ANNUAL FINANCIAL REPORT 2017

FLUXYS BELGIUM

Annual Financial Report 2017
Fluxys Belgium

Regulated information – 6 April 2018

89th financial year - Reports to the Ordinary Annual General Meeting of 8 May 2018

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 2017 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 2017.

Significant event after the end of the financial year: the prolongation of the leasing contract between IZT and Fluxys Belgium, see p. 307.

Declaration regarding the financial year closed on 31 December 2017

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 true and fair view 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, 28 March 2018

Paul Tummers	Pascal De Buck
Member of the Executive Board	Chairman of the Executive Board
Chief Financial Officer	Chief Executive Officer

Fluxys Belgium 2017

0

Unplanned interruptions of transmission capacity

>> page 65

€ 3.17 billion

Regulated asset base

(2016: € 3.18 billion)

€ 83.4 million

Investment in infrastructure

(2016: € 139.2 million)

>> page 81

0.74%

Average OLO interest rate

(2016: 0.49%)

>> page 50

€ 1.23

Gross dividend per share

(2016: € 1.20)

>> page 54

-16%

Reduction in greenhouse gas emissions per quantity of gas transported (compared to 2016)

>> page 103

744 men

163 women

» Border-to-border volumes +20%

- Fluxys Belgium's network affirms its key role in fulfilling changing flexibility needs in North-Western Europe >> page 64

» Belgian gas trading still growing steadily

- Notional gas trading +46% >> page 69

» Transmission tariffs drop by approximately 7.5% in 2018

- Continuing focus on competitive tariffs >> page 66

» Natural gas as a fuel for transport continues its rise

- Second jetty at Zeebrugge LNG terminal marks a major step forward in the development of LNG as marine fuel >> page 78
- Number of CNG vehicles and filling stations continues to rise >> page 100

» Gas and gas infrastructure crucial for the energy future

- Gas-fired power plants once again crucial to security of electricity supply >> page 63
- The best way to solve the main challenges of the energy transition is to make renewable energy, gas and electricity work together >> page 33

Chapters 1, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 13 are part of the annual report as noted in articles 96 and 119 of the Company Code.

Foreword

“Passionate teams that have fully committed to a proactive approach, reliable infrastructure and services, competitive tariffs and satisfied customers: this is what helped Fluxys Belgium to make 2017 yet another successful year. The company has also looked ahead and, thanks to a sharper vision and mission, has set the stage to help shape an energy system in Belgium that is sustainable, secure and always affordable."

Special dynamic in our three activities

2017 saw a major development, as Fluxys Belgium transmitted significantly larger quantities of natural gas on its network compared to 2016. This means more natural gas for Belgian industry and for power plants, which once again showed that they are the flexible linchpin of the security of the electricity supply. Belgian gas trade again recorded sound growth.

Last but not least, Fluxys Belgium transmitted 20% more natural gas from border to border. The loss of the UK's Rough storage site triggered new needs on the North-West European market with regard to flexibility, and thanks to Belgium's gas infrastructure we were able to meet these needs easily. The company sold additional transmission capacity as well as available capacity at the Loenhout storage facility. Fluxys Belgium was well placed to do so, offering a customer-oriented commercial approach, 100% available capacity and competitive tariffs. Thanks to an efficiency drive throughout the company, for instance, we were also able to reduce transmission tariffs from 1 January 2018 onwards.

The company commissioned the second jetty at Zeebrugge LNG terminal, marking a new step forward in the development of small-scale LNG. Belgium now has 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.

Investments: centered around LNG activities

Most investments in 2017 went to the construction of a fifth tank and the associated process facilities at Zeebrugge LNG terminal. Thanks to this new infrastructure, in 2019 the company will offer transshipment services as part of the long-term contract concluded with Yamal Trade in 2015. The company's remaining investments went to the transmission network: upgrading the network for distribution system operators (who continue to record between 55,000 and 60,000 new connections every year), connecting new industrial customers, keeping the network in a decent, safe condition, and making the adjustments required to cope with the gradual reduction of imports of low-calorific gas from the Netherlands.

Gas and gas infrastructure integral to solutions for the future

Together with parent company Fluxys, in 2017 Fluxys Belgium also honed its vision and mission. What is the role of gas and gas infrastructure in light of the climate policy setting out a bold transition to a low-carbon society with widespread energy efficiency and in which renewable energy plays an increasingly important role? Our answer is clear: gas and gas infrastructure are an integral part of the solutions needed for a low-carbon economy and better air quality.

Natural gas has the best emissions profile of any fossil fuel. Switching to natural gas for heating, transport and industry will therefore immediately cut emissions of carbon, particulate matter, and other substances affecting air quality. Carbon emissions can be reduced further as we later introduce increasing amounts of green gas in our infrastructure.

Crucial assets for the entire energy system

Gas, gas infrastructure and gas technology are also crucial assets for the entire energy system. First of all, they are particularly cost effective when energy needs are considerable (for heating, for instance) or in industry, which has substantial heating needs. Secondly, natural gas-fired power plants have the flexibility to serve as back-up in light of the variable generation of wind or solar power and can supply full-load capacity to cover any nuclear phase-out. Lastly, large quantities of green energy surpluses converted to gas through power-to-gas technology can be transmitted cost effectively and kept in existing gas-storage facilities in buffer. In other words: the complementarity between the gas and electricity system must be utilised to the fullest to guarantee a future with sustainable, reliable and affordable energy.

In order to shape a sustainable future, Fluxys Belgium remains committed to the further development of infrastructure for gas as an alternative fuel for transport and to supporting innovative gas applications. We are also setting our sights on the influx of green gas. In Belgium, Fluxys Belgium takes care of this strategy for regulated activities, while parent company Fluxys accounts for non-regulated activities in the country.

Continuing to foster support

The crucial role of gas and gas infrastructure in a sustainable, reliable and affordable energy system was also the central theme in 2017 that Fluxys Belgium presented at a range of forums and among stakeholders in preparation for Belgium's inter-federal energy pact. The company will continue its efforts here both now and in the coming years. We are also keeping a close eye on developments at European level, namely the expected proposals on creating a framework for the development of green gas and improved complementarity between the gas and electricity systems through, for instance, power-to-gas technology.

Pascal De Buck	Daniel Termont
CEO and Chairman of the Executive Board	Chairman of the Board of Directors

1 FLUXYS BELGIUM IN A NUTSHELL

1.1 Gas infrastructure company

Independent company. Fluxys Belgium is an independent gas infrastructure company having no interests in the generation or sale of energy. The Belgian federal energy regulator in this regard has certified Fluxys Belgium as a transmission system operator operating in accordance with the full ownership unbundling model as per the European third package of legislative measures for the gas market. The company has close to 90 years' experience in the development, financing, construction, operation and maintenance of gas infrastructure.

