public.

The Belgian State owns one specific registered share, namely share no. 1, which does not belong to any of the above categories and shall be referred to hereinafter as the 'specific share'. In accordance with the Fluxys Belgium articles of association, this 'specific share' carries specific rights. These specific rights remain attached to this share in addition to the common rights attached to the ordinary shares of Fluxys Belgium (former Distrigas), as long as this share is owned by the Belgian State, as established in Articles 3 to 5 of the Royal Decree of 16 June 1994. These specific rights are exercised by the Federal Minister responsible for energy. In addition to these specific rights, this 'specific share' also entitles its holder to receive 100 times the dividend—or any other distribution by the entity to its shareholders—attached to the category B or D shares.

Note 5.11. Interest-bearing liabilities

Non-current interest-bearing liabilities				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Bonds	5.11.1	696,569	696,160	409
Other borrowings	5.11.2	583,000	611,500	-28,500
Other financing	5.11.3	102,953	112,154	-9,201
Other liabilities	5.11.4	382,503	359,120	23,383
Total		**1,765,025**	**1,778,934**	**-13,909**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

Current interest-bearing liabilities				In thousands of €
	Notes	31-12-2016	31-12-2015	Change
Bonds	5.11.1	10,833	10,804	29
Other borrowings	5.11.2	39,078	33,325	5,753
Other financing	5.11.3	4,423	2,046	2,377
Other liabilities	5.11.4	25,138	27,154	-2,016
Total		**79,472**	**73,329**	**6,143**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

5.11.1. In April 2012 and November 2014, Fluxys Belgium issued bonds with a value of €100 million and €350 million. These bonds offer a gross annual coupon of 2.802% and 4.25% respectively. They will mature between 2018 and 2034.

5.11.2. Other borrowings include:

- A 10-year loan at a fixed annual interest rate of 4.747% contracted with the European Investment Bank (EIB) in August 2007 for the financing of the capacity enhancement at the Zeebrugge LNG terminal, the balance of which was €8,500 thousand as at 31.12.2016.
- A 25-year loan of €400,000 thousand at a fixed rate contracted with the EIB in December 2008 to finance investments in developing the gas transmission network, the balance of which was €346,000 thousand as at 31-12-2016.
- A loan of €257,000 thousand at a fixed annual interest rate of 3.20 % with Fluxys Finance to cover needs relating to investments necessary for the transshipment services at the Zeebrugge LNG Terminal.
- accrued interest amounting to €10,578 thousand.

5.11.3. Other financing corresponds to the amount at the group's disposal firstly to finance investments in the second jetty at Zeebrugge and secondly the cost associated with the conversion of part of the gas transmission network. Part of these amounts bears interest at a 10-year rate and the remainder at the average 1-year Euribor rate.

5.11.4. Regulatory liabilities included in 'other liabilities' represent the positive difference between the invoiced regulated tariffs and the acquired regulated tariffs. The share of tariffs listed as non-current liabilities corresponds to the regulatory liabilities to be used in more than one year's time, while the share to be used within the year is listed as current liabilities. These amounts bear interest at the average Euribor 1-year rate.

Maturity of interest-bearing liabilities at 31-12-2016

In thousands of €

	Up to year	Between one and five years	Over five years	Total
Bonds	10,833	349,805	346,764	707,402
Other borrowings	39,078	103,364	479,636	622,078
Other financing	4,423	23,900	79,053	107,376
Other liabilities	25,138	195,620	186,883	407,641
Total	**79,472**	**672,689**	**1,092,336**	**1,844,497**
Supplementary information				
Finance leases				
Present value of minimum lease payments at market rate	0	0	0	0
Total minimum lease payments	0	0	0	0
Interests	0	0	0	0

Maturity of interest-bearing liabilities at 31-12-2015

In thousands of €

	Up to one year	Between one and five years	Over five years	Total
Bonds	10,804	349,887	346,273	706,964
Other borrowings	33,325	88,500	523,000	644,825
Other financing	2,046	23,155	88,999	114,200
Other liabilities	27,154	187,570	171,550	386,274
Total	**73,329**	**649,112**	**1,129,822**	**1,852,263**
Supplementary information				
Finance leases				
Present value of minimum lease payments at market rate	0	0	0	0
Total minimum lease payments	0	0	0	0
Interests	0	0	0	0

Note 5.12. Provisions

5.12.1. Provisions for employee benefits

Provisions for employee benefits	In thousands of €
Provisions at 31-12-2015	**63,314**
Additions	9,460
Use	-8,825
Release	0
Unwinding of the discount	4,035
Actual gains / losses recognised in profit / loss (seniority bonuses)	-581
Expected return on plan assets	-3,321
Actual gains / losses directly recognised in equity	9,147
Reclassification of the asset	-6,533
Provisions at 31-12-2016 of which :	**66,696**
Non-current provisions	62,224
Current provisions	4,472

The provisions for employee benefits not pre-funded have increased, mainly as a result of the fall in discount rates used in 2016 (1.03% over 10 years and 1.55% over 17 years) compared to 2015 (1.96%). Defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated liabilities of the group at 31-12-2016. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (see Note 5.5) and 'Other current assets' (see Note 5.9.1). These provisions are set out in detail in Note 5.13. These surpluses will be recovered over the duration of the pension plans.

5.12.2. Other provisions

Provisions for :			In thousands of €
	Litigation and claims	Environment and site restoration	Total other provisions
Provisions at 31-12-2015	**2,408**	**6,502**	**8,910**
Additions	29	367	**396**
Use	0	-67	**-67**
Release	0	0	**0**
Unwinding of the discount	0	39	**39**
Provisions at 31-12-2016 of which :	**2,437**	**6,841**	**9,278**
Non-current provisions	2,437	0	**2,437**
Current provisions	0	6,841	**6,841**

Additions to provisions in 2016 concern the costs of ongoing decommissioning as well as the restoration of the sites concerned.

5.12.3. Movements in the income statement and maturity of provisions

Movements in the income statement and maturity of provisions:

Impact	Additions	Use and reversals	Total (In thousands of €)
Profit (loss) from continuing operations	9,856	-8,892	964
Financial profit (loss)	4,074	-3,902	172
Total	**13,930**	**-12,794**	**1,136**

Maturity of provisions at 31-12-2016	Up to one year	Between one and five years	Over five years	Total (In thousands of €)
Litigation and claims	0	0	2,437	2,437
Environment and site restoration	6,841	0	0	6,841
Subtotal	**6,841**	**0**	**2,437**	**9,278**
Employee benefits	4,472	17,888	44,336	66,696
Total	**11,313**	**17,888**	**46,773**	**75,974**

Maturity of provisions at 31-12-2015	Up to one year	Between one and five years	Over five years	Total (In thousands of €)
Litigation and claims	0	0	2,408	2,408
Environment and site restoration	6,502	0	0	6,502
Subtotal	**6,502**	**0**	**2,408**	**8,910**
Employee benefits	3,533	14,132	45,649	63,314
Total	**10,035**	**14,132**	**48,057**	**72,224**

Discount rate

Long-term provisions are discounted systematically based on interest rates that have changed as follows, according to the time frame:

Discount rate	31-12-2016	31-12-2015
Between one and five years	0.13 %	0.65 %
Between six and nine years	0.89 %	0.95 %
Between ten and twelve years	1.03 %	1.96 %
Over twelve years	1.55 %	1.96 %

Provisions for litigation and claims

These provisions have been established to cover likely litigation payments arising for instance from the construction of the Zeebrugge LNG terminal (1983).

The estimate for these provisions is based on the value of claims filed or on the estimated amount of risk incurred.

Provisions for the environment and site restoration

These provisions essentially cover the costs of safety, clean-up and restoration of sites subject to closure.

These provisions are accrued in accordance with the Belgian regional environmental legislation and the Belgian Gas Act. The obligations covered by these provisions require action plans and numerous studies in cooperation with the various public authorities and the institutions established for this purpose.

Note 5.13. Provisions for employee benefits

Description of the principal retirement schemes and related benefits

In Belgium, collective agreements govern the rights of employees of companies in the Electricity and Gas industries.

Defined benefit pension plans

These agreements cover 'non exempt population' recruited before 1 June 2002 and after 1 May 1999. They provide their members with lump-sum pension benefits calculated according to a formula that takes into account their final annual salary and their number of years of service accrued at the time of retirement. These are termed 'defined benefit' pension plans.

The obligations under these pension plans are financed through several pension funds established for the Gas and Electricity sector and through insurance companies.

Both employees and employers contribute to these pension plans. The employer's contribution is determined annually on the basis of an actuarial report which aims to verify that the legal requirements pertaining to minimum financing are complied with, and that the long-term financing of the benefits is assured.

Description of main actuarial risks

As part of these defined benefit plans, the group is exposed to risks associated with actuarial assumptions made concerning investments, interest rates, life expectancy rates and changes in salaries.

The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds.

Each year, the discount rate used to calculate obligations for financing pension commitments and the minimum financing requirements are compared with the expected return on plan assets. The latter is obtained from the risk-free rate observed on the financial markets at the balance sheet date, the risk premiums for each category of assets in the portfolio and their corresponding volatility. If the expected return is lower than the discount rate, the latter is reduced.

The assumptions relating to salary increases, inflation, staff turnover and expected average retirement age are defined based on the company's historical statistics. The mortality tables used are those published by the IABE [the Belgian institute of actuaries].

Defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated commitments of the group as at 31-12-2016. This amount was therefore transferred to the assets in the balance sheet under the items 'Other non-current assets' and 'Other current assets'. These surpluses will progressively be recovered through a reduction in future contributions.

Defined contribution pension plans with a minimum guaranteed return

In Belgium, 'non exempt population' recruited as of 1 June 2002 and senior staff recruited as of 1 May 1999, as well as members of the management benefit from defined contribution pension plans.

Employees and employers contribute to these pension plans. Employers' contributions are based on a multiple of employees' contributions. The obligations under these defined contribution pension plans are financed through several pension funds established for the Gas and Electricity sector and through insurance companies.

Pension fund assets are allocated to the following different risk categories:

- Low risk: Eurozone bonds and/or high-quality bonds.
- Medium risk: risk diversification between bonds, convertible bonds, property and own funds instruments.
- High risk: own funds instruments, property etc.
- Dynamic Asset Allocation: rapid adjustment of the structure of the portfolio in the case of specific events, in order to limit losses in periods of stress.

Belgian legislation requires the employer to guarantee a minimum return for defined contribution plans at a rate which varies in accordance with market rates.

The minimum returns guaranteed by the employer are the following:

- For contributions paid as of 01-01-2016, the minimum return is variable based on OLO rates, with a minimum rate of 1.75% and a maximum rate of 3.75%. Based on the current rates, this minimum guaranteed return has initially been set at a rate of 1.75%.
- For contributions paid until 31-12-2015, the minimum return of 3.25% for employer contributions and 3.75% for employee contributions applies until that date. Since 01-01-2016, the minimum return is calculated as specified in the previous paragraph.

The accounting method used by the group to value these 'defined contribution plans with a guaranteed minimum return' is identical to the method used for 'defined benefit plans' (See Note 2.16).

Description of the main risks

Defined contribution plans expose the employer to the risk of a minimum return on pension fund assets that do not offer a sufficient guaranteed return.

Other long-term employee benefits

The Fluxys Belgium group also offers early retirement schemes, other post-employment benefits such as reimbursement of medical expenses and tariff discounts, as well as other long-term benefits (seniority payments). Not all of these benefits are financed.

Financial status of the employee benefits

In thousands of €	Pensions *		Other **	
	2016	**2015**	**2016**	**2015**
Present value of funded obligations	-180,608	-126,627	-53,376	-55,088
Fair value of plan assets	188,694	146,340	0	0
Funded status of plans	**8,086**	**19,713**	**-53,376**	**-55,088**
Impact on minimum funding requirement/effect of the asset ceiling	0	0	0	0
Other	0	0	0	0
Net employee benefit liability	**8,086**	**19,713**	**-53,376**	**-55,088**
Of which assets	21,406	27,939	0	0
Of which liabilities	-13,320	-8,226	-53,376	-55,088

* Pensions also include non-prefinanced early-retirement obligations.

** The item 'Other' includes seniority bonuses as well as other post-employment benefits (reimbursement of medical expenses and tariff reductions)

Movements in the present value of obligations

In thousands of €	Pensions *		Other **	
	2016	2015	2016	2015
At the start of the period	**-126,627**	**-143,198**	**-55,088**	**-60,578**
Transfer of defined contribution plans with a guaranteed minimum return	22,727			
Service costs	-6,031	-4,198	-1,571	-2,161
Early retirement costs	-1,036	12	0	0
Financial loss (-) / profit (+)	-3,070	-2,008	-965	-856
Change in financial assumptions	-823	-305	0	0
Change in demographic assumptions	1,284	2,806	173	-618
Change in financial assumptions	-27,362	6,588	-4,132	2,345
Change from experience adjustments	-304	4,775	6,575	5,207
Past service costs	0	0	0	0
Benefits paid	6,088	8,901	1,632	1,573
Other				
At the end of the period	**-180,608**	**-126,627**	**-53,376**	**-55,088**

Movements in the fair value of plan assets

In thousands of €	Pensions *		Other **	
	2016	2015	2016	2015
At the start of the period	**146,340**	**151,332**	**0**	**0**
Transfer of defined contribution pension plans, with a guaranteed minimum return	22,727			
Interest income	3,321	2,119	0	0
Return on plan assets (excluding net interest income)	15,200	-3,672	0	0
Employer's contributions	6,371	5,157	1,632	1,573
Participants' contributions	823	305	0	0
Benefits paid	-6,088	-8,901	-1,632	-1,573
Other	0	0	0	0
At the end of the period	**188,694**	**146,340**	**0**	**0**
Actual return on plan assets	**18,521**	**-1,553**	**0**	**0**

In Belgium, defined contribution plans with a guaranteed minimum return are valued and accounted for using the method used for defined benefit plans. They are included in the tables specified above since 1 January 2016. They have been introduced through an item of transfer in 2016 without amending the figures published in 2015, which affects the comparison of data for the two financial years.