Active in the midstream segment. Fluxys Belgium is active in the so-called midstream segment of the natural gas chain: transmission of natural gas via high-pressure pipeline, storage of natural gas and terminalling of liquefied natural gas (LNG). We provide the link between:

- natural gas producers around the world active in the exploration and extraction of natural gas and the production of liquefied natural gas (LNG), wholesalers and traders of natural gas, and;
- suppliers who sell natural gas to end users and distribution system operators who transport natural gas at low pressure to households and SMEs.

Infrastructure in Belgium. The company owns and operates in Belgium 4,000 km of natural gas transmission pipelines and associated infrastructure as well as the underground storage facility in Loenhout, where natural gas is stored in an aquifer more than one kilometre underground. Fluxys LNG (a wholly owned subsidiary of Fluxys Belgium) owns and operates the terminal for liquefied natural gas (LNG) in Zeebrugge.

1.2 Business model: regulated sale of capacity

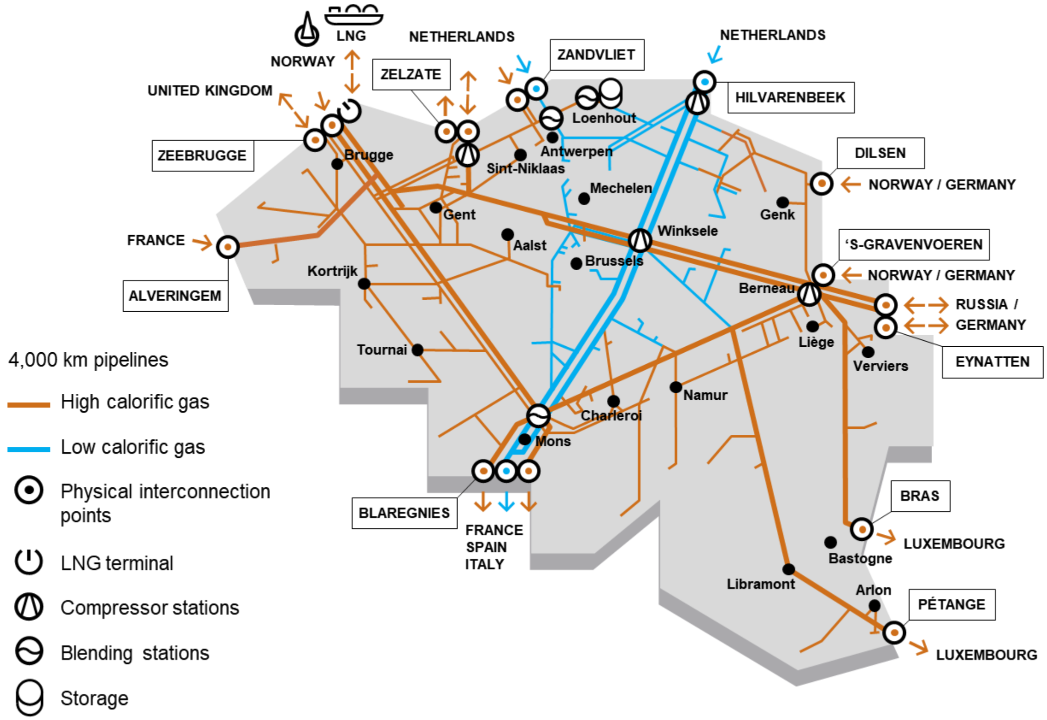
Regulated activities. Fluxys Belgium derives almost 98% of its operating income from the sale of capacity and related services in its infrastructure for the transmission and storage of natural gas and the terminalling of liquefied natural gas (LNG).

Natural gas transmission and storage as well as LNG terminalling are regulated activities monitored by the Belgian federal energy regulator CREG. This means that, among other things, tariffs, standard contracts and the range of services are established in a formal approval process with CREG.

Belgium's regulatory framework provides for a system of turnover regulation. This means that the allowed operating income is capped at a level at which the company can cover its costs: the operating costs controlled by CREG, depreciation, financial costs and return on invested capital. Profit/loss is determined based on various regulatory parameters, including the equity invested, the financial structure and the interest rates of the ten-year Belgian government bonds predominantly issued by the Belgian State (OLOs).

Infrastructure for the larger part in competition. Approximately 60%of income from transmission activities comes from capacity sold for border-to-border flows. In this activity Fluxys Belgium competes with the transmission system operators in other North-West European countries offering border-to-border capacity. The remaining 40% of income from transmission activities comes from the sale of capacity for the supply of natural gas on the Belgian market. The company has a natural monopoly here.

Storage and LNG terminalling are activities in competition as well: the Loenhout storage site competes with other storage sites and gas trading places in North-Western Europe while the Zeebrugge LNG terminal competes with other terminals.



NORWAY
LNG
NETHERLANDS
ZANDVLIET
NETHERLANDS
UNITED KINGDOM
ZELZATE
HILVARENBEEK
Loenhout
ZEEBRUGGE
Brugge
Antwerpen
Sint-Niklaas
DILSEN
NORWAY / GERMANY
Mechelen
Genk
Gent
FRANCE
Winksele
'S-GRAVENVOEREN
Aalst
ALVERINGEM
Brussels
NORWAY / GERMANY
Kortrijk
Berneau
RUSSIA / GERMANY
Liège
Tournai
Verviers
EYNATTEN
Namur
Charleroi
Mons
BLAREGNIES
FRANCE
SPAIN
ITALY
BRAS
LUXEMBOURG
Bastogne
Libramont
Arlon
PÉTANGE
LUXEMBOURG
4,000 km pipelines
High calorific gas
Low calorific gas
Physical interconnection points
LNG terminal
Compressor stations
Blending stations
Storage

1.3 Three core businesses

Transmission services – Fluxys Belgium sells capacity in its pipeline infrastructure to its customers to transmit natural gas to distribution system operators, power plants and major industrial end-users in Belgium or to send natural gas to border points for transmission to other end-user markets in Europe. Fluxys Belgium also offers its customers a package of gas trading services, allowing them to buy and sell gas on Belgium's ZTP gas trading place.

Storage – Fluxys Belgium offers storage services enabling customers to use buffer capacity flexibly according to their needs to ensure the continuity of supplies to end users or for their activities on 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 further 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 LNG-powered vessels.

Crossroads for international natural gas flows

The Belgian network 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: 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 or around the world by ship or truck.

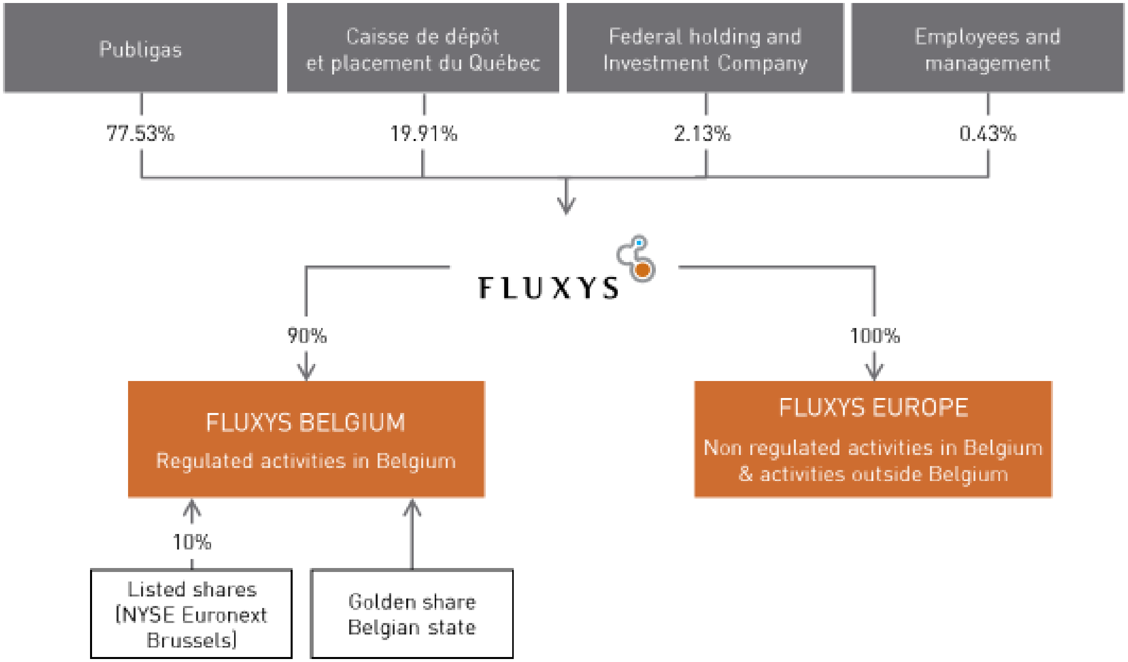
Extensive trading opportunities

The Belgian network's gas trading place ZTP offers a range of trading options, thus realising the EU's blueprint for an integrated European gas market: a unified system of optimally interconnected transmission networks that suppliers, producers and industrial customers can access through flexible entry/exit systems and gas trading places between which quantities of 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.

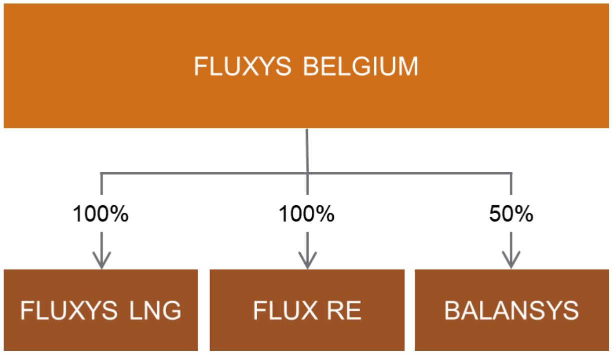
1.4 Our shareholders



Fluxys Belgium is a public limited company and is part of the Fluxys group:
- Fluxys holds a 90% stake in the company.
- 16.71% of shares in the company are listed on NYSE Euronext Brussels. 6.71% of listed shares are held by Fluxys.
- The golden share held by the Belgian State gives the federal government a right of veto should Fluxys Belgium consider selling infrastructure of strategic importance for the security of supply. The Belgian State is represented by the Minister of Finance.

The shareholder structure of **Fluxys** is as follows:
- **Publigas** manages the interests of Belgian municipalities in Fluxys.
- **Caisse de dépôt et placement du Québec** is a financial institution that manages funds primarily for pension schemes and public and private insurance in Canada (Quebec). Caisse has amassed considerable experience in natural gas transmission and infrastructure through its shareholdings in natural gas transmission and distribution companies in the United States, Canada and Europe.
- The **Federal Holding and Investment Company** is a federal Belgian holding set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium.
- Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders.

1.5 Our subsidiaries

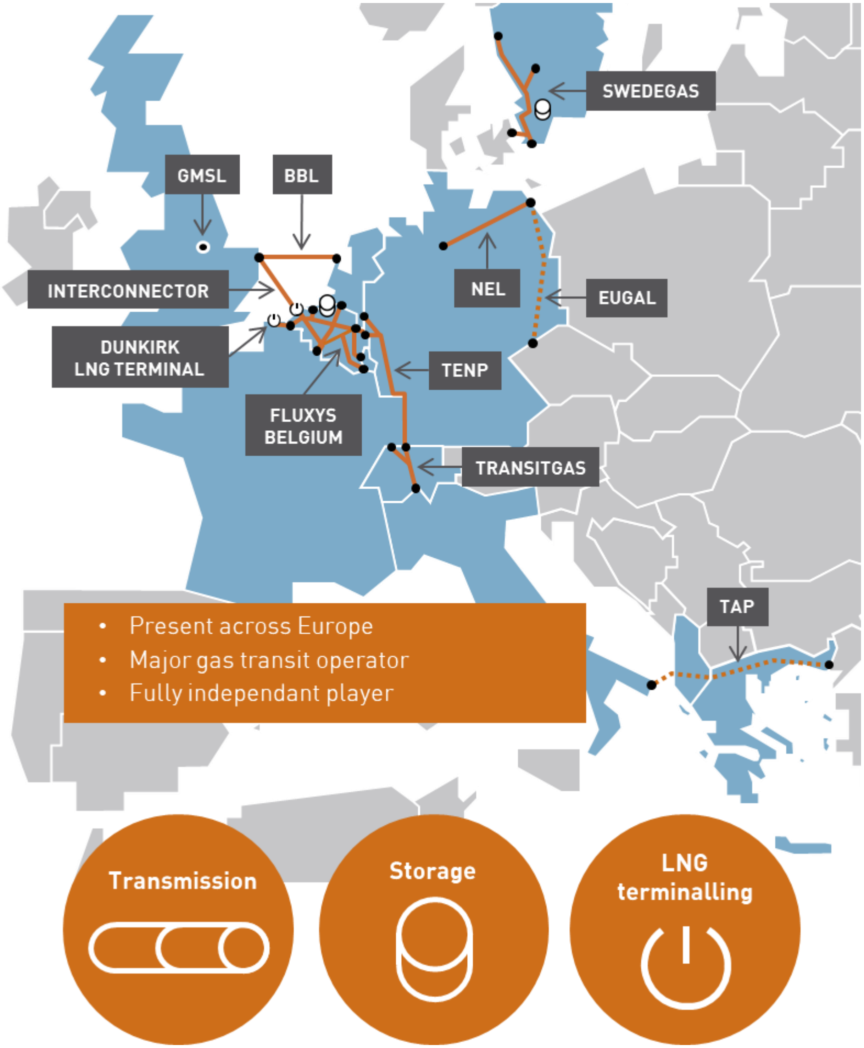


Fluxys LNG (consolidated subsidiary – Fluxys Belgium holds a 99.99% stake and Flux Re a 0.01% stake). Fluxys LNG is the owner and operator of the LNG terminal at Zeebrugge and sells terminalling capacity and related services.