Costs recognised in profit or loss

In thousands of €	Pensions *		Other **	
	2016	**2015**	**2016**	**2015**
Cost				
Service costs	-6,031	-4,198	-1,571	-2,161
Early retirement costs	-1,036	12	0	0
Past service costs	0	0	0	0
Actuarial gains/(losses) on other long-term benefits	0	0	581	2,375
Net interest on net liabilities / (assets)				
Interest expense on obligations	-3,070	-2,008	-965	-856
Interest income on plan assets	3,321	2,119	0	0
Costs recognised in profit or loss	**-6,816**	**-4,075**	**-1,955**	**-642**

Actuarial losses (gains) recognised in other comprehensive income

In thousands of €	Pensions *		Other **	
	2016	**2015**	**2016**	**2015**
Change in demographic assumptions	1,284	2,806	173	-618
Change in financial assumptions	-27,362	6,588	-4,713	-30
Change from experience adjustments	-304	4,775	6,575	5,207
Return on plan assets (excluding net interest income)	15,200	-3,672	0	0
Actuarial losses (gains) recognised in other comprehensive income	**-11,182**	**10,497**	**2,035**	**4,559**

Allocation of obligations by type of participant to the plan

In thousands of €	2016	2015
Active plan participants	-199,845	-149,275
Non-active participants with deferred benefits	-4,364	-3,446
Retirees and beneficiaries	-29,775	-28,994
Total	**-233,984**	**-181,715**

Allocation of obligations by type of benefit

In thousands of €	2016	2015
Retirement and death benefits	-180,608	-126,627
Other post-employment benefits (medical expenses and tariff reductions)	-32,570	-34,255
Seniority bonuses	-20,806	-20,833
Total	**-233,984**	**-181,715**

Main actuarial assumptions used

	2016	2015
Discount rate between 10 to 12 years	1.03 %	1.96 %
Discount rate over 12 years	1.55 %	1.96 %
Expected average salary increase	1.75 %	2.00 %
Expected inflation	1.75 %	1.75 %
Expected increase in health expenses	2.75 %	2.75 %
Expected increase of tariff advantages	1.75 %	1.75 %
Average assumed retirement age	63(EMPL.)/65(EXEC.)	63
Mortality tables	Prospective IABE	Prospective IABE
Life expectancy in years:		
For a person aged 65 at the balance sheet date:		
- Male	20	20
- Female	24	24
For a person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

The discount rate of the plans depends on their estimated average duration

The fair value of plan assets per major category

	2016	2015
Listed investments	**88.33 %**	**78.62 %**
Shares - eurozone	20.87 %	17.33 %
Shares - outside eurozone	25.77 %	13.72 %
Government bonds - eurozone	0.92 %	5.00 %
Other bonds – eurozone	21.24 %	33.16 %
Other bonds - outside eurozone	19.53 %	9.41 %
Non-listed investments	**11.67 %**	**21.38 %**
Insurance contracts	0.04 %	1.91 %
Real estate	4.70 %	3.91 %
Cash and cash equivalents	0.07 %	2.48 %
Other	6.86 %	13.08 %
Total (in %)	**100.00 %**	**100.00 %**
Total (in thousands of €)	**188,694**	**146,340**

Sensitivity analysis

Impact on defined benefit obligation	In thousands of €
	Increase (-) / Decrease (+)
Increase in discount rate (0.5%)	13,641
Average salary increase - Excluding inflation (0.5%)	-16,660
Increase in inflation rate (0.25%)	-7,066
Increase in healthcare benefits (1%)	-5,405
Increase in tariff benefits (0.5%)	-1,615
Increase in life expectancy of retirees (1 year)	-1,820

Average weighted duration of obligations

	2016	2015
Average weighted duration of defined benefit obligations	10	13
Average weighted duration of other obligations	17	13

Expected contribution to pay for the defined benefit plans

	In thousands of €
Expected contribution in 2017	6,008

Expected contribution to pay for the defined contribution plans with a guaranteed minimum return

	In thousands of €
Contribution paid in 2016	2,411
Contribution expected in 2017	2,575

The contributions to be paid for defined contribution pension plans are based on changes in the payroll of the population concerned.

Plan assets with insurance companies

Certain contributions were made by the group to insurance companies which guaranteed a minimum return plus financial interests on those contributions (class 21). These plan assets were transferred in 2016 to pension funds and to class 23 with insurance companies. Future contributions will be made in accordance with this new policy.

Note 5.14. Deferred tax assets and liabilities

Recognised deferred tax liabilities			In thousands of €
	31-12-2016	**31-12-2015**	**Change**
Valuation of assets	245,347	264,840	-19,493
Accrued income	3,028	3,881	-853
Fair value of financial instruments	223	489	-266
Provisions for employee benefits or provisions not accounted for under IFRS	29,417	35,448	-6,031
Other normative differences	291	337	-46
Total	**278,306**	**304,995**	**-26,689**

Deferred tax assets and liabilities are offset within each taxable entity.

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment and intangible assets. This difference arises firstly from the accounting in the opening balance sheet of property, plant and equipment at their fair value corresponding to their deemed cost and, secondly, from the accounting at fair value of the assets and liabilities arising from the SEGEO and Distrigas & C° business combinations in 2008.

Provisions made in accordance with IAS 19 (Employee benefits) and provisions recognised under local GAAP but not recognised under IFRS are another major source of deferred tax. In 2016, this item was affected by the downward revision of deferred taxes following the change in the tax rate in Luxembourg (see Note 4.5.2).

All deferred tax assets and liabilities are recognised, except for unrecognised deferred tax liabilities calculated on the results reported by subsidiaries. These deferred taxes are estimated by Fluxys LNG at €3 thousand of deferred tax liabilities.

Movement for the period		In thousands of €
	Notes	Deferred tax liabilities
As at 31-12-2015		**304,995**
Deferred tax expenses – Profit & loss account		-23,580
Deferred tax expenses – other comprehensive income		-3,109
As at 31-12-2016		**278,306**

Note 5.15. Trade and other liabilities

Trade and other liabilities			In thousands of €
	31-12-2016	31-12-2015	Change
Trade payables	49,448	29,349	20,099
Payroll and related items	25,339	22,650	2,689
Other payables	13,155	16,490	-3,335
Total	**87,942**	**68,489**	**19,453**

The increase in debts to suppliers can be explained by the invoices to be received relating to ongoing investments in the Zeebrugge LNG Terminal.

Note 6. Financial instruments

Principles for managing financial risks

In the course of conducting its activities, the Fluxys Belgium group is exposed to credit and counterparty risks, liquidity and interest rate risks and foreign exchange and market risks, all of which affect its assets and liabilities.

The group's administrative organisation, control and financial reports ensure that these risks are constantly monitored and managed.

The group may only use financial instruments for hedging, and not for speculative or trading purposes. All transactions are intended to meet the group's liquidity needs: no transaction may be entered into for the sole purpose of earning a speculative gain.

Cash management policy

The Fluxys Belgium group's cash is managed as part of a general policy that was approved by the Board of Directors.

Under this policy, cash surpluses are invested with Fluxys Finance SA under cash pooling. By way of reminder, Fluxys Finance is the entity in which the management of Fluxys group's cash funds and financing is centralised.

The objective of this policy is to optimise the group's cash positions. Transactions are entered into at market terms and conditions.

The group's financial policy stipulates that cash surpluses other than those referred to above be maintained at first-class financial institutions or invested in financial instruments issued by entities with a high credit rating or in financial instruments of issuers which are covered by a guarantee from a European Member State or whose share capital is predominantly controlled by state-owned entities. These external investments are made following a competitive bidding procedure both for the offers and for the products, and based on sufficient diversification to limit counterparty risk concentration. These investments are subject to constant monitoring and risk analysis on a case-by-case basis.

As at 31.12.2016, current and non-current investments, cash and cash equivalents amounted to €449,871 thousand compared with €471,594 thousand as at 31-12-2015.

Credit and counterparty risks

The group systematically assesses its counterparties' financial capacity and systematically monitors receivables. Group policy regarding counterparty risks requires that the group submit potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The group uses internal and external information, such as official analysis performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess entities in relation to risk and award them a credit score. The group also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. In addition, for most of its activities, the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. The group thereby reduces its exposure to credit risk both in terms of default and concentration.

In view of the concentration risk it must be noted that three clients contribute 55% of the operating revenue.

Foreign exchange risk

The group’s transactions are mostly denominated in EUR.

Group policy requires that all foreign currency assets and liabilities be hedged. Residual foreign currency positions may remain open for short periods, provided that they involve the group's main currencies and as long as the total position does not exceed €1 million.

A sensitivity analysis would not therefore be appropriate in this context.

Interest rate risk

The group's debt mainly consists of fixed interest rate loans, the balance of which, as at 31-12-2016 represents €1,329,480 thousand and maturing between 2017 and 2034. The balance of fixed-rate loans totalled €1,351,789 thousand as at 31-12-2015.

In addition, the group's interest-bearing liabilities include other financing and liabilities to be used within the regulatory framework. As further explained in Note 5.11, part of these bear interest at a 10-year rate and the remainder at the average Euribor 1-year rate. The group does not incur any interest rate risks related to this.

Therefore, a sensitivity analysis is not representative for the risk inherent in these financial instruments.

Consequently, the Fluxys Belgium group’s exposure to interest rate risk is very limited.

Liquidity risk

Liquidity risk management is essential since maximum liquidity and optimum use of cash represent a major objective of the Fluxys Belgium group. The amounts invested and the investment period reflect the short- and long-term planning of cash needs as closely as possible, taking into account operational risks.

The maturity of interest-bearing liabilities is reported in Note 5.11.

Summary of financial instruments at balance sheet date

The group's main financial instruments consist of financial and trade receivables and payables, short-term investments, cash and cash equivalents.

The following table gives an overview of financial instruments at 31 December 2016:

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2016	Category	Book value	Fair value	Level
I. Non-current assets				
Other financial assets	1 & 2	57,022	57,022	1 & 2
Finance lease receivables	1	7,222	7,222	2
Loans and receivables	1	0	0	2
II. Current assets				
Finance lease receivables	1	5,581	5,581	2
Trade and other receivables	1	88,309	88,309	2
Cash investments	1 & 2	101,209	101,209	1 & 2
Cash and cash equivalents	1 & 2	291,727	291,727	1 & 2
Total financial instruments – assets		**551,070**	**551,070**	
Non-current liabilities				
Interest-bearing liabilities	1	1,765,025	1,807,920	2
II. Current liabilities				
Interest-bearing liabilities	1	79,472	79,472	2
Trade and other payables	1	87,942	87,942	2
Total financial instruments - liabilities		**1,932,439**	**1,975,334**	

The categories correspond to the following financial instruments:

1. Financial assets (including loans and receivables) or financial liabilities at depreciated cost.
2. Assets or liabilities at fair value through profit or loss.

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2015	**Category**	**Book value**	**Fair value**	**Level**
I. Non-current assets				
Other financial assets	1 & 2	48,624	48,624	1 & 2
Finance lease receivables	1	12,805	12,805	2
Loans and receivables	1	4,218	4,218	2
II. Current assets				
Finance lease receivables	1	3,836	3,836	2
Trade and other receivables	1	77,237	77,237	2
Cash investments	1 & 2	96,487	96,487	1 & 2
Cash and cash equivalents	1 & 2	327,061	327,061	1 & 2
Total financial instruments – assets		**570,268**	**570,268**	
Non-current liabilities				
Interest-bearing liabilities	2	1,778,934	1,799,926	2
II. Current liabilities				
Interest-bearing liabilities	2	73,329	73,329	2
Trade and other payables	2	68,489	68,489	2
Total financial instruments - liabilities		**1,920,752**	**1,941,744**	

All of the group's financial instruments are measured at fair value and fall within Levels 1 and 2 of the fair value hierarchy. Their fair value is measured on a recurring basis.

Level 1 of the fair value hierarchy includes cash investments and cash equivalents whose fair value is based on quoted prices. They consist mainly of bonds.

Level 2 of the fair value hierarchy includes other financial assets and liabilities whose fair value is based on other inputs that are observable for the asset or liability concerned, either directly or indirectly.

The techniques for measuring the fair value of Level 2 financial instruments are as follows:

- The items 'Interest-bearing liabilities' include the fixed-rate bonds issued by Fluxys Belgium, whose fair value is determined based on active market rates, usually provided by financial institutions.
- The fair value of other Level 2 financial assets and liabilities is largely identical to their book value:
  - either because they have a short-term maturity (such as trade receivables and payables), or
  - because they bear interest at the market rate at the balance sheet date.

Note 7. Contingent assets and liabilities – rights and liabilities of the group

7.1. Litigation

7.1.1. Litigation regarding the oil business

Pursuant to an agreement signed on 9 November 1979, the Belgian State commissioned Fluxys Belgium SA (formerly Distrigas) to negotiate the purchase of crude oil with the Kingdom of Saudi Arabia. Fluxys Belgium SA (formerly Distrigas) accepted this assignment provided that the Belgian State covered the costs, losses and all risks inherent to this assignment.

As part of the decision to discontinue the oil business, appeals were lodged against the Belgian State and Fluxys Belgium SA (formerly Distrigas).

The risk incurred by Fluxys Belgium SA (formerly Distrigas) is covered by a guarantee from the Belgian State (Royal Decree of 3 February 1981 - Belgian Official Gazette of 17 February 1981) pursuant to the agreement of 9 November 1979 between the Belgian State and Fluxys Belgium SA (formerly Distrigas) and the letter of 30 December 1983 from the Ministers for Finance and Economic Affairs.

7.1.2. Other litigation

Ghislenghien

As announced in 2011, Fluxys Belgium has undertaken, in agreement with insurers and other responsible parties, to proceed to the final compensation of private victims of the accident which occurred at Ghislenghien in 2004. Although most of the victims were compensated in 2012, some cases are not yet closed. Fluxys Belgium conducts an evaluation of these cases as they evolve. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2016.

Claim relating to the 'Open Rack Vaporizer' investment

A compensation claim for additional works was introduced by a supplier in the scope of the 'Open Rack Vaporizer' investment made by Fluxys LNG. The latter disputes this claim and an expert was appointed to assess the case. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2016.

Other claims

Other claims arising from the operation of our facilities are in progress but their potential impact is immaterial.

7.2. Assets and items held for third parties, in their name, but at the risk and for the benefit of entities included in the consolidation scope

In the ordinary course of business, the Fluxys Belgium group holds gas belonging to its customers at its storage sites in Loenhout, in the pipelines and in the tanks at the LNG terminal in Zeebrugge.