Flux Re (consolidated subsidiary –Fluxys Belgium holds a 100% stake). Flux Re is a reinsurance company under Luxembourg law.

Balansys (participation consolidated using the equity method - Fluxys Belgium holds a 50% stake). As part of the 2015 integration of the Belgian and Luxembourg gas market, Fluxys Belgium and Creos Luxembourg (the Luxembourg transmission system operator) set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake.

1.6 Part of the Fluxys Group



Vision and mission of the Fluxys Group

VISION

Fluxys, the reference as a global gas infrastructure partner

As a gas infrastructure company, Fluxys wants to grow through partnerships with other parties in the gas value chain. As it goes, Europe will still require additional supply capacity, even if demand for natural gas stagnates or declines. Natural gas production in Europe continues to decline, and European energy policy seeks to diversify supply sources while producers look into diversifying their supply routes. Against this backdrop, we want to be the **reference partner of stakeholders in the new supply corridors yet to come in Europe**.

We are widening our scope to gases other than natural gas. In line with our view on the future energy system, we want to establish a **profound partnership between natural gas, green gas and other renewable energy sources in the transition towards a low-carbon economy** (see also page 33).

While the Fluxys group's primary focus is on its core market (Europe), the company wants to stimulate its growth by broadening its geographical scope as well. Many regions outside Europe have strong growth prospects when it comes to demand for natural gas, and numerous projects are being proposed by parties seeking cooperation with experienced partners. In light of this interest, we want to become a **preferred infrastructure partner of investors in gas infrastructure projects or integrated gas projects outside Europe**, with a focus on LNG. This development means that we can deploy our Belgian expertise in LNG infrastructure both in Europe and around the world.

MISSION

As independent gas infrastructure partner, Fluxys contributes to a sustainable energy future and our passionate teams secure reliable and affordable energy flows into the market

For society to thrive, it needs a reliable influx of energy while climate challenges and socio-economic imperatives require this energy to be both sustainable and affordable.

Fluxys as a gas infrastructure company is a key partner in accommodating this need: **our core business is to ensure reliable and affordable energy flows into the market** and with our infrastructure we provide the capacity enabling gas to help **shape the energy system today and tomorrow**.

- **Gas infrastructure has the advantage of being extremely flexible and cost effective**. This makes gas and gas infrastructure true partners of renewable energy sources: they enable renewables to further step up their role in fostering a low-carbon world.
- **Natural gas is,** both now and in the future, **an affordable energy source with the best emission profile of all fossil fuels**.
- We cultivate a sustainable energy future by supporting **innovative gas applications and the development of green gas** (biomethane, synthetic methane or green hydrogen from power-to-gas) as an additional renewable energy source complementing natural gas, which further helps meet the climate goals.

We rely on our major assets to deliver on our role in society. **Our experienced and passionate teams are our first asset**: they are the source of the commitment and creativity we need to be successful in the ever-changing world of energy. Our **independence** is our second asset. As we have no interest in the production or supply of energy, we focus solely on infrastructure. This makes us attractive for partners in the gas value chain wishing to develop new projects.

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 - For us, cooperation and team spirit are key to jointly achieving 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 enhance our expertise and continually seek creative, cost-effective solutions.

Safety and environment - The safety of our facilities is our top priority, because we are responsible for the 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 that our activities are properly integrated into society. Through open dialogue, we want to establish good relations with all those affected by the construction and operation of our facilities.

1.7 Composition of the corporate bodies as at 28 March 2018

Board of Directors

- Daniel 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 Board and CEO, invited in an advisory capacity

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

* Independent director under the provisions of the Gas Act.

Strategy Committee

- Claude Grégoire, Chairman
- Daniel Termont, Vice-Chairman
- Jos Ansoms
- Patrick Côté
- Valentine Delwart
- Luc Hujoel
- Walter Nonneman
- Christian Viaene
- Sandra Wauters
- Andries Gryffroy, 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 and 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 and Legal Manager, acts as secretary to the Audit Committee.

Corporate Governance Committee

- Monique Lievens, Chairman
- Valentine Delwart
- Hélène Deslauriers
- Josly Piette
- Henriette Van Caenegem
- Luc Zabeau

Nicolas Daubies, Company Secretary and 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, serves as secretary to the Appointment and Remuneration Committee.

Executive Board

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
- Ben De Waele, Director Installations & Grid
- Gérard Kimus, Director Planning & ICT
- Anne Vander Schueren, Director Human Resources
- Rafael Van Elst, Director Construction, Engineering & Gas Flow

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

2 GAS AND GAS INFRASTRUCTURE: CRUCIAL FOR THE ENERGY FUTURE

2.1 The energy transition: three fundamental challenges

Belgium has committed to a number of policy initiatives intended to lower CO_2 emissions and air pollution in the country in line with the Paris Agreement (COP21) and the EU targets in terms of climate, energy and air quality. The country has also committed to the phasing-out of nuclear power by 2025.

With a view to achieving these targets, Belgium's federal and regional governments are preparing an inter-federal Energy Pact. The blueprint of the Energy Pact will be used as a basis for establishing by late 2018 a national Climate and Energy Plan outlining how the energy transition in Belgium should take shape.

The energy transition poses three fundamental challenges:

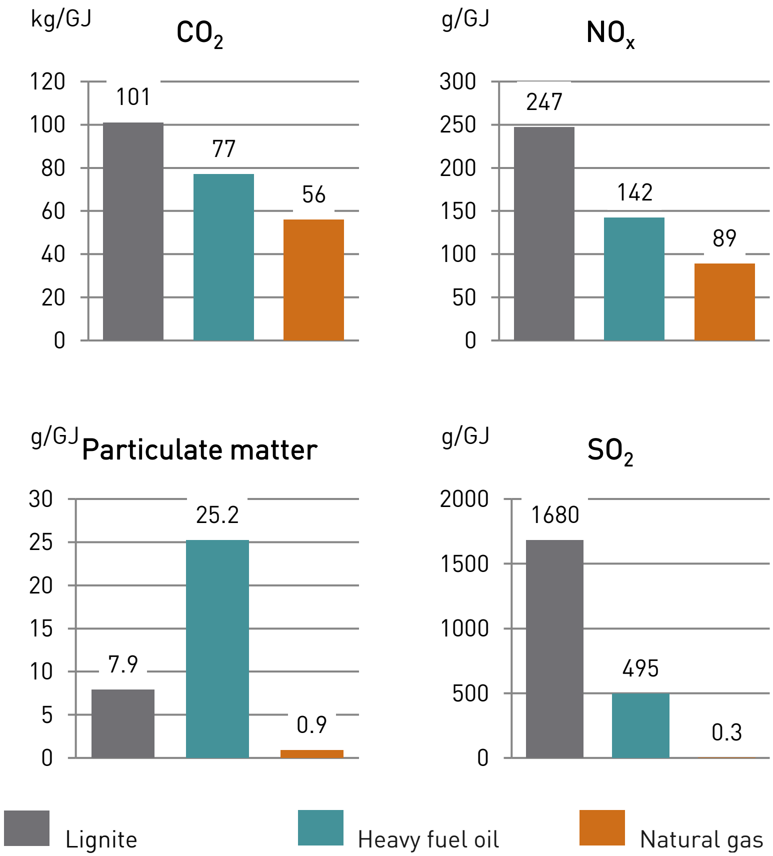
- Securing sustainable energy that spares both climate and air quality
- Further guaranteeing security of supply
- Building an affordable energy system

2.2 Pragmatic solution: make electricity, natural gas and renewable energy work together

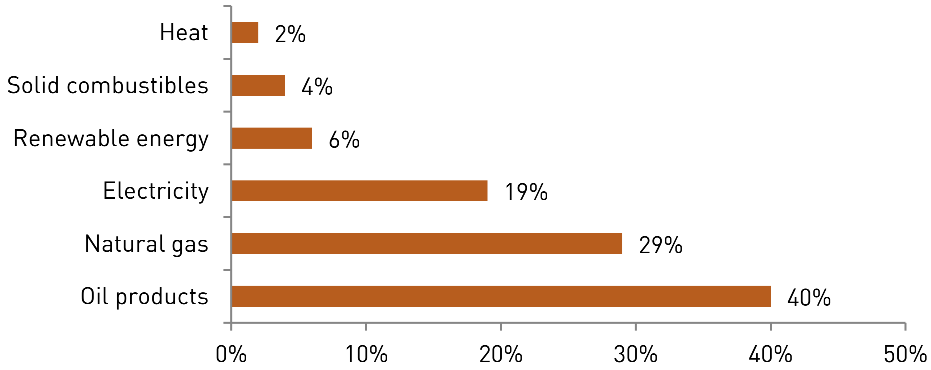
Fluxys Belgium believes that the best way to solve the three challenges posed by the energy transition is to make electricity, natural gas and renewable energies (including green gas) work together in an open and pragmatic way.

By doing so, natural gas and green gas could fully contribute to the objectives, a satisfactory response would be given to the variability of renewable energy generation, a substantial contribution would be made to a possible nuclear phase-out, and the energy system as a whole would remain affordable for private individuals and industry.

2.3 Climate change and air quality: natural gas today, green gas tomorrow



Belgium: end users' energy demand
[EU DG Energy Reference scenario 2016]



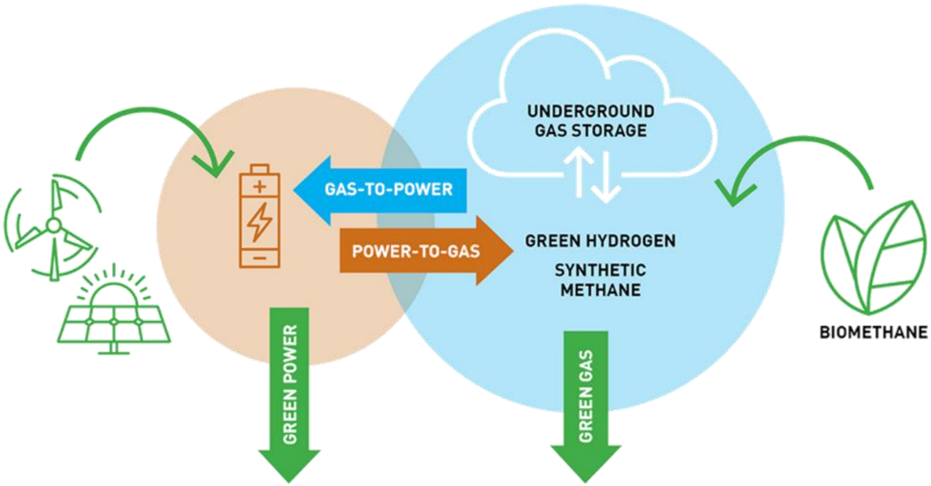
Debates about energy often focus on electricity. Fluxys Belgium strives to highlight the importance of broadening this focus taking into account the global relationships of energy demand components among Belgian consumers. The EU target of having renewables account for 27% of the energy mix by 2030 means that the remaining energy must be delivered from other sources. Thanks to its emission profile, natural gas has a crucial role to play here, while green gas could also help to boost the share of renewable energy.

When compared to other fossil energy sources, natural gas has a much more favourable profile with regard to climate-related emissions (CO_2) and air quality (particulate matter, NO_x and SO_x), meaning that switching from petrol, diesel, (heavy) fuel oil and coal to natural gas produces immediate results.

When it comes to **heating**, moving away from fuel oil boilers and old gas boilers to more efficient gas appliances brings about important benefits. This also applies to **transport**: natural gas is an important alternative for cars, light commercial vehicles and buses, while for heavy duty trucks and shipping it is currently possibly the only alternative. The development of the infrastructure needed to fill up vehicles with natural gas is fully under way. Natural gas is also the solution par excellence for **industry**, which often needs high temperature heat for its processes.

CO_2 emissions will decline further if increasing volumes of carbon-neutral **green gas** flow into gas infrastructure in the future.

- **Biomethane** is green gas extracted from organic waste and, like natural gas, can be used for heating or cooking. The potential of biomethane produced in Belgium is estimated at approximately 23 TWh and can be supplemented with biomethane from surrounding countries.
- Green gas can also be produced by using power-to-gas technology to convert surplus green electricity into **green hydrogen or synthetic methane**. As the green electricity production capacity continues to grow, so does the potential of power-to-gas technology to provide the energy system not only with storage solutions and flexibility, but also green gas.