7.3. Guarantees received

Bank securities for the benefit of the group comprise guarantees received from contractors in respect of construction contracts as well as bank guarantees received from customers. At 31 December 2016, the guarantees received amounted to €127,666 thousand.

7.4. Guarantees provided by third parties on behalf of the entity

Rental guarantees in favour of the owners of assets located in Belgium and leased by the group amounted to €59 thousand as at 31-12-2016.

Other guarantees amounted to €137 thousand as at 31-12-2016.

7.5. Long-term leases and licence agreements

The Fluxys Belgium group has concession agreements for third-party sites on which the group's installations are built, in particular the terminalling installation in Zeebrugge, the installations and reservoir at Dudzele and the buildings and station at the CGB site. These agreements expire between 2017 and 2112. The amount included in the results for the financial year is provided in Note 4.2.2.

7.6. Commitments with regard to the Interconnector Zeebrugge Terminal (IZT)

The IZT lease contract includes a purchase option for the lessee that can be exercised on 1-10-2018 for an amount of €4,593 thousand. As part of this transaction, surface rights have been attributed.

7.7. Commitments under terminalling service contracts

The Capacity Subscription Agreements (CSA) entered into with the terminal users of the Zeebrugge LNG terminal provide for 1,051 slots to be available from 2017 to 2027. In addition, Yamal Trade (a 100% subsidiary of Yamal LNG) and Fluxys LNG have signed a 20-year contract for the transshipment of a maximum of 8 million tonnes of LNG per year at the port of Zeebrugge in Belgium.

7.8. Commitments in relation to loans and to the European Investment Bank (EIB)

The Fluxys Belgium group was granted loans by the European Investment Bank (EIB). They contain contractual financial covenants which are fulfilled by the group at 31-12-2016. Like bonds, these loans also contain a Pari Passu clause.

7.9. Other

Other commitments have been made and received by the Fluxys Belgium group, but their potential impact is immaterial.

Note 8. Related parties

Fluxys Belgium and its subsidiaries are controlled by Fluxys, which is itself controlled by Publigas.

The consolidated financial statements include transactions executed by Fluxys Belgium and its subsidiaries in the normal course of their activities with unconsolidated related companies or associates. These transactions take place under market conditions and mainly involve transactions realised with Fluxys (IT and housing services), Interconnector (UK) (inspection and repair services), IZT (IZT lease and installation operation and maintenance services), Dunkerque LNG (IT development and other services), Gaz-Opale (terminalling services), Balansys (balancing operator) and Fluxys Finance, the entity in which the management of Fluxys group's cash funds and financing is centralised.

Related parties					In thousands of €
				31-12-2016	
	Headquarter	Joint ventures	Associates	Other related parties	Total
I. Assets with related parties	**1,420**	**0**	**1,958**	**315,950**	**319,328**
1. Other financial assets	**0**	**0**	**0**	**26,118**	**26,118**
1.1. Securities other than shares	0	0	0	26,118	26,118
1.2. Loans	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**7,222**	**7,222**
2.1. Finance leases	0	0	0	7,222	7,222
2.2. Other non-current receivables		0	0	0	0
3. Trade and other receivables	**1,420**	**0**	**1,958**	**5,951**	**9,329**
3.1. Clients	1,420	0	1,958	370	3,748
3.2. Finance leases	0	0	0	5,581	5,581
3.3. Other receivables	0	0	0	0	0
4. Cash and cash equivalents	**0**	**0**	**0**	**276,659**	**276,659**
5. Other current assets	**0**	**0**	**0**	**0**	**0**
II. Liabilities with related parties	**333**	**0**	**584**	**257,011**	**257,928**
1. Interest-bearing liabilities (current and non-current)	**0**	**0**	**0**	**257,000**	**257,000**
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	0	0	0	257,000	257,000
2. Trade and other payables	**135**	**0**	**584**	**0**	**719**
2.1. Trade payables	100	0	584	0	684
2.2. Other payables	35	0	0	0	35
3. Other current liabilities	**198**	**0**	**0**	**11**	**209**
III. Transactions with related parties					
1. Sale of non-current assets	**0**	**0**	**0**	**0**	**0**
2. Purchase of non-current assets (-)	**0**	**0**	**0**	**0**	**0**
3. Services rendered and goods delivered	**2,727**	**0**	**0**	**6,689**	**9,416**
4. Services received (-)	**-1,351**	**0**	**0**	**0**	**-1,351**
5. Net financial income	**0**	**0**	**0**	**-6,734**	**-6,734**
6. Directors' and senior executives' remuneration				**1,946**	**1,946**
of which short-term employee benefits				1,723	1,723
of which post-employment benefits				223	223

[4] Associates of Fluxys SA, parent company of the Fluxys Belgium group.

Related parties					In thousands of €
	31-12-2015				
	Headquarter	Joint ventures	Associates	Other related parties	Total
I. Assets with related parties	**1,537**	**0**	**1,656**	**348,508**	**351,701**
1. Other financial assets	**0**	**0**	**0**	**26,887**	**26,887**
1.1. Securities other than shares	0	0	0	26,887	26,887
1.2. Loans	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**12,805**	**12,805**
2.1. Finance leases	0	0	0	12,805	12,805
2.2. Other non-current receivables	0	0	0	0	0
3. Trade and other receivables	**1,537**	**0**	**1,656**	**6,753**	**9,946**
3.1. Clients	1,537	0	1,656	2,917	6,110
3.2. Finance leases	0	0	0	3,836	3,836
3.3. Other receivables	0	0	0	0	0
4. Cash and cash equivalents	**0**	**0**	**0**	**302,063**	**302,063**
5. Other current assets	**0**	**0**	**0**	**0**	**0**
II. Liabilities with related parties	**205**	**0**	**67**	**257,223**	**257,495**
1. Interest-bearing liabilities (current and non-current)	**0**	**0**	**0**	**257,007**	**257,007**
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	0	0	0	257,007	257,007
2. Trade and other payables	**193**	0	**67**	**17**	**277**
2.1. Trade payables	193	0	67	17	277
2.2. Other payables	0	0	0	0	0
3. Other current liabilities	**12**	**0**	**0**	**199**	**211**
III. Transactions with related parties					
1. Sale of non-current assets	**0**	**0**	**0**	**0**	**0**
2. Purchase of non-current assets (-)	**0**	**0**	**0**	**0**	**0**
3. Services rendered and goods delivered	**4,759**	**0**	**0**	**6,080**	**10,839**
4. Services received (-)	**-524**	**0**	**0**	**-22**	**-546**
5. Net financial income	**0**	**0**	**0**	**-1,609**	**-1,609**
6. Directors' and senior executives' remuneration				**1,781**	**1,781**
of which short-term employee benefits				1,574	1,574
of which post-employment benefits				207	207

[5] Associates of Fluxys SA, parent company of the Fluxys Belgium group.

Note 9. Directors’ and senior executives’ remuneration

Pursuant to Article 11 of the Articles of Association, the Board of Directors of Fluxys Belgium SA comprises at least three and no more than 24 non-executive directors. Furthermore, the 'special share' grants the Minister the right to appoint two representatives of the federal government in the Board of Directors. Currently, one representative of the federal government attends the meetings of the Board of Directors and the Strategic Committee.

The ordinary general meeting has decided to set the remuneration of the directors and government representatives to a maximum of €360,000 (value 01-01-2007), to be allocated by the Board of Directors amongst its members, and to grant an attendance fee of €250 per meeting of the Board of Directors and the committees.

Pursuant to Article 17.5 of the Articles of Association of Fluxys Belgium, the Board of Directors is authorised to pay a special remuneration to directors who carry out special duties for the entity. The Board also has the right to reimburse travel expenses and costs incurred by the members of the Board of Directors.

The Fluxys Belgium group has not granted any loans to directors; in addition, the directors have not entered into unusual transactions with the group. No shares or share options have been granted to the directors.

For further information, the reader should refer to the Corporate Governance Declaration in the directors' report and to Note 8 'Related parties' for the breakdown of remuneration by category.

Note 10. Events after the balance sheet date

On 23 March 2017, Fluxys Belgium announced the organisation of a market consultation concerning a new tariff proposal for its transmission services. This proposal contained a tariff reduction as well as the non-indexation of tariffs on 1 January 2018. The CREG is expected to approve this proposal before summer. The tariff reduction will not affect Fluxys Belgium’s results given that these are largely determined by the recycled rate of return.

IV. Statutory auditor's report to the shareholders' meeting of Fluxys Belgium SA on the consolidated financial statements for the year ended 31 December 2016

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Fluxys Belgium NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated balance sheet shows total assets of EUR 2,989,171 (000) and the consolidated income statement shows a consolidated profit (group share) for the year then ended of EUR 48,484 (000).

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Fluxys Belgium NV/SA give a true and fair view of the group's net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.
As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 3 April 2017

The statatory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Jurgen Kesselaers

3.4. Statutory accounts of Fluxys Belgium SA according to Belgian GAAP

Given the significance of the equity as well as the revenue of the parent entity in the consolidated financial statements, the publication of the detailed version of the annual accounts and the notes to the accounts in this brochure would, in the majority of cases, be redundant given the explanations found in the consolidated accounts.

Pursuant to Article 105 of the Companies Code, it has therefore been decided to present an abridged version of the annual accounts of Fluxys Belgium SA.

The statutory auditor issued an unqualified audit opinion on the annual accounts of Fluxys Belgium SA.

The annual accounts of Fluxys Belgium SA and the auditor's report have been filed with the National Bank of Belgium. They are available on the Fluxys Belgium website (www.fluxys.com/belgium) and can also be obtained free of charge upon request at the following address:

Fluxys Belgium SA
Communication Department
Avenue des Arts 31, 1040 Brussels, Belgium

I. Balance sheet

Assets		In thousands of €
	31-12-2016	31-12-2015
Fixed assets	**2,033,590**	**2,141,468**
Formation expenses	1,454	1,720
Intangible assets	52,082	60,793
Property, plant and equipment	1,895,106	1,993,516
Financial fixed assets	84,948	85,439
Current assets	**255,683**	**213,948**
Stock and contracts in progress	21,198	25,804
Amounts receivable within one year	85,501	79,030
Cash investments	0	1,275
Cash at bank and in hand	137,603	92,576
Deferred charges and accrued income	11,381	15,263
Total	**2,289,273**	**2,355,416**

Equity and liabilities		In thousands of €
	31-12-2016	31-12-2015
Equity	**672,327**	**728,539**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	486,538	530,954
Reserves	40,932	50,937
Accumulated profits (losses)	33,564	30,924
Capital subsidies	50,983	55,414
Provisions and deferred taxes	**37,612**	**38,475**
Provisions for liabilities and charges	9,878	8,408
Deferred taxes	27,734	30,067
Amounts payable	**1,579,334**	**1,588,402**
Amounts payable after more than one year	1,042,148	1,087,006
Amounts payable within one year	182,941	182,245
Accrued charges and deferred income	354,245	319,151
Total	**2,289,273**	**2,355,416**

II. Income statement

Income statement	In thousands of €	
	31-12-2016	31-12-2015
Operating income	499,422	551,012
Operating charges	416,616	432,755
Operating profit	**82,806**	**118,257**
Financial income	24,817	29,694
Finance costs	40,416	58,023
Net financial income	**-15,599**	**-28,329**
Earnings before taxes	**67,207**	**89,928**
Transfer from deferred taxes	**2,333**	**2,420**
Income tax expenses	**-35,877**	**-43,099**
Net profit/loss for the period	**33,663**	**49,249**
Transfer from untaxed reserves	**100**	**103**
Profit for the period available for appropriation	**33,763**	**49,352**

III. Appropriation account

Appropriation account		In thousands of €
	31-12-2016	31-12-2015
Profit to be appropriated	**64,687**	**89,020**
Profit for the period available for appropriation	33,763	49,352
Profit carried forward from the previous period	30,924	39,668
Transfer from equity	**53,193**	**43,170**
From reserves	53,193	43,170
Transfer to equity	**0**	**16,950**
To the legal reserve	0	0
To the other reserves	0	16,950
Result to be carried forward	**33,564**	**30,924**
Profit to be carried forward	33,564	30,924
Profit to be distributed	**84,316**	**84,316**
Dividends	84,316	84,316
If the above proposal is accepted and taking tax requirements into account, the annual dividend, net of withholding tax, will be:	0.84€	0.88€

In 2016, no interim dividend was paid. The gross dividend per share to be paid out for the financial year 2016 is €1.20 per share (€0.84 net). It will be payable from 18 May 2017.

IV. Capital at the end of the period

Capital at the end of the period	
	31-12-2016
Subscribed capital (in thousands of €)	
At the end of the previous period	60,272
At the end of the period	60,272
Capital represented by	
Registered shares	62,211,399
Dematerialised shares	8,052,102

Shareholder structure

Declarant	Date of declaration	Share category	Number of voting rights declared	%
Fluxys	31-08-2016	B/D	63,217,100	89.97

The Belgian State holds one specific share.