Our view of the future energy system - In the future, we see renewable energy sources together with gas and electricity infrastructure as the cornerstones of a reliable, sustainable and competitive energy offer. In this new energy landscape, our gas infrastructure will develop into a platform for a renewable system in its own right, in which green gas, alongside natural gas, fosters synergies with the electricity system. The strengths and weaknesses of electricity and gas are complementary: while electricity as an energy can be used in a vast range of low-power applications, gas, thanks to its high energy density, has the advantage that it conveys a lot of power and that large quantities of energy can be efficiently stored and transmitted over long distances. As such, gas and gas infrastructure contribute to the three fundamental challenges of the energy transition:

- Securing sustainable energy that spares both climate and air quality
- Further guaranteeing the security of supply
- Building an affordable energy system

2.4 Security of supply: gas and gas infrastructure offer a solution to the variability of renewable energy generation and the nuclear phase-out

All studies conducted in recent years point out that gas-fired power plants are the indispensable partner of renewable energy generation as their flexibility means that they provide back-up when there is too little wind or sun. In contrast to nuclear generation, which mainly delivers full-load capacity, this flexibility provided by gas-fired power plants also has the advantage of ensuring that renewable generation can expand further.

As gas-fired power plants can also supply full load, they provide a valuable solution to the nuclear phase-out issue. Furthermore, with enough gas-fired power plants Belgium could turn into a flexibility hub for the electricity system in North-Western Europe. Belgium could capitalise on its complementarity with its neighbouring countries, who have more onshore and offshore opportunities to develop non-dispatchable renewable energy. The impact of the associated rise in CO_2 emissions has a European scope, as emissions from power plants fall under the EU Emissions Trading System. With this in mind, , having sufficient gas-fired production facilities in Belgium, among other things, would increase exports to neighbouring countries and lower European CO_2 emissions for electricity generation, since it would enable the phasing-out of coal- and lignite-based electricity generation in these countries.

2.5 Gas and gas infrastructure are needed to keep the future energy system competitive

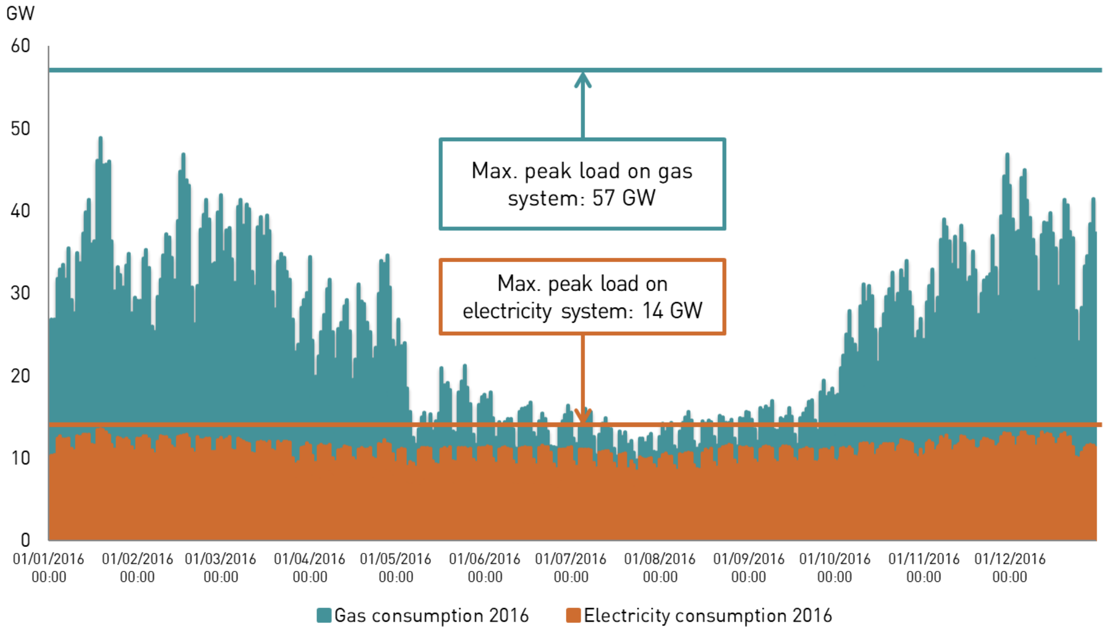
Making full use of complementarity. In order to keep the total cost of the energy system competitive, it is vital that the existing natural gas infrastructure is used optimally and one makes the most of the complementarity between electricity and natural gas infrastructure. It is ten times cheaper to convey the same amount of energy via natural gas infrastructure (at high pressure) than via electricity infrastructure (high voltage).

In view of the above, Fluxys Belgium teamed up with other European gas transmission companies to launch a comprehensive study conducted by the energy consultancy Ecofys. The study shows that,the use of green gas via existing gas infrastructure in the EU in 2050 may be around €140 billion cheaper annually than a future energy system without gas.

Efficient energy storage. As the installed capacity for renewable energy generation rises, so does energy surplus and the importance of electricity storage.

- Battery storage and pumped storage only offer short-term solutions with limited capacity. For example, Belgium's pumped storage facilities can store approximately 0.005 TWh of electricity.
- There will also be increasing need for large-scale seasonal storage, mainly to ensure that surplus energy generated by the wind and sun in the summer can be used to cover shortages in the winter. Power-to-gas technology can offer a solution here. It converts power into green gas that can be stored in the existing gas storage facility, which in Belgium has a capacity of 8 TWh.

Efficiently managing peak demand. Large-scale electrification of heating and transport would cause peak demand for electricity to rise considerably, requiring additional investment in the electricity network (sufficient generation and grid capacity) and for consumers, who would have to modify their facilities. In contrast, natural gas and green gas emit less CO_2 and fewer substances that affect air quality, require limited additional investment in the electricity network, and allow consumers to keep on using highly efficient gas technology.



3 SUSTAINABILITY MODEL

3.1 Materiality analysis

Fluxys Belgium's activities are of general economic interest and we want to be a responsible company in this regard. As such, Fluxys Belgium follows an active sustainability policy.

The relevant section in this annual report outlines the topics that Fluxys Belgium sees as key, taking into account the context and value chain within which the company operates, and the interests of the company's stakeholders.

- Financial strength
- Operational strength
- Good neighbourly relations
- Greenhouse gas emissions and energy efficiency
- Employee development
- Employee safety, health and well-being
- Ethics and human rights

In line with the vision and mission of its parent company Fluxys, Fluxys Belgium believes that it is key that gas and gas infrastructure be allowed to play a central role in the energy transition. As such, Fluxys Belgium wants to ensure a reliable and affordable influx of energy onto the market. Financial and operational strength is vital here. Fluxys Belgium also wants to help build the energy system of today and tomorrow through sustainable and efficient gas infrastructure. Good neighbourly relations, safety and limited impact on the environment are core elements in this regard. Lastly, we need healthy, passionate teams to achieve these goals.

3.2 Stakeholders

Employees

Above all, employees expect the company to be a good employer and provide a healthy, safe workplace.

Dialogue with employees mainly occurs through regular consultation on platforms such as the works council or the Committee for Prevention and Protection at Work. Fluxys Belgium also constantly provides its employees with information via the intranet and offers a wide range of training courses and opportunities for development (see 'Development of our employees' on page 111 and 'Safety, health and well-being of our employees' on page 123).

Local residents

Residents own or use land on which underground or surface facilities are located, or land in the vicinity of such infrastructure.

For them, information, safety and minimal inconvenience is key. With this in mind, Fluxys Belgium organises numerous information and awareness-raising campaigns and constantly keeps an eye on the safety of its facilities (see 'Good neighbourly relations' on page 91 and 'Risk management, industrial risks' on page 138).

Shareholders

Via its governance bodies, Fluxys Belgium regularly consults its shareholders on, for instance, financial performance, risk management, and the safety and reliability of natural gas transmission (see 'Risk management' on page 133 and 'Corporate Governance Declaration' on page 151).

Customers

Fluxys Belgium's customers are the users of the transmission system, the Loenhout storage facility and Zeebrugge LNG terminal: gas producers, wholesalers, traders and suppliers who buy capacity on the company's infrastructure to transmit their natural gas to their intended destination.

The company's customer base also includes distribution system operators and consumers directly connected to the transmission system, such as industrial companies and natural gas-fired power plants. In principle, they do not purchase capacity from Fluxys Belgium but there is an operational bond due to their physical connection to the transmission system.

Competitive tariffs are important to all customers. Price is a deciding factor for end users. For infrastructure users it is very important that there is optimum availability of capacity on Fluxys Belgium infrastructure and that the company offers capacity products that fulfil their expectations as much as possible (see 'Continuing focus on competitive tariffs' on page 66 and 'Simplified services' on page 67).

Fluxys Belgium maintains constant contact with its customers via a team of customer managers. Fluxys Belgium also organises an annual event for each customer group with a view to addressing topics that regularly come up in day-to-day contact with customer managers.

When developing new services, proposing new tariffs or suggesting amendments to contractual documents, Fluxys Belgium conducts a market consultation in accordance with the regulatory framework.

Suppliers

Suppliers wanting to work with Fluxys Belgium must undergo a qualification procedure before they can supply the company with products or services. In 2017, Fluxys Belgium worked with 508 qualified suppliers. Qualified suppliers fall into one of two categories depending on the products and services they supply:

- Suppliers of works and services (e.g. IT, communication, engineering, works). In 2017, 370 service providers were active at Fluxys Belgium sites.
- Suppliers of necessities (e.g. electrical equipment, pipelines, instrumentation and control equipment)

In 2017, Fluxys Belgium entered into contracts with 75 new suppliers and ceased trading with 74 suppliers for a range of reasons (discontinuation of activities, merger, breach of contract, changing needs, or because they no longer met the criteria used during the call for tenders).

According to the procurement procedure, cooperation and the division of roles between Fluxys Belgium and suppliers is intended to ensure that all aspects of the procurement process run smoothly.

Procurement at Fluxys Belgium is organised centrally with a team of buyers who are in contact with suppliers in tandem with the company's relevant departments.

Depending on the type of procurement in question, Fluxys Belgium adopts the most suitable approach in terms of market consultation. Most contracts for goods or services are concluded with Belgian companies.

Authorities and regulators

These are mainly the Belgian and European authorities and regulators responsible for energy (in all its aspects), as well as financial regulators such as the Financial Services and Markets Authority.

These energy authorities and regulators ensure that natural gas transmission in Belgium is reliable and safe, and that the natural gas market operates smoothly. They do so via transparent, regular dialogue between Fluxys Belgium and the various authorities involved.

Fluxys Belgium is also listed on the stock exchange, and as such the company regularly releases information through publications, reports and notifications.

Financial institutions

Financial institutions contribute to the (partial) financing of Fluxys Belgium's activities. Regular information and transparency are essential here.

4 FINANCIAL STRENGTH

4.1 Financial policy

Most of Fluxys Belgium's activities are regulated. The profit from these activities is determined by several key regulatory parameters, primarily the capital invested, OLO and the difference in manageable costs. Management subsequently strives for a financial structure as close as possible to the regulatory optimum and manages its operating costs to be able to benefit from stimuli.

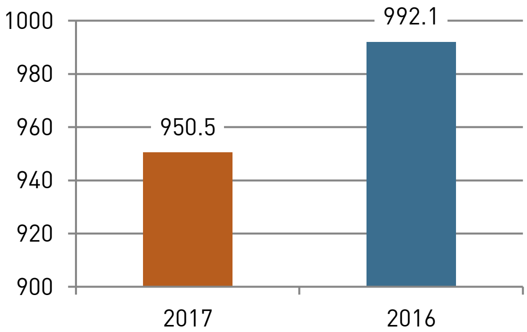
Furthermore, it is vital for Fluxys Belgium that tariffs remain competitive. A key factor in keeping tariffs at competitive levels is Fluxys Belgium’s efforts to improve efficiency. Teams and staff from all of the company's departments have wholeheartedly adopted new, more efficient organisational structures and ways of working centred on safety and other company values.

Fluxys Belgium endeavours to lock in as much as possible the current low-interest rate conditions in the long term and maintains a financing policy striving for a sound credit rating with regard to the ratio between equity and borrowed capital and a sound diversification between bank loans and bonds. This policy has enabled the company to fund its investments under favourable conditions and helped to secure competitive tariffs.