V. Income taxes

Income taxes	In thousands of €
	31-12-2016
Breakdown of heading 670/3*	
Income taxes on the result of the current period	**36,279**
Taxes and withholding taxes due or paid	33,250
Excess of income tax prepayments	0
Estimated additional taxes	3,029
Income taxes on previous periods	**0**
Additional taxes due or paid	0
Additional taxes (estimated or provided for)	0
Reconciliation between profit before taxes and estimated taxable profit	
Profit before taxes	**67,207**
Permanent differences:	**39,528**
Definitively taxed income	-19,201
Non-deductible expenses	8,500
Notional interest	0
Taxable reserves	47,796
Depreciation of financial fixed assets	0
Transfer from untaxed reserves	100
Transfer from deferred taxes	2,333
Total	**106,735**

** The regularisation of taxes (accounts 77) for an amount of € -402 thousand in 2016 is not registered in this item.*

VI. Workforce

ONSS N°: 030012851238

Joint Commission N°: 326

Headcount

A. Employees recorded in the personnel register

1a. During the current period	Total	Men	Women
Average number of employees			
Full-time	780.75	670.33	110.42
Part-time	124.92	62.00	62.92
Total in full-time equivalents (FTE)*	875.21	716.98	158.23
Numbers of hours actually worked			
Full-time	1,165,683	1,006,513	159,170
Part-time	139,087	68,023	71,064
Total	1,304,770	1,074,536	230,234
Employee expenses			
Full-time	96,200,321 €	82,236,545 €	13,963,776 €
Part-time	11,078,838 €	6,054,203 €	5,024.635 €
Total	107,279,159 €	88,290,748 €	18,988,411 €
Advantages in addition to wages	1,531,647 €	1,260,545 €	271,10€

1b. During the previous period	Total	Men	Women
Average number of employees (FTE)*	911.9	743.8	168.1
Numbers of hours actually worked	1,350,416	1,106,624	243,792
Employee expenses	114,332,655 €	97,182,757 €	17,149,898 €
Advantages in addition to wages	1,585,674 €	1,347,823 €	237,851 €

** full-time equivalents*

2. At the closing of the period

		Full-time	Part-time	Total full-time equivalents
a.	Employees recorded in the personnel register	769	124	862.58
b.	By nature of the employment contract			
	Contract for an indefinite period	743	124	836.58
	Contract for a definite period	26	0	26.0
	Contract for execution of a specifically assigned work	0	0	0.0
	Replacement contract	0	0	0.0
c.	According to gender and study level			
	Men	664	59	708.90
	Primary education	0	0	0.0
	Secondary education	292	29	314.30
	Higher non-university education	166	13	176.10
	University education	206	17	218.50
	Women	105	65	153.68
	Primary education	0	0	0.0
	Secondary education	24	21	39.35
	Higher non-university education	44	34	69.73
	University education	37	10	44.60
d.	By professional category			
	Manager staff	248	24	266.00
	Employees	521	100	596.58
	Workers	0	0	0.0
	Others	0	0	0.0

** full-time equivalents*

B. Hired temporary staff and personnel placed at the enterprise's disposal

During the current period	Hired temporary staff	Persons placed at the enterprise's disposal
Average number of persons employed	2.9	0.0
Numbers of hours actually worked	5,683	0
Costs for the enterprise	148,568 €	0 €

Table of movements in personnel during the period

	Full-time	Part-time	Total FTE *
Entries			
a. Number of employees recorded in the personnel register in this financial year	34	1	34.80
b. By nature of the employment contract			
Contract for an indefinite period	11	1	11.80
Contract for a definite period	23	0	23.00
Contract for execution of a specifically assigned work	0	0	0.0
Replacement contract	0	0	0.0
Departures			
a. Number of employees whose date of leaving is recorded in the personnel register in this financial year	68	4	70.30
b. By nature of the employment contract			
Contract for an indefinite period	44	4	46.30
Contract for a definite period	24	0	24.00
Contract for execution of a specifically assigned work	0	0	0.0
Replacement contract	0	0	0.0
c. By reason of termination of contract			
Retirement	14	0	14.00
Early retirement	0	0	0.0
Dismissal	6	1	6.80
Other reason	48	3	49.50
Of which: the number of persons who continue to render services to the company at least half-time on a self-employed basis	0	0	0.0

** full-time equivalents*

Information on training provided to employees during the period

	Men	Women
Initiatives of formal continued professional development at the expense of the employer		
Number of employees involved	686	160
Numbers of actual training hours	22,012	3,589
Net costs for the enterprise	3,146,688 €	503,910 €
Of which gross costs directly linked to training	3,146,688 €	503,910 €
Of which fees paid and payments to collective funds	0 €	0 €
Of which subsidies and other financial advantages received (to deduct)	0 €	0 €
Total of initiatives of less formal or informal professional training at the expense of the employer		
Number of employees involved	282	56
Numbers of actual training hours	4,176	572
Net costs for the enterprise	403,844 €	49,562 €
Total of initiatives of initial professional training at the expense of the employer		
Number of employees involved	0	0
Numbers of actual training hours	0	0
Net costs for the enterprise	0 €	0 €

BOARD OF DIRECTORS

Daniël Termont, *Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee*
Claude Grégoire, *Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee*
Jos Ansoms
Marianne Basecq *
Patrick Côté
Valentine Delwart *
Hélène Deslauriers *
Andries Gryffroy
Luc Hujoel
Ludo Kelchtermans, *Chairman of the Audit committee*
Monique Lievens * , *Chairman of the Corporate Governance Committee*
Renaud Moens
Walter Nonneman *
Josly Piette
Nele Roobrouck
Henriette Van Caenegem *
Christian Viaene, *Chairman of the Appointment and Remuneration Committee*
Sandra Wauters *
Luc Zabeau

François Fontaine, *federal government representative acting in an advisory capacity*
Pascal De Buck, *Chairman of the Executive Committee and CEO, invited in an advisory capacity*

Nicolas Daubies, Company Secretary & Legal Manager, acts as secretary to the Board of Directors.

•*Independent director under the provisions of the Gas Act.*

STRATEGY COMMITTEE

Claude Grégoire, *Chairman*
Daniël Termont, *Vice-chairman*
Jos Ansoms
Patrick Côté
Valentine Delwart
Luc Hujoel
Walter Nonneman
Sandra Wauters
Christian Viaene, *observer in an advisory capacity*
François Fontaine, *Federal government representative acting in an advisory capacity*
Pascal De Buck, *Chairman of the Executive Board and CEO, invited in an advisory capacity*

Nicolas Daubies, Company Secretary & Legal Manager, acts as secretary to the Strategy Committee.

AUDIT COMMITTEE

Ludo Kelchtermans, *Chairman*
Marianne Basecq
Patrick Côté
Renaud Moens
Henriette Van Caenegem
Sandra Wauters

Nicolas Daubies, Company Secretary & Legal Manager, acts as secretary to the Audit Committee.

CORPORATE GOVERNANCE COMMITTEE

Monique Lievens, *Chairman*
Valentine Delwart
Hélène Deslauriers
Andries Gryffroy
Henriette Van Caenegem
Luc Zabeau

Nicolas Daubies, Company Secretary & Legal Manager, acts as secretary to the Corporate Governance Committee

APPOINTMENT AND REMUNERATION COMMITTEE

Christian Viaene, *Chairman*
Marianne Basecq
Valentine Delwart
Hélène Deslauriers
Luc Hujoel
Walter Nonneman
Nele Roobrouck

Anne Vander Schueren, Director Human Resources, acts as secretary to the Appointment and Remuneration Committee.

COMPANY MANAGEMENT

Operational management of the company, including day-to-day operations and representation of the company vis-à-vis third parties, is the responsibility of the Executive Board, which is composed as follows:

Pascal De Buck, Chairman of the Executive Board and Chief Executive Officer
Arno Büx, member of the Executive Board and Chief Commercial Officer
Paul Tummers, member of the Executive Board and Chief Financial Officer
Peter Verhaeghe, member of the Executive Board and Chief Technical Officer

The Executive Board is assisted by the following members of management, with whom they form the *Executive Committee:*
Huberte Bettonville, Director Commercial Regulated
Gérard Kimus, Director Planning & ICT
Anne Vander Schueren, Director Human Resources
Rafael Van Elst, Director Installations & Grid
Carlo van Eysendyck, Director Construction, Engineering & Gas Flow

Nicolas Daubies, Company Secretary & Legal Manager, acts as secretary.

THIS IS AN OVERVIEW OF THE COMPOSITION OF THE CORPORATE BODIES ON 29 MARCH 2017

CORPORATE GOVERNANCE DECLARATION: CONTENTS

Fluxys Belgium has adopted the Belgian Corporate Governance Code 2009 ('Code 2009') as its benchmark code of conduct. Fluxys Belgium is also subject to legislation on corporate governance contained in the Act of 12 April 1965 on the transmission of gas and other products via pipelines, as subsequently amended ('Gas Act'), and European Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC ('Directive'). Details of the legislation applied by Fluxys can be found online:

- 2009 Code: www.corporategovernancecommittee.be
- Gas Act (in French and Dutch): www.just.fgov.be
- Directive: eur-lex.europa.eu

Fluxys Belgium does not apply the 2009 Code's rules on the term of directorships. Members of the Board of Directors are appointed for a period of six years rather than the four years advocated by the 2009 Code. However, this term is justified by the technical, financial and legal particularity and complexity of the tasks and responsibilities entrusted to the natural gas system operator.

4.1. Changes in the composition of the Board of Directors in 2016

At the Annual General Meeting held on 10 May 2016, Renaud Moens's directorship was renewed for a period of six years until the 2022 Annual General Meeting, and Christian Viaene's directorship was renewed for a period of one year until the 2017 Annual General Meeting.

In addition, the Annual General Meeting that day decided, following their nomination by the Board of Directors and advice from the Appointment and Remuneration Committee, to appoint Jos Ansoms as a director, replacing Patrick Moenaert, and to appoint Nele Roobrouck as a director to replace Mireille Deziron. Jos's directorship will expire after the 2022 Annual General Meeting, while Nele's will expire following the 2017 Annual General Meeting.

When André Farber's directorship expired after the 2016 Annual General Meeting, he was not replaced.

Following advice from the Appointment and Remuneration Committee, Patrick Côté was co-opted by the Board of Directors on 25 January 2017 to take over the directorship of Eric Lachance, who resigned with effect from 31 December 2016. The next Annual General Meeting will decide on his definitive appointment.

The procedure for renewing directorships and the new appointments by the Appointment and Remuneration Committee was complied with.

4.2. Rules governing the appointment and replacement of Members of the Board of Directors and amendments to the Articles of Association

Appointment and replacement of directors. Directors are appointed by the Annual General Meeting for no more than six years and may be dismissed by it.

Article 11 and 12 of the Articles of Association stipulate that the company shall be managed by a Board of Directors comprising non-executive directors appointed for a maximum term of six years and who may be dismissed by the Annual General Meeting. The directorships of resigning directors who have not been re-elected shall expire immediately after the Annual General Meeting. In the event that one or more directorships remain vacant, the remaining directors may, by a simple majority of votes, act temporarily in the place of the resigning directors. In such cases, the Annual General Meeting shall make the permanent nomination or nominations at its first meeting thereafter. Where a directorship falls vacant prior to the planned expiry of a term of office, the replacement director appointed shall serve the remaining period of the term of the director he/she is replacing.

Amendments to the Articles of Association. The Group's Articles of Association may be amended by the Annual General Meeting, and such amendments must be published in the Moniteur Belge. Decisions on amendments to the Articles of Association are only valid if at least half of the Group's share capital is represented at the Annual General Meeting. No amendments shall go ahead unless they are passed by three quarters of the votes.

4.3. Board of Directors

4.3.1. Composition of the Board of Directors

Article 11 of the company's Articles of Association stipulates that the Board of Directors shall comprise no fewer than 3 and no more than 24 non-executive directors, excluding one or more government representatives.

In order to comply with the provisions of the Gas Act, at least one third of directors must be independent within the meaning of the Gas Act. They are chosen partly on the basis of their financial management skills and partly for their useful technical knowledge and in particular their relevant knowledge of the energy sector. One third of directors must be of a different sex from the other members.

Half the directors must be native speakers of French, and the other half native speakers of Dutch.

In addition, the golden share grants the Federal Energy Minister the right to appoint two representatives of the federal government to the Board of Directors.

Directors of the company may not simultaneously be members of the supervisory board, Board of Directors or bodies legally representing the undertaking, of an undertaking active in the production or supply of natural gas and may not exercise any rights over such an undertaking.

Directors

Daniël Termont Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee
Daniël Termont is the Mayor of Ghent and Chairman of Publigas. He was appointed a director in May 1998 following his nomination by Publigas, and his current term of office expires at the Annual General Meeting in May 2021.

Jos Ansoms Director (since 10 May 2016)
Jos Ansoms holds a degree in political and social sciences from KU Leuven. He was Mayor of Loenhout and Wuustwezel continuously from 1972 to 2012. During that period he was also Chairman of Intermixt, Iveka and IGEAN and Vice-Chairman of Eandis. For 23 years he was a member of the lower house of the Belgian federal parliament, the House of Representatives, during which time he for example chaired the Business and Energy Committee. He was appointed a director in May 2016 following his nomination by Publigas, and his current term of office expires at the Annual General Meeting in May 2022.

Patrick Côté Director (since 1 January 2017)
Patrick Côté graduated from HEC Montréal with a business degree, specialising in professional accounting. He holds CPA (Chartered Professional Accountant) and CMA (Certified Management Accountant) certification. From 2008 to 2013, he worked as an investment analyst at CDPQ, where he was involved in many transactions in the infrastructure sector. He has served as Director Asset Management (Infrastructure) in Paris since 2013. He was co-opted as a director by the Board of Directors with effect from 1 January 2017, pursuant to a nomination by CDPQ. His directorship will be confirmed by the next Annual General Meeting. His current term of office expires at the Annual General Meeting in May 2017.

Mireille Deziron Director (until 10 May 2016)
Mireille Deziron is the director of Trigger-M. She was appointed a director in June 2009 following her nomination by Publigas, and her term of office expired at the Annual General Meeting in May 2016.

Claude Grégoire Director, Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee
Claude Grégoire is a civil engineer and CEO of Socofe. He was appointed a director in October 1994 following his nomination by Publigas. His current term of office expires at the Annual General Meeting in May 2018.

Andries Gryffroy Director
Andries Gryffroy is a qualified industrial electromechanical engineer and holds a Master's degree in marketing. He took a number of additional training courses in the energy sector and worked in a range of positions in that sector before founding his own engineering firm specialising in energy projects. He recently sold his company and is now a consultant in

technology and energy. He is also a member of the Flemish parliament and a federated entity senator. He was appointed a director in May 2015 following his nomination by Publigas, and his current term of office expires at the Annual General Meeting in May 2021.

Luc Hujoel Director
Luc Hujoel holds a Master's degree in economics and is Director General of the intermunicipal company Sibelga and Brussels Network Operations. He was appointed a director in May 2009 following his nomination by Publigas, and his current term of office expires at the Annual General Meeting in May 2021.

Ludo Kelchtermans Director, Chairman of the Audit Committee
Ludo Kelchtermans has a degree in economics and holds the position of partner/accountant at Foederer DFK Belgium, an independent firm specialising in auditing, accounting, tax law and consultancy. He is general manager of Nutsbedrijven Houdstermaatschappij (NUHMA) and a member of the audit committee of Aspiravi. He was appointed a director in June 2012 following his nomination by Publigas. His current term of office expires at the Annual General Meeting in May 2020.

Eric Lachance Director (until 31 December 2016)
Eric Lachance has a degree in business, finance and economics from McGill University and has been an accredited financial analyst since 2000. He is currently Vice President Finance of Gaz Métro. Eric was co-opted as a director by the Board of Directors with effect from 24 September 2014 following his nomination by CDPQ and tendered his resignation with effect from 31 December 2016.

Patrick Moenaert Director (until 10 May 2016)
Patrick Moenaert studied political and social sciences (sociology) at KU Leuven and is Honorary Mayor of the City of Bruges, founder and former Chairman of Vlaamse Centrumsteden (VVSG, Flemish regional cities) and former Chairman of the intermunicipal company Finiwo. He was appointed a director in May 1998, and his term of office expired at the Annual General Meeting in May 2016.

Renaud Moens Director
Renaud Moens holds a degree in business from Ecole de Commerce Solvay at the Université Libre de Bruxelles (ULB). He is the general manager of intermunicipal company IGRETEC and a director at Sambrinvest. He was co-opted as a director by the Board of Directors on 24 September 2014 following his nomination by Publigas, and his current term of office expires at the Annual General Meeting in May 2022.

Josly Piette Director
Josly Piette holds degrees in industrial sociology and economic and social policy. He is Mayor of Bassenge, Honorary General Secretary of the Confédération des Syndicats Chrétiens (Confederation of Christian trade unions) and a director of Socofe and Publigas. He was appointed a director in June 2009 following his nomination by Publigas. His current term of office expires at the Annual General Meeting in May 2020.

Nele Roobrouck Director (since 10 May 2016)
Nele Roobrouck holds a degree in law from KU Leuven and a Master in Energy and Environmental Law. She is currently Head of Cabinet for Flemish Deputy Minister-President Bart Tommelein and works as an expert for Belgian Deputy Prime Minister Alexander De Croo. She has also been a government commissioner at Elia NV/SA since January 2013. She was appointed a director in May 2016 following her nomination by Publigas, and her current term of office expires at the Annual General Meeting in May 2017.

Christian Viaene Director, Chairman of the Appointment and Remuneration Committee
Christian Viaene is a commercial engineer and holds a degree in applied economics. He is Director General of the Brussels intermunicipal gas and electricity companies and is General Secretary of Publigas. He was appointed a director in March 2005 following his nomination by Publigas. His current term of office expires at the Annual General Meeting in May 2017.

Luc Zabeau Director
Luc Zabeau is a commercial engineer and holds a degree in commercial and financial sciences. He joined Sibelga in 2003 where he is currently director of the Finance Department. He was appointed a director in June 2009 following his nomination by Publigas. His current term of office expires at the Annual General Meeting in May 2017.

Independent directors under the provisions of the Gas Act:

Marianne Basecq *Director*
Marianne Basecq holds a degree in business administration, with this being complemented by additional training in public management. She is a General Advisor to the holding Socofe SA. She was appointed an independent director in May 2007 following her nomination by Publigas. Her current term of office expires at the Annual General Meeting in May 2019.

Valentine Delwart *Director*
Valentine Delwart has a law degree and a Master's degree in European Law. She is Alderwoman for Social Affairs in Uccle and since March 2011 has been Secretary General of the political party Mouvement Réformateur. She is also a director of NMBS/SNCB. She was appointed an independent director in May 2013 following her nomination by the Board of Directors and the advice of the relevant advisory committees. Her current term of office expires at the Annual General Meeting in May 2019.

Hélène Deslauriers *Director*
Hélène Deslauriers studied Law at the University of Montreal and obtained an LLM from the University of London. She is a member of the Bar of the Province of Quebec and a member of the International Bar Association. She was Vice President at Bombardier Transportation for 13 years. She was appointed an independent director in May 2011 following her nomination by the Board of Directors and the advice of the relevant advisory committees. Her current term of office expires at the Annual General Meeting in May 2017.

André Farber *Director, Chairman of the Corporate Governance Committee (until 10 May 2016)*
André Farber holds a PhD in applied economics and is an emeritus professor at the Université Libre de Bruxelles (ULB). He was appointed a director in December 2003 and an independent director by the Extraordinary General Meeting of January 2004. He was confirmed as an independent director by the Board of Directors following his nomination by the Appointment and Remuneration Committee. His term of office expired at the Annual General Meeting in May 2016.

Monique Lievens *Chairman of the Corporate Governance Committee*
Monique Lievens holds a degree in economics and specialised in business economics. She holds the position of Human Resources Advisor at the National Bank of Belgium and was appointed an independent director in May 2007 following her nomination by Publigas. Her current term of office expires at the Annual General Meeting in May 2019.

Walter Nonneman *Director*
Walter Nonneman is an emeritus professor of economics at the University of Antwerp and a director of a number of financial institutions and various associations. He holds a PhD in applied economics from UFSIA and also studied at the Harvard Graduate School of Business Administration. Walter Nonneman was appointed an independent director in May 2009 following his nomination by the Appointment and Remuneration Committee, and his current term of office expires at the Annual General Meeting in May 2021.

Henriette Van Caenegem *Director*
Henriette Van Caenegem holds a degree in law and until the end of 2013 was Chief Legal Officer of Tessenderlo Group, a chemicals multinational headquartered in Belgium. Since then, she has been active as an independent legal advisor and project manager for acquisition and divestment projects. She was appointed an independent director in May 2006, with this appointment being confirmed by the Board of Directors following advice from the relevant advisory committees. Her current term of office expires at the Annual General Meeting in May 2018.

Sandra Wauters *Director*
Sandra Wauters holds a PhD in Chemical Engineering from Ghent University. She is Environmental Manager at BASF Antwerp where she is in charge of coordinating energy and climate-related matters. She was appointed an independent director in May 2013 following her nomination by the Board of Directors and advice from the relevant advisory committees. Her current term of office expires at the Annual General Meeting in May 2019.

Federal government representatives

François Fontaine

François Fontaine holds degrees in law and tax law and is currently a general advisor with the Federal Holding and Investment Company (SFPI-FPIM). He was appointed the French-speaking federal government representative by the Energy Minister on 4 February 2009 with the specific responsibilities detailed in the Acts of 26 June 2002 and 29 April 1999 and in the Royal Decrees of 16 June 1994 and 5 December 2000, as set out in Article 21 of the Articles of Association and in the Corporate Governance Charter. François Fontaine's term of office as federal government representative on the Board of Directors of Fluxys Belgium was renewed by the Royal Decree of 14 December 2012, which entered into force on 14 January 2013.

The federal government representative attends Board of Directors and Strategy Committee meetings in an advisory capacity.

Presence of the Chairman of the Executive Board

As Chairman of the Executive Board, Pascal De Buck was, in 2016, routinely invited to attend meetings of the Board of Directors and the advisory committees in an advisory capacity.

Secretariat

Nicolas Daubies, Company Secretary and Legal Manager, is secretary to the Board of Directors.

4.3.2. Activity report

Issues examined

The members of the Board seek to adopt decisions by consensus. The Board addressed the following main issues:

- The strategy of Fluxys Belgium, including European developments
- The budget for 2016
- The 10-year investment programme (2017-2026)
- Medium-Term Plan
- HSEQ policy
- Risk management
- The preparation of the company's annual and half-yearly accounts and those of its subsidiaries, as well as associated press releases
- The drafting of the annual financial report for the financial year 2015 and the half-yearly financial report as at 30 June 2016
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
  - Market integration projects
  - Kraainem - Haren/Overijse - Jezus-Eik pipelines
  - L-gas to H-gas conversion
  - Construction of the second jetty at Zeebrugge and the permit procedures for the third jetty
  - Construction of the fifth storage tank at Zeebrugge LNG Terminal
- Changes in the legal and regulatory framework, including:
  - tariffs, developments in tariff discussions and tariff settlement for 2016;
  - keeping abreast of developments in disputes and legal action with a view to safeguarding the company's interests;
  - *Tariff Network Code* and Network Code for capacity allocations;
  - the energy mix;
  - security clearance for directors;
- commercial activities, including the market for natural gas storage, 2015 sales, the demand to reduce transit capacity, transmission tariffs and terminalling
- convening the Annual General Meeting and Extraordinary General Meetings;
- changes in the composition of the Board of Directors and the advisory committees;

- examination of reports by the Strategy Committee, the Audit Committee, the Appointment and Remuneration Committee and the Corporate Governance Committee;
- examination of the report of the Board of Directors of Fluxys LNG including the opinion of Committee 524 on Fluxys Finance's loan to Fluxys LNG.
- The organisation of Fluxys Belgium
- The procedure for evaluating the Board of Directors and the committees

Operation

The Board of Directors may only deliberate and adopt decisions when at least half of the directors are either present or represented. Decisions by the Board of Directors are taken by a simple majority of votes cast by directors present or represented. In 2016, the Board of Directors took all of its decisions by unanimous vote of the directors present or represented.

Frequency of meetings and attendance levels

The Board of Directors met six times in 2016. Director attendance at Board of Directors meetings in 2016 was as follows:

	Attendance
Daniël Termont	6 out of 6 meetings
Claude Grégoire	6 out of 6 meetings
Jos Ansoms	3 out of 3 meetings
Marianne Basecq	5 out of 6 meetings
Valentine Delwart	2 out of 6 meetings
Hélène Deslauriers	5 out of 6 meetings
Mireille Deziron	1 out of 3 meetings
André Farber	2 out of 3 meetings
Andries Gryffroy	4 out of 6 meetings
Luc Hujoel	5 out of 6 meetings
Ludo Kelchtermans	5 out of 6 meetings
Eric Lachance	6 out of 6 meetings
Monique Lievens	6 out of 6 meetings
Patrick Moenaert	3 out of 3 meetings
Renaud Moens	6 out of 6 meetings
Walter Nonneman	6 out of 6 meetings
Josly Piette	5 out of 6 meetings
Nele Roobrouck	2 out of 3 meetings
Henriette Van Caenegem	6 out of 6 meetings
Christian Viaene	6 out of 6 meetings
Sandra Wauters	6 out of 6 meetings
Luc Zabeau	6 out of 6 meetings

4.3.3. Fluxys Finance loan to Fluxys LNG: application of Article 524 of the Belgian Company Code

Fluxys Belgium subsidiary Fluxys LNG, which is not listed on the stock exchange, took out a long-term loan from sister company Fluxys Finance. With a view to preparing the transaction between the associated companies, a committee made up of independent directors was created within the Fluxys Belgium Board of Directors pursuant to Article 524 of the Belgian Company Code.

The opinion issued by this committee confirmed that the loan was not detrimental to the company. On the basis of that opinion, the Board of Directors approved this decision. The statutory auditor gave an assessment of the reliability of the data contained in the opinion returned by the committee of independent directors and in the minutes of the Board of Directors' meeting.

Conclusions of the committee of independent directors. "After studying the related documentation, taking into account opinions from financial and legal experts, and following the evaluation of the financial consequences of the transactions for the company and its shareholders, the committee has decided that the nature of the transaction shall not cause any unlawful harm to the company, in its capacity as parent company to Fluxys LNG, in light of the policy it applies.

As such, the committee issues a positive opinion to the Board of Directors with regard to the aforementioned transaction.

The committee's opinion is based on the information available as of 21 March 2016.

Done in Brussels on 21 March 2016."

Extract from the minutes of the Board of Directors' meeting. "The Board of Directors takes note of the opinion of Committee 524 and approves the loan by Fluxys Finance to Fluxys LNG in accordance with the stated conditions."

Auditor's assessment. "Within the framework of our remit, we performed the following activities:

a) we obtained the minutes of the Board of Directors' meeting held on 30 March 2016 and compared the conclusion detailed in said minutes with that contained in the opinion returned by the committee of independent directors;

b) we ascertained whether the financial data contained in the opinion returned by the committee of independent directors and in the minutes of the Board of Directors' meeting were accurate.

Having performed the above activities, we have been able to conclude the following:

a) the conclusion detailed in the minutes of the Board of Directors' meeting held on 30 March 2016 tallies with that detailed in the opinion returned by the committee of independent directors;

b) the financial data contained in the opinion returned by the committee of independent directors and in the minutes of the Board of Directors' meeting was accurate. However, this does not mean that we assessed the conditions of the loan or the advisability of the Board of Director's decision.

The Board of Directors and the committee of independent directors based their decision on the detailed reports written by independent financial and legal experts.

Our report may only be used within the framework of the transaction described above and may not be used for any other purpose. This report concerns the aforementioned information only, and not any other information.

Antwerp, 9 September 2016
The statutory auditor
Deloitte Bedrijfsrevisoren/Reviseurs d'Entreprises
BV o.v.v.e. CVBA/SC s.f.d. SCRL
Represented by Jurgen Kesselaers

4.4. Committees formed by the Board of Directors

4.4.1. Strategy Committee

Composition of the Strategy Committee

The Strategy Committee comprises eight non-executive directors, of whom at least one third must be independent under the provisions of the Gas Act.

Chairman
Claude Grégoire

Vice-Chairman
Daniël Termont, Chairman of the Board of Directors

Members
Jos Ansoms *(since 10 May 2016)*
Patrick Côté *(since 1 January 2017)*
Valentine Delwart *
Luc Hujoel
Eric Lachance *(until 31 December 2016)*
Patrick Moenaert *(until 10 May 2016)*
Walter Nonneman *
Sandra Wauters *

** Independent directors under the provisions of the Gas Act*

Federal government representatives acting in an advisory capacity
François Fontaine

Invited in an advisory capacity
As Chairman of the Executive Board, Pascal De Buck was routinely invited to attend meetings of the Strategy Committee in 2016.
Christian Viaene, Director

Secretariat
Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Strategy Committee.

Issues examined

The Strategy Committee was set up within the Board of Directors in accordance with Article 17.3 of the Articles of Association. It has no decision-making powers but is responsible for preparing draft decisions to be submitted to the Board of Directors for approval in accordance with the applicable legal, regulatory and statutory provisions. Within this framework, the Strategy Committee also monitors implementation of the Board's decisions. The members of the Strategy Committee seek to adopt decisions by consensus. In 2016, the Strategy Committee addressed the following issues:

- The strategy of Fluxys Belgium, including European developments
- The 10-year investment programme (2017-2026)
- Medium-Term Plan
- HSEQ policy
- The budget 2017
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
  - Market integration projects
  - Kraainem - Haren/Overijse - Jezus-Eik pipelines
  - L-gas to H-gas conversion
  - Construction of the second jetty at Zeebrugge and the permit procedures for the third jetty
  - Construction of the fifth storage tank at Zeebrugge LNG Terminal

- Changes in the legal and regulatory framework, including:
  - tariffs, developments in tariff discussions and tariff settlement for 2016;
  - keeping abreast of developments in disputes and legal action with a view to safeguarding the company's interests;
  - *Tariff Network Code* and Network Code for capacity allocations;
  - the energy mix;
  - security clearance for directors;
- Commercial activities, including the market for natural gas storage, 2015 sales, the demand to reduce transit capacity, transmission tariffs and terminalling
- Commercial activities and network operation
- Information relating to operation and safety
- The company's financial situation

Operation

Decisions by the Strategy Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2016, the Strategy Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Strategy Committee works, please consult Annex IV of the Corporate Governance Charter – Strategy Committee Rules of Internal Procedure (www.fluxys.com/belgium).

Frequency of meetings and attendance levels

The Strategy Committee met nine times in 2016. Director attendance at Strategy Committee meetings in 2016 was as follows:

	Attendance
Claude Grégoire	8 out of 9 meetings
Daniël Termont	9 out of 9 meetings
Jos Ansoms	5 out of 5 meetings
Valentine Delwart	9 out of 9 meetings
Luc Hujoel	9 out of 9 meetings
Eric Lachance	8 out of 9 meetings
Patrick Moenaert	4 out of 4 meetings
Walter Nonneman	9 out of 9 meetings
Christian Viaene	7 out of 9 meetings
Sandra Wauters	7 out of 9 meetings

4.4.2. Audit Committee

Composition of the Audit Committee

The Audit Committee comprises six non-executive directors, the majority of whom is independent. Since the end of the term of office of André Farber, who was not replaced as a member of the Audit Committee, three of the six members are regarded as independent directors pursuant to the Gas Act. Even so, a situation in which half of the directors are independent directors is considered to be sufficient for the functioning of the Audit Committee. This justifies a deviation of principal 5.2/4 of the Corporate Governance Code. The Audit Committee has a collective expertise in the area of the activities of the enterprise and at least one independent director has the required expertise in accounting and auditing.

Chairman
Ludo Kelchtermans

Members
Marianne Basecq *
Patrick Côté *(since 1 January 2017)*
André Farber * *(until 10 May 2016)*
Eric Lachance *(until 31 December 2016)*
Renaud Moens
Henriette Van Caenegem *
Sandra Wauters *

** Independent directors under the provisions of the Gas Act*

Accounting and auditing expertise of the independent directors on the Audit Committee[4]

Marianne Basecq:

- Graduate in business administration (commerce and management) from the University of Liège, majoring in finance; she subsequently undertook additional training in the consolidation of corporate accounts.
- She is a member of various audit committees and the Appointment and Remuneration Committee.
- She is a director at various companies in the environmental and renewable energy sectors.

Henriette Van Caenegem:

- Henriette holds a law degree from Ghent University and a Master of Laws (LLM Cantab, Cambridge).
- As a corporate lawyer, risk management is one of her key roles, while as former General Counsel for UCB and Chief Legal Officer for Tessenderlo Group and as a project manager for mergers and acquisitions she is well versed in the financial aspects of company management, having handled numerous takeovers.

Sandra Wauters:

- PhD in chemical engineering
- In her operations role at BASF Antwerp, she has acquired experience in HAZOP studies and technical risk assessments.

Secretariat

Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Audit Committee.

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[4] Pursuant to the Belgian Company Code (Article 96), the independence and expertise in accounting and auditing of at least one member of the Audit Committee must be accounted for in the annual report.

Issues examined

The Audit Committee was set up within the Board of Directors to assist the latter. It has the powers assigned to an audit committee by law as well as any other powers that may be assigned to it by the Board of Directors. The members of the Audit Committee seek to adopt decisions by consensus. In 2016, the Committee addressed the following main issues:

- The company's accounts as at 31 December 2015 and 30 June 2016 as well as associated press releases (financial part)
- The annual financial report for 2015 and the half-yearly report as at 30 June 2016
- The principles governing the closing of accounts
- Examination of the auditor's work
- The reappointment of the auditor
- Examination of the internal control and risk management system
- Goals, timetable and activities of the internal audit in 2016
- The internal audit schedule for 2017
- Following up on the recommendations made in the wake of the internal audit in 2015
- The recommendations of the European Securities and Markets Authority (ESMA) and of the Financial Services and Markets Authority (FSMA)
- Validation of the internal audit charter
- The follow-up on the external analysis conducted by E&Y in 2014
- Transfer of TAK 21 reserves to the pension fund
- The operations to finance Fluxys Belgium and its subsidiaries
- Risk management

Operation

Decisions by the Audit Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2016, the Audit Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Audit Committee works, please consult Annex II of the Corporate Governance Charter – Audit Committee Rules of Internal Procedure (www.fluxys.com/belgium).

Frequency of meetings and attendance levels

The Audit Committee met five times in 2016. Director attendance at Audit Committee meetings in 2016 was as follows:

	Attendance
Ludo Kelchtermans	5 out of 5 meetings
Marianne Basecq	4 out of 5 meetings
André Farber	3 out of 3 meetings
Eric Lachance	5 out of 5 meetings
Renaud Moens	5 out of 5 meetings
Henriette Van Caenegem	5 out of 5 meetings
Sandra Wauters	4 out of 5 meetings

4.4.3. Appointment and Remuneration Committee

Composition of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee comprises seven non-executive directors, the majority of whom must be independent. The committee must have the required expertise in remuneration policy.

Chairman
Christian Viaene

Members
Marianne Basecq *
Valentine Delwart *
Hélène Deslauriers *
Mireille Deziron *(until 10 May 2016)*
Luc Hujoel
Walter Nonneman *
Nele Roobrouck *(since 10 May 2016)*

** Independent directors under the provisions of the Gas Act*

Secretariat
Anne Vander Schueren acts as secretary to the Appointment and Remuneration Committee.

Issues examined

The Appointment and Remuneration Committee was set up within the Board of Directors to assist it in all matters concerning the appointment and remuneration of directors and members of management. It has the powers assigned to a remuneration committee by law as well as any other powers that may be assigned to it by the Board of Directors. In 2016, the Appointment and Remuneration Committee addressed the following main issues:

- The compilation of the draft remuneration report
- The compilation of the opinion to be returned to the Board of Directors concerning the appointment of new directors
- The preparation of the objectives for the Chairman and members of the Executive Board
- The preparation of the evaluation of the Chairman and members of the Executive Board
- The compilation of recommendations on the remuneration of the Chairman of the Executive Board (fixed and variable remuneration)
- The compilation of recommendations on the remuneration of the other members of the Executive Board (fixed and variable remuneration) based on a proposal by the Chairman of the Executive Board
- The state of progress regarding the company objectives for 2016
- Examination of the evaluation survey for the Board of Directors, committees and directors

Operation

Decisions by the Appointment and Remuneration Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. The members of the Appointment and Remuneration Committee seek to adopt decisions by consensus. In 2016, the Appointment and Remuneration Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Appointment and Remuneration Committee works, please consult Annex III of the Corporate Governance Charter – Appointment and Remuneration Committee Rules of Internal Procedure (www.fluxys.com/belgium).

Frequency of meetings and attendance levels

The Appointment and Remuneration Committee met four times in 2016. Director attendance at Appointment and Remuneration Committee meetings in 2016 was as follows:

	Attendance
Christian Viaene	4 out of 4 meetings
Marianne Basecq	4 out of 4 meetings
Valentine Delwart	4 out of 4 meetings
Hélène Deslauriers	3 out of 4 meetings
Mireille Deziron	1 out of 2 meetings
Luc Hujoel	3 out of 4 meetings
Walter Nonneman	4 out of 4 meetings
Nele Roobrouck	2 out of 2 meetings

4.4.4. Corporate Governance Committee

Composition of the Corporate Governance Committee

The Corporate Governance Committee comprises six non-executive directors, of whom at least two thirds must be independent under the provisions of the Gas Act.

Chairman
André Farber * *(until 10 May 2016)*

Members
Valentine Delwart *
Hélène Deslauriers *
Andries Gryffroy
Monique Lievens *
Henriette Van Caenegem *
Luc Zabeau
** Independent directors under the provisions of the Gas Act*

Secretariat
Nicolas Daubies, Company Secretary and Legal Manager, acts as secretary to the Corporate Governance Committee.

Issues examined

The Corporate Governance Committee was set up within the Board of Directors to perform the tasks it was assigned by the Gas Act. The members of the Corporate Governance Committee seek to adopt decisions by consensus. In 2016, the Corporate Governance Committee mainly focused on drafting the committee's 2015 annual report compiled pursuant to Article 8/3 section 5(3) of the Gas Act.

Operation

Decisions by the Corporate Governance Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2016, the Corporate Governance Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Corporate Governance Committee works, please consult Annex I of the Corporate Governance Charter – Corporate Governance Committee Rules of Internal Procedure (www.fluxys.com/belgium).

Frequency of meetings and attendance levels

The Corporate Governance Committee met once in 2016. Director attendance at Corporate Governance Committee meetings in 2016 was as follows:

	Attendance
André Farber	1 out of 1 meeting
Valentine Delwart	1 out of 1 meeting
Hélène Deslauriers	0 out of 1 meeting
Andries Gryffroy	1 out of 1 meeting
Monique Lievens	1 out of 1 meeting
Henriette Van Caenegem	1 out of 1 meeting
Luc Zabeau	1 out of 1 meeting

4.5. Evaluation of the Board of Directors and the advisory committees

The Corporate Governance Charter stipulates, inter alia, that the Board of Directors, under the leadership of its Chairman, must:

- regularly, and at least once every three years, examine and assess its own efficiency and that of the company's management structure and of its committees (size, composition), in particular the role and tasks of the various committees of the Board of Directors;
- examine annually how it interacts with the Executive Board, in the absence of the Chairman of the Executive Board;
- regularly examine and assess the contribution made by each director, so as to be able to adapt the composition of the Board of Directors to changing circumstances and within the framework of the reappointment process.

In 2016, the Board of Directors examined how it interacted with the Executive Board based on a questionnaire completed by each member individually. The questionnaire covered the following subjects:

- evaluating the interaction between non-executive directors and management (information flow, supervision, distribution of roles, policy, etc.);
- how the Board of Directors monitors the Executive Board, and the monitoring methods used and their efficiency;
- how the appointment of members of the Executive Board and their contractual relations with the company are discussed;
- the criteria laid down for evaluation of the Executive Board and self-evaluation.

The responses to the questionnaire were analysed and the conclusion was drawn that, overall, the members of the Board of Directors were satisfied or very satisfied with the interaction between the Board of Directors and the Executive Board.

The effectiveness and efficiency of the management structure of the company's Board and its committees will be examined and assessed in 2017, including the contribution made by each director.

4.6. Company management in 2016

The Executive Board of Fluxys Belgium comprises no more than six members, including its chairman:

Pascal De Buck, Chairman of the Executive Board and Chief Executive Officer
Arno Büx, member of the Executive Board and Chief Commercial Officer
Paul Tummers, member of the Executive Board and Chief Financial Officer
Peter Verhaeghe, member of the Executive Board and Chief Technical Officer

Nicolas Daubies, Company Secretary and Legal Manager, who acts as secretary to the Executive Board

The Executive Board is responsible for the operational and day-to-day management of the company, including managing commercial, technical, financial, regulatory and HR aspects. The committee meets as often as it deems necessary and in any case weekly, unless the members are prevented in some way from doing so. The chairman convenes the members and any guests and sets the agenda. In 2016 – in addition to the matters submitted to the Board of Directors (see pp. 198-199) – the Executive Board focused on the following issues:

- **Strategy**: 2016-2018 objectives and balanced score cards, indicative investment programme 2017-2026, natural gas's place in the energy mix, assessment of the impact of Brexit
- **Commercial activities**: Monitoring changes in traded volumes and liquidity on the ZTP and Zeebrugge Beach gas trading places, monitoring changes in capacity sales, analysing the competitiveness of services, purchasing gas to balance the network, new connections for industrial consumers, upgrading of infrastructure for the distribution system operators
- **Finance**: Annual and half-yearly financial results, efficient cost management, audit policy, monitoring subsidy applications (TEN-T), drafting and monitoring of the budget
- **Legal and regulatory framework**: Monitoring and implementation of the European network codes, tariff methodology, regulatory framework for hub services, monitoring of amendments to the Gas Act

- **Infrastructure and operations**: Network safety, analysis of incidents, near-incidents and occupational accidents, investment projects (Ravels – Oud-Turnhout, Destelbergen, Merelbeke, Houthulst – Langepark-Poelkapelle and Tessenderlo – Diest pipeline projects, work on the second jetty and construction of the fifth tank at Zeebrugge LNG Terminal), orders up to €20 million, obtaining the necessary permits for investment projects or operational activities, status of the decommissioning of pipelines, work on enhancing cyber security, further debriefing on the incident involving the Al-Oraiq LNG carrier in 2015, reception of incident ships at Zeebrugge LNG Terminal
- **HR policy**: Competency management, efficiency programme, company teambuilding, staff involvement survey
- **Social elections**
- **Monitoring the activities of subsidiaries**
- **Preparation of dossiers for the Board of Directors and the various committees**

4.7. Remuneration report

4.7.1. Board of Directors: procedures, principles and emoluments

Remuneration policy

The procedure for drawing up the remuneration policy for directors of Fluxys Belgium is as follows: the Appointment and Remuneration Committee comes up with recommendations for the Board of Directors, and the Board of Directors then submits its proposed remuneration policy to the directors. The remuneration policy is then approved by the Annual General Meeting.

Remuneration level

During the previous financial year, Fluxys Belgium set the directors' remuneration at the same level as the previous financial year in line with the principles outlined in the Articles of Association and the Corporate Governance Charter.

The Annual General Meeting has set the total annual amount of emoluments for directors and the government representatives at a maximum of €360,000 per year (subject to indexation) as from 1 July 2007, namely €422,952 on 31 December 2016. The Board of Directors splits the total amount between the directors on the basis of the workload their individual roles require within the company. Directors also receive an attendance fee of €250 for each Board and committee meeting they are present at.

Within the limits of the maximum sum, the following sums are also awarded:

- an index-linked share of €8,000 (as at 1 January 2006) for members of the Board of Directors and the government representative(s), and an additional share for the Chairman of the Board;
- an additional half share for members of special committees (including for the government representative(s) within the Strategy Committee and directors invited to sit on committees in an advisory capacity) and the Chairman of the Strategy Committee.

Where directors serve for only part of a given year, their remuneration for that year is determined on a pro rata basis.

Directors are not entitled to performance-related remuneration, such as bonuses or long-term, share-related incentive schemes, or benefits in kind or pension-plan benefits.

At the end of the first half-year, directors are paid an advance on their emoluments and attendance fees. This advance is calculated on the basis of the index-linked basic remuneration and in proportion to the duration of the directorship in the half-year in question. A final payment (full settlement) is made in December of the year in question.

Directors' emoluments

For their work on Fluxys Belgium's Board of Directors and its various committees, the directors received the following gross emoluments and attendance allowances in 2016:

Name	Gross total (€)
Daniël Termont	€27,809.52
Jos Ansoms (since 11 May 2016)	€11,268.83
Marianne Basecq	€22,497.61
Renaud Moens	€17,185.71
Valentine Delwart	€28,059.51
Eric Lachance [3]	€23,997.61
Hélène Deslauriers	€21,247.61
Mireille Deziron (until 10 May 2016)	€5,916.88
André Farber (until 10 May 2016)	€9,639.17
Claude Grégoire [1]	€22,747.62
Andries Gryffroy	€15,685.71
Luc Hujoel [2]	€23,497.61
Ludo Kelchtermans [4]	€16,935.71
Monique Lievens	€17,435.71
Patrick Moenaert (until 10 May 2016)	€6,916.88
Walter Nonneman	€25,247.61
Josly Piette [1]	€10,873.81
Nele Roobrouck (since 11 May 2016)	€10,268.83
Henriette Van Caenegem	€22,247.61
Christian Viaene [5]	€23,497.61
Sandra Wauters	€23,497.61
Luc Zabeau [2]	€16,185.71
François Fontaine	€16,685.71
Total	**€419,346.19**

At their request, notification is hereby given that some directors have retroceded their emoluments and attendance allowance:

(1) These directors retroceded their emoluments and attendance allowance to Socofe.
(2) These directors retroceded their emoluments and attendance allowance to Interfin.
(3) This director retroceded his emoluments and attendance allowance to Caisse de dépôt et placement du Québec.
(4) This director retroceded his emoluments and attendance allowance to NUHMA.
(5) This director retroceded his emoluments and attendance allowance to Eandis Assets.

The representative of the federal government, who attends meetings of the Board of Directors and Strategy Committee in an advisory capacity, is François Fontaine, whose term of office was renewed by the Royal Decree of 14 December 2012, which entered into force on 14 January 2013[5].

The members of Fluxys Belgium's Board of Directors held no paid directorships in other Fluxys Group companies. By way of information, on 12 May 2015 the parent company Fluxys decided to allocate attendance allowances to the members of the Board of Directors for each meeting of the Board of Directors and committees of Fluxys. In his capacity as Managing Director and Chief Executive Officer of Fluxys in 2016, Pascal De Buck retroceded his attendance allowances to Fluxys.

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[5] Royal Decree appointing federal government auditors to the Boards of Directors of the relevant operators, as provided for in Article 8/3(1/3) of the Act of 12 April 1965 concerning the transmission of gaseous and other products by pipeline.

4.7.2. Executive Board: procedures, principles and remuneration

Remuneration policy

The procedure for drawing up the remuneration policy for directors of Fluxys Belgium is as follows: the Appointment and Remuneration Committee comes up with recommendations for the Board of Directors, and the Board of Directors then approves the Board of Directors' remuneration policy. The Appointment and Remuneration Committee developed a remuneration policy based on external benchmarking using the internationally recognised Hay methodology and submitted it to the Board of Directors. The remuneration policy seeks to establish a fixed basic salary that is proportionate to the level of responsibility and commensurate with a benchmark salary in the general marketplace, and variable remuneration that rewards personal and company performance.

The members of the Executive Committee work for both Fluxys Belgium and its parent company Fluxys. As such, a share of their basic salary and variable remuneration is paid in respect of their activities at Fluxys Belgium, while another share is paid in respect of their activities at Fluxys.

Remuneration level

Basic salary. The change in the basic salary is linked to the position of each member of the Executive Board with respect to a benchmark salary in the general marketplace and the assessment of his/her individual performance. The Hay methodology (external benchmark) is used to weight each management position and attribute remuneration in line with the going market rate.

Performance-related remuneration. The level of performance-related remuneration received is based on the extent to which company and individual objectives have been achieved. Each year, the company objectives for the coming years are detailed in a Management Balanced Score Card compiled on the basis of a long-term strategy. The Management Score Card is used to produce individual Balanced Score Cards for each member of the Executive Board. The individual *Score Cards* are based on collective objectives, personal objectives such as implementation of the investment plan, safety performance and financial performance (some cross-company, some individual), as well as objectives focusing on company values. The individual *Score Cards* are used to determine the extent to which each member of the Executive Board has achieved his or her individual objectives each year.

As regards the spreading of variable remuneration for 2016, Fluxys Belgium is covered by the legal exemption from the requirement to spread payment over multiple years, because the *on-target* variable remuneration of Executive Board members is no more than 25% of the total annual remuneration.

Remuneration of Executive Board members

Setting of remuneration. Chairman of the Executive Board and CEO of Fluxys Belgium Pascal De Buck was evaluated for the year in question by the Board of Directors, following advice from the Appointment and Remuneration Committee, based on the extent to which the stipulated objectives were achieved. In addition, Pascal explained to the Appointment and Remuneration Committee the evaluation of the other members of the Executive Board in 2016.

The Board of Directors met to decide on the remuneration for the chairman and members of the company's Executive Board. The Board of Directors:

- approved the performance and activities at Fluxys Belgium for 2016;
- defined the amount of the 2016 variable remuneration for Pascal De Buck as chairman of the Executive Board and CEO of Fluxys Belgium in 2016, following a proposal by the Appointment and Remuneration Committee, and defined the total amount of the variable remuneration in 2016 of the other members of the Executive Board of Fluxys Belgium, following a proposal by Pascal De Buck.

The remuneration paid to members of the Executive Board comprises:
- a basic salary;
- performance-related remuneration depending on the degree to which the objectives set each year have been achieved (company and individual objectives);
- a defined-contribution pension plan administered in accordance with the rules applicable to companies in the gas and electricity sector;
- other components: expenses to cover insurance and benefits in kind, including gas and electricity sector benefits.

Executive Board members are not entitled to company shares or share options as part of their basic salary or performance-related pay.

The variable remuneration for the Chairman of the Executive Board is paid partly in cash, with another part being paid into the group insurance scheme. For the other members of the Executive Board, the variable remuneration is paid entirely in cash.

Remuneration awarded to members of the Executive Board in 2016:

Remuneration awarded to Pascal De Buck in his capacity as Chairman of the Executive Board and CEO:	
Basic salary	210,000
Variable remuneration	123,900
Retirement	72,233
Other components	17,720
Total	**423,853**

Remuneration awarded to the other members of the Executive Board:	
Basic salary	445,444
Variable remuneration	164,242
Retirement	151,102
Other components	60,523
Total	**821,311**

Under the multi-employer contract, the members in question were remunerated partly for services rendered at Fluxys Belgium and partly for services rendered at Fluxys NV/SA.

Contractual provisions. All members of the Executive Board in 2016 have employee status. Fluxys Belgium applies the relevant legal provisions to their employment contracts. The members of the Executive Board hold unpaid offices, or offices with retrocession to Fluxys Belgium, in other companies within the consolidation scope of Fluxys Belgium.

If it transpires that a deliberate error has resulted in inaccurate financial data being used as the basis for the variable remuneration, Fluxys Belgium will take the error into account in the evaluation process of the individual concerned in the year in which the error is detected.

4.1.1. Remuneration policy for the next two financial years

There are no plans to change the remuneration policy for the directors and members of the Executive Board for the next two financial years.

4.8. Voting rights and special powers

The Annual General Meeting represents all shareholders irrespective of their share category. It has extensive powers to perform, execute and ratify the company's business dealings. The valid decisions it makes, based on the required majority, shall be binding on all shareholders, even those who are not present or who do not agree with these decisions.

Each share entitles the holder to one vote. In accordance with the Royal Decree of 16 June 1994, and with the Articles of Association within which these statutory provisions are incorporated, special rights shall be vested in the golden share held by the Belgian State in Fluxys Belgium in addition to the ordinary rights attached to all other shares. These special rights are exercised by the Federal Energy Minister and, in short, comprise the following:

- the right to object to any transfer, assignment as a guarantee, or change in the purpose of Fluxys Belgium's strategic assets – a list of which is attached to the aforementioned Royal Decree of 16 June 1994 – if the Federal Energy Minister considers that such an operation would adversely affect Belgium's national energy interests;
- the right to appoint two representatives of the federal government in an advisory capacity to Fluxys Belgium's Board of Directors and Strategy Committee;
- the right of representatives of the federal government to appeal to the Federal Energy Minister within four working days, on the basis of objective, non-discriminatory and transparent criteria (as defined in the Royal Decree of 5 December 2000) against any decision of Fluxys Belgium's Board of Directors or Strategy Committee (including the investment and activity plan and the associated budget) which in their view breaches national energy policy guidelines, including the government's national energy supply objectives. Such an appeal shall be suspensive. If the Federal Energy Minister does not overturn the decision concerned within eight working days of this appeal, the decision shall become final;
- a special voting right in the event of deadlock at the Annual General Meeting concerning an issue affecting the objectives of federal energy policy.

The special rights attached to the golden share held by the Belgian State are listed under Articles 11, 15, 17 and 21 of Fluxys Belgium's Articles of Association. These rights remain attached to the golden share for as long as it is held by the Belgian State and Articles 3 to 5 of the Royal Decree of 16 June 1994 granting the State a golden Fluxys Belgium share or substituting provisions remain in force.

In addition to these statutory special rights, the golden share also confers on its holder the right to receive a share one hundred times greater than that associated with each category-B and category-D share of all dividend payments and all other payments which the company makes to its shareholders.

4.9. Limitations on share transfers set by law or the Articles of Association

The following share transfers are free:

- transfers of shares, subscription rights, ex-rights or independent rights enabling the purchase of shares (hereafter generally referred to as "securities") between a shareholder and companies associated with the shareholder as per the meaning detailed in the Belgian Company Code;
- all transfers of category-D shares.

In all other cases, any shareholder planning to transfer securities to another shareholder or a third party, in any manner whatsoever, shall give all other shareholders, with the exception of those of category-D shares and the golden share, the option of a priority purchase (on a pro rata basis of their shareholding) of the securities relating to the planned transfer, as per the procedures detailed below.

Any shareholder planning to transfer shares must inform the company in writing, and requesting acknowledgement of receipt, a) of the number of shares he or she plans to sell, b) of the name of the prospective assignee(s) deemed to be of good faith and the price irrevocably offered by said assignee, and c) that the shares in question are being offered to shareholders for priority purchase under the same conditions. The Board of Directors shall inform the other shareholders of this offer in the same manner within two weeks. Each shareholder shall then have 60 days as from receipt of the aforesaid written notification to inform the transferring shareholder and the company, in writing and requesting acknowledgement of receipt, whether or not he or she shall submit a bid and, if so, of the number of shares he/she wishes to acquire.

If requests exceed the number of shares offered for sale, the Board of Directors shall distribute the shares between the applicants on a pro rata basis of the number of shares held by these applicants and up to the maximum number of shares stated in their request.

In the event that, upon the expiry of the aforementioned period of 60 days, no shareholders have indicated their intention to acquire the shares offered, or where the number of shares requested by the shareholders is less than the number of shares offered, the shareholder indicating its intention to transfer shares in accordance with the provisions of this article shall be able to complete the planned transfer to the third party indicated in its notification and under the conditions indicated therein.

4.10. Transactions and other contractual relations

Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them, in particular with respect to conflicts of interest as per Article 523 of the Belgian Company Code.

The group's Corporate Governance Charter lays down a procedure for transactions and other contractual relations between directors or members of the Executive Board and the company or its subsidiaries and which do not fall within the scope of Article 523 of the Company Code.

This procedure is as follows:

Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them. They must organise their private and business affairs in such a way as to avoid insofar as possible any situation in which a personal conflict of interests may arise between themselves and the company or its subsidiaries.
In the event of any doubt on the part of a director or member of the Executive Board as to whether there is such a conflict of interests, he or she must notify the Chairman of the Corporate Governance Committee accordingly.

Where there is a personal conflict of interests, the director or member of the Executive Board concerned must spontaneously withdraw from the Board of Directors' meeting while the matter in question is being discussed and must not take part in the voting, including by proxy, on this matter. Reasons for this abstention must be stated in accordance with the terms of the Company Code.

Where there is deemed to be a conflict of interests, the purpose and conditions of the transaction or other contractual relationship must be communicated for information purposes to the Board of Directors by its Chairman. The Board of Directors is also required to approve this purpose and these conditions (or refer them to the Board of Directors of the subsidiary concerned for approval) where the total amount of the transaction or accumulated transactions over a three-month period is in excess of €25,000.

The Board of Directors was not required to implement the above procedure during the 2016 financial year.

4.11. Issue or buy-back of shares

Fluxys' Articles of Association authorise the Annual General Meeting to acquire the company's own shares in accordance with legal provisions. In 2016, no decision was taken by the Annual General Meeting in this regard. However, when the company acquires its own shares with a view to distributing them to its staff, no decision by the Annual General Meeting is required.

In the case of a capital increase, the shares for subscription in cash must be preferentially offered to shareholders, in proportion to the portion of the company's capital their shares represent. However, the Annual General Meeting may, in the interests of the company, limit or eliminate the right of preference in compliance with legal provisions.

4.12. Auditor

At the 2016 Annual General Meeting, the mandate of Deloitte SCRL, Réviseurs d'entreprise was renewed for a period of three years until the 2019 Annual General Meeting.

Emoluments. The Annual General Meeting determined the annual emoluments of Deloitte SCRL, Réviseurs d'entreprise. In 2016, Deloitte received emoluments totalling €160,455 for its work as Fluxys Belgium's auditor. Deloitte also performed other tasks worth a total of €33,903.

4.13. Subsidiaries

The Board of Directors checks on the progress of the activities of the subsidiaries Fluxys Re and Fluxys LNG at least twice a year when it examines their consolidated accounts (annual and half-yearly). The Board of Directors is also informed, as and when appropriate, of major events and important developments involving subsidiaries.

4.14. Disclosure of major holdings

The periodic disclosure pursuant to Article 74 section 8 of the Act of 1 April 2007 was sent on 31 August 2016. On the date of notification, Fluxys held 63,217,100 shares with voting rights in Fluxys Belgium. Publigas held no shares with voting rights in Fluxys Belgium. Fluxys and Publigas confirmed that between 31 August 2015 (date of the previous notification) and 31 August 2016 they did not acquire or transfer any shares with voting rights in Fluxys Belgium.

4.15. Risk management

4.15.1. Internal control and risk management systems

Reference framework. Fluxys Belgium applies the COSO model (based on ISO 31000) as its reference framework for internal control and risk management. The risk management process is continuous and cyclical, to ensure ever more comprehensive mapping and effective control of risks.

The Fluxys Risk Charter sets out the organisation, development and administration of the risk management process for Fluxys Belgium and its subsidiaries. It encompasses the identification, analysis, evaluation and management of risks in a bid to help management meet company objectives. The Charter also lays down the principles, procedures, roles and responsibilities associated with risk management.

Roles and responsibilities. The Board of Directors determines – pursuant to a proposal by the Executive Board – the degree of risk which the company is willing to incur, in accordance with its values, strategy and core policies. The Board of Directors therefore approves the reference framework for internal control and risk management and assesses implementation of the reference framework. The Audit Committee advises the Board of Directors in this area.

At least once a year, the Audit Committee examines the internal control and risk management systems set up by the Executive Board. In this way, the Committee ensures that the key risks are suitably differentiated, managed and communicated. Implementing risk management is the responsibility of the Executive Board. In this capacity, the Executive Board evaluates the risks and the measures taken to mitigate them.

In a bid to ensure efficient internal controls, Fluxys Belgium has put in place a separation of functions in its processes and IT systems to limit the risk of errors and fraud in its accounts. In addition, a number of control functions within key departments evaluate the latter's respective risks and controls, and provide support with and report on them on a regular basis. A budget monitoring exercise is also held every three months as part of the financial reporting procedure. The monitoring, which focuses on comparing the budget with the actual figures and with forecasts, is carried out for the group as a whole, with the results being reported to the Executive Board on a quarterly basis. Fluxys uses SAP as its system for financial reporting.

Fluxys Belgium also draws up Key Performance Indicators (KPIs). The company's main KPIs relate to the corporate objectives laid down in the Balanced Score Card (covering e.g. safety, continuity of gas flows, marketing, market development, budget balance and HR policy).

Risk register. For each risk, the probability of occurrence and the severity of the risk are determined in either quantitative or qualitative terms. In this way, the company's risk profile is adjusted periodically.

The risks are set out in a risk matrix, in which Fluxys Belgium distinguishes three levels of risk:

- Unacceptable risks: risks for which measures must always be taken to reduce the risk. For this category, each business unit submits proposed measures including at least a description of the actions to be taken, an assessment of the impact on revenue and cost, the designation of a person responsible for implementation and action planning. Next, an initial risk identification round is organised and the risks are consolidated. The measures are then approved by the Executive Board.
- Risks for which measures are taken to reduce the risk in line with the ALARP ('as low as reasonably possible') principle. This means that the technological resources, economic restrictions and feasibility of the measures are weighed up carefully against the risk-reducing effect. The business units keep a close eye on the risks.

- Risks for which additional measures are not necessarily taken immediately but as the opportunity arises.

Control measures. The risk profile, as it appears in the risk register, is compared with the risk tolerance and where necessary additional measures are taken with a view to ensuring that all risks are within acceptable limits. For each sector of activity, these measures are translated into a policy, procedures and instructions and a regular evaluation by means of external and internal audits, technical audits and quality controls on implementation of the measures. This consolidates risk awareness within the organisation.

Internal Audit Department. The Internal Audit Department is an independent and objective quality-assurance department within Fluxys. As a service provider to all levels of management, the department's role is to apply a rigorous, systematic approach to evaluate and enhance the efficiency of risk-management, risk-monitoring and governance processes.

Within the framework of a three-yearly rotating audit plan, an annual audit plan is drawn up each year. Various stakeholders are involved in drawing up the plan and in the new measures for process auditing. Incorporating the business side of activities and risk management into the planning process has the benefit of ensuring that the audit is focused squarely on relevant and urgent risks and controls.

4.15.2. Market risk

New market mechanisms are driving customers increasingly to book, on a short-term basis, the exact capacities they require at a given moment. Accordingly, for transmission and storage hardly any long-term contracts are concluded, but instead mainly short-term contracts (day-ahead or even within-day contracts). This increases the risk of investments no longer being covered by revenues. In addition, the future phase-out of L-gas production in the Netherlands and the associated conversion of the Belgian and French L-gas markets to H-gas mean fewer bookings for transit capacity as there are a number of ways of supplying these markets via alternative routes.

This shift is also being exacerbated by falling demand, heightened competition on transit routes, an oversupply of LNG import capacity in Europe, the trend towards gas accounting for a smaller proportion of the energy mix, lower consumption due to greater energy efficiency and the European Network Codes under which commercial freedom of movement is limited and it is more and more difficult to offer innovative and diversified services. Fluxys Belgium minimises this risk by monitoring the market closely and so grasping the opportunities presented by an increasing volatile market, by organising targeted marketing campaigns involving, for example, the development of innovative products, by offering competitive tariffs and by conducting an adequate depreciation policy. The activities of sister companies within the Fluxys Group are also reducing the level of risk with their efforts to maximise flows on transmission routes upstream and downstream of the Fluxys network, which are having a favourable impact on flows within the Belgian network itself.

4.15.3. Counterparty risk

The group systematically assesses its counterparties' level of solvency and systematically monitors receivables. Group policy regarding counterparty risks requires that the group submits potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The group uses internal and external information, such as official analyses from rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess entities in relation to risk and award them a credit score. The group also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. In addition, for most of its activities, the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. The group thereby reduces its exposure to credit risk both in terms of default and concentration of customers.

Cash surpluses belonging to Fluxys Belgium are deposited with Fluxys Finance within the framework of cash pooling agreements. Fluxys Finance invests the cash surpluses with prominent financial institutions or in the form of financial instruments issued by companies with a high credit rating, or in financial instruments issued by companies in which a creditworthy authority is the majority shareholder or which are underwritten by a creditworthy EU Member State, or in loans to Fluxys subsidiaries. Fluxys monitors its subsidiaries to reduce and control counterparty risk in respect of its subsidiaries.

4.15.4. Risks of incidents on and damage to the integrity of the grid

Fluxys Belgium's main activities are the transmission and storage of natural gas and terminalling of liquefied natural gas at Zeebrugge. Given the nature of the product that Fluxys Belgium transports, the company operates a comprehensive safety and security policy.

Risks linked to the operation of Seveso sites. Fluxys Belgium and Fluxys LNG operated two Seveso sites in 2016: the LNG terminal at Zeebrugge and the underground storage facility at Loenhout. In accordance with Seveso legislation, Fluxys Belgium and Fluxys LNG pursue a proactive risk-management policy covering well-being at work, industrial safety and the environment. The Federal Public Service Employment, Labour and Social Dialogue also conducts specific inspections at both sites in conjunction with the Flemish government's Environment, Nature and Energy Department.

Damage to infrastructure caused by third parties. Serious pipeline incidents arise mainly from damage caused by third parties. To avoid such damage, anyone planning or wanting to carry out work in the vicinity of natural gas transmission infrastructure is legally obliged to notify Fluxys Belgium in advance. Fluxys Belgium then confirms whether or not any natural gas transmission infrastructure is located in the vicinity of the works. If this is the case, the applicant is sent all relevant information and details of further procedures to be followed to carry out the work safely. Fluxys Belgium also plays an active role in initiatives to keep the notification requirement threshold as low as possible. This, along with the careful action taken by all of our employees, meant that in 2016 no damage caused by third parties involved the escape of gas or the interruption of our services.

Fluxys Belgium inspectors in the field regularly check the pipeline routes and assist contractors working in the vicinity of natural gas transmission infrastructure. They also check, among other things, that nobody is carrying out work in the vicinity of a pipeline about which Fluxys Belgium has not been informed.

Fluxys Belgium regularly evaluates this integrated administrative and operational approach to works by third parties to identify ways in which it can be improved. The company also implements an active awareness-raising policy on safety issues for local authorities and all parties involved in works close to its natural gas transmission infrastructure.

Fluxys Belgium monitors public safety, the environment and the well-being of its employees during the design, construction, commissioning, inspection, operation and decommissioning of its facilities. To ensure a structured and targeted approach, Fluxys Belgium has developed and set up a safety management system. In 2016, the company had an external audit carried out and sought external certification. The management system for the storage and LNG activities, which is specifically geared to the Seveso legislation, is under the supervision of the relevant authorities.

Damage to infrastructure caused by Fluxys Belgium works. Damage may also be caused when Fluxys Belgium is carrying out works to commission or repair infrastructure. All incidents or near-incidents are investigated thoroughly and remedial action is taken in a timely manner to prevent such incidents from recurring.

Preventing corrosion. Where possible the pipelines are systematically inspected internally using intelligent pipeline integrity gauges and externally using electrical measurements. The underground pipelines are covered with an external coating to prevent corrosion. Fluxys Belgium also uses a cathodic protection system to provide additional electrical protection in case of coating errors.

Crisis management. Specialist teams have been set up to manage and control crisis situations prompted by incidents and accidents involving a facility operated by Fluxys Belgium or Fluxys LNG. All members of these teams receive special crisis-management training and Fluxys Belgium regularly organises crisis-management drills to ensure that the teams are always ready to respond to an incident.

4.15.5.Availability, reliability and safeguarding of ICT

The activities of Fluxys Belgium and Fluxys LNG are increasingly dependent over time on the availability of ICT and ICS (industrial control systems). These systems may suffer failures caused by events beyond Fluxys Belgium's control. Fluxys Belgium has taken measures to gear the availability of its IT systems to its needs. For example, for several systems such as those used to manage natural gas flows on the network, back-up facilities are in place which can be activated to ensure continued supply in the event of disruption.

Fluxys Belgium liaises with the Belgian authorities to assess any threats to the company and also the measures to be taken in such cases. In addition, Fluxys Belgium is focusing on the security of its computer systems and the fight against cyber crime to stave off any hacking attempts which could compromise its activities.

4.15.6.Insurance and bank guarantees

Fluxys Belgium assesses the likelihood of the main risks connected with its activities and estimates the potential financial impact they could have if they materialised. Depending on the possibilities and the market conditions, the group mainly covers these risks via the insurance market. In some cases, risks are partially reinsured by Flux Re, a wholly-owned subsidiary of Fluxys Belgium, or are partially self-retained, for example by applying appropriate deductibles.

The fact that Flux Re is fully consolidated in the group's accounts means that the costs engendered by any incidents occurring and covered by the group's insurance policy are booked to the consolidated result. Flux Re also reinsures certain risks facing other companies in the Fluxys Group. Where appropriate, compensation in the event of these parties suffering an accident will affect the Fluxys Belgium Group's IFRS consolidated result.

The comprehensive cover is in line with European best practices in the field and includes the various areas in which risks may occur:

- protection of facilities against various types of 'material damage' and in specific cases also additional cover for 'operating losses';

- protection against liability towards third parties by means of comprehensive, multi-level cover;
- staff programme: mandatory insurance cover (statutory insurance against work-related accidents) and staff healthcare programme;
- protection of the vehicle fleet by means of appropriate insurance.

Within the framework of its policy in connection with the risks associated with its commercial activities, for most of its activities Fluxys Belgium can request a contractual guarantee from its counterparties in the form of a bank guarantee, a guarantee issued by a creditworthy parent company or a cash deposit if they do not meet the set creditworthiness requirements. Fluxys Belgium closely monitors the commercial debts owed to it and systematically assesses the financial capacity of its counterparties. The risk of default is therefore limited but Fluxys Belgium cannot rule out such a risk completely or, by extension, a potential negative impact on its financial situation.

Glossary

Other investments in property, plant and equipment instead of the RAB
The average of the cumulative investments made in expanding Zeebrugge LNG Terminal and in activities not subject to regulation.

EBIT
Earnings Before Interest and Taxes

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation

Net financial debt
Interest-bearing liabilities after deduction of regulatory liabilities and 75% of cash and cash equivalents and long- and short-term cash investments

RAB
Average Regulated Asset Base for the year in question

WACC
Weighted Average Cost of Capital

		In thousands of €
	Note	31-12-2016
Operating revenue	4.1	509,490
Sales of gas related to balancing opertaions and operational needs	4	47,245
Other operating income	4	13,607
Consumables, merchandise and supplies used	4.2.1	-3,837
Purchase of gas related to balancing operations and operational needs	4	-47,138
Miscellaneous goods and services	4.2.2	-121,894
Employee expenses	4.2.3	-113,436
Other operating charges	4.2.4	-7,332
EBITDA		**276,705**
Depreciation and amortisation	4.2.5	-159,141
Provisions	4.2.6	-964
Impairment losses	4.2	2,007
EBIT		**118,607**

		In thousands of €
	Note	31-12-2016
Interest-bearing borrowings (non-current)	5.11	1,765,025
Interest-bearing borrowings (current)	5.11	79,472
Other fundings (non-current)	5.11.3	-102,953
Other fundings (current)	5.11.3	-4,423
Other liabilities (non-current)	5.11.4	-382,503
Other liabilities (current)	5.11.4	-25,138
Short-term investments (75%)	5.8	-75,907
Cash and cash equivalents (75%)	5.8	-218,795
Investments at fair value through profit and loss (75%)	5.3.1	-42,701
Net financial debt		**992,077**

Questions about accounting data
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