Solvability: Quotient of (i) net financial debt and (ii) the sum of equity and net financial debt	57%	59%
FFO* interest coverage: Quotient of (i) the sum of FFO and interest expenses and (ii) interest expenses	6.4	5.7
Net financial debt /RAB*: Quotient of (i) net financial debt and (ii) RAB	30%	31%
FFO*/Net financial debt: Quotient of (i) FFO and (ii) net financial debt	27%	22%
RCF*/Net financial debt: Quotient of (i) RCF and (ii) net financial debt	18%	14%

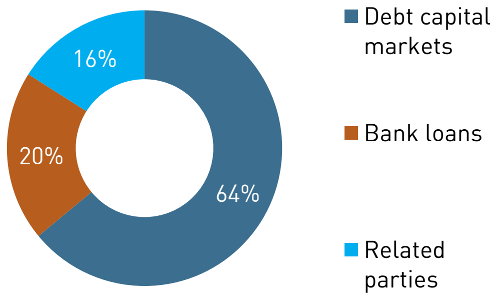
* see glossary on page 335

Net financial debt*
(in millions of €)



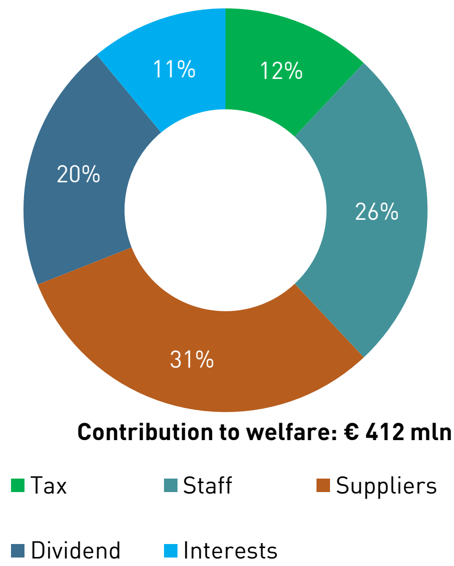
*Excluding regulatory debt

Analysis of debt



The weighted average duration as at 31 December 2017 totalled 10.5 years

4.2 Generation of welfare



Contribution to welfare: € 412 mln

Fluxys Belgium generates welfare by contributing to the economic growth of the society and environment in which it is active. This generation of welfare is measured as added value the company creates and distributes among its stakeholders.

The added value generated by continuing company activities in 2017 amounted to €412.0 million, up €5.5 million on 2016.

4.3 Key financial statistics

Income statement (in € thousand)	31.12.2017	31.12.2016
Operating income	510,528	509,490
EBITDA*	283,171	276,713
EBIT*	129,320	118,615
Net profit	70,321	48,484
Balance sheet (in € thousand)	**31.12.2017**	**31.12.2016**
Investments in tangible fixed assets during the financial year	83,354	139,219
Total tangible fixed assets	2,250,659	2,321,123
Equity	713,795	694,352
Net financial debt*	950,528	992,077
Total consolidated balance sheet	3,290,873	2,989,171

*See glossary on page 335

Turnover in 2017: €510.5 million. The Fluxys Belgium group generated turnover of €510.5 million in 2017, similar to that generated over the same period in 2016 (€509.5 million). In accordance with regulatory principles, this stable level of regulated turnover is mainly due to the drop in operating costs that offsets the increase in the regulated rate of return.

Interest rates are still low, affecting the group's net profit. The majority of the Fluxys Belgium group's activities are regulated. The profit of these activities is determined based on different regulatory parameters, in particular the equity invested, the financial structure, and OLO interest rates.

The average OLO interest rate in 2017 totalled 0.74%, compared to 0.49% in 2016. This increase has a positive impact on the regulated rate of return on invested capital and consequently on the annual results for 2017, as does the increase in the profit from non-regulated activities. The total impact amounts to €5.5 million.

The reform of Belgian corporate income tax has a one-off impact of €16.2 million on deferred taxes booked in the past. However, this increase did not affect the profit or dividend to be paid out. The tax level is not included in the calculation of the regulated rate of return for shareholders. In contrast, the tax reform does have a positive impact on future tariffs. Thanks to lower tax rates, from 2020 onwards Fluxys Belgium will pay relatively fewer taxes and as such the costs to be covered by the tariffs will fall.

The net profit in 2017 amounted to €70.3 million, an increase of €21.8 million compared to the same period in 2016 (€48.5 million).

Successful issue of long-term bond worth €350 million. With a view to refinancing the loan maturing in May 2018, Fluxys Belgium responded to the keen interest shown by investors in late summer by issuing a bond in two tranches:

- One 10-year tranche of €300 million with a coupon of 1.75% (87 bps over midswap) and maturing in October 2027
- One 15-year tranche of €50 million with a coupon of 2.375% (105 bps over midswap) and maturing in October 2032

The success of the issue reaffirms the confidence of European institutional investors in Fluxys Belgium’s creditworthiness and the key role of the Belgian natural gas network as a crossroads in North-Western Europe.

4.4 Indicators

Indicators	2017	2016
RAB* (in € million)		
Transmission	2,257.9	2,302.4
Storage	253.3	259.3
LNG terminalling	328.0	348.3
Tangible fixed assets outside RAB (in € million)	335.6	285.8
Extended RAB*	3,174.8	3,195.8
WACC* before tax (in %)		
Transmission	4.31	4.05
Storage	3.99	3.71
LNG terminalling	3.65	3.62

*See glossary on page 335

4.5 Activities and results of subsidiaries

Fluxys LNG SA (consolidated subsidiary - Fluxys Belgium holds a 99.99% stake while Flux Re holds a 0.01% stake). Fluxys LNG is the owner and operator of the LNG terminal at Zeebrugge and sells terminalling capacity and related services. Fluxys LNG's equity totalled €183.9 million as at 31 December 2017, compared to €191.1 million the previous year. The net profit for the 2017 financial year totalled €8.0 million, compared to €8.3 million in 2016.

Flux Re (consolidated subsidiary - wholly owned subsidiary of Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law and was established in October 2007. Flux Re's equity remains unchanged from 2016 levels, totalling €4.8 million as at 31 December 2017.

Balansys (participation consolidated using the equity method - Fluxys Belgium holds a 50% stake). As part of the integration of the Belgian and Luxembourg market, on 7 May 2015 Fluxys Belgium and the Luxembourg transmission system operator Creos Luxembourg set up the company Balansys, a joint venture in which Fluxys Belgium and Creos each have a 50% stake. The company is expected to take over commercial balancing activities for the integrated Belgian-Luxembourg gas market in 2018.

4.6 Fluxys Belgium – 2017 profits (according to Belgian standards): proposed allocation of profits

Fluxys Belgium's net profits totalled €44.7 million, compared to €33.7 million in 2016.

This increase is essentially due to the same reasons as the changes in the consolidated results, namely the rise in rates for linear bonds (OLOs) which affects the regulated rate of return, just like the increase in the profit from non-regulated activities, including dividend yield. According to Belgian standards, the tax reform has no impact on the profits of the current financial year.

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

At the Annual General Meeting of 8 May 2018, Fluxys Belgium will propose a gross dividend of €1.23 gross per share by freeing up €9.9 million of unavailable reserves.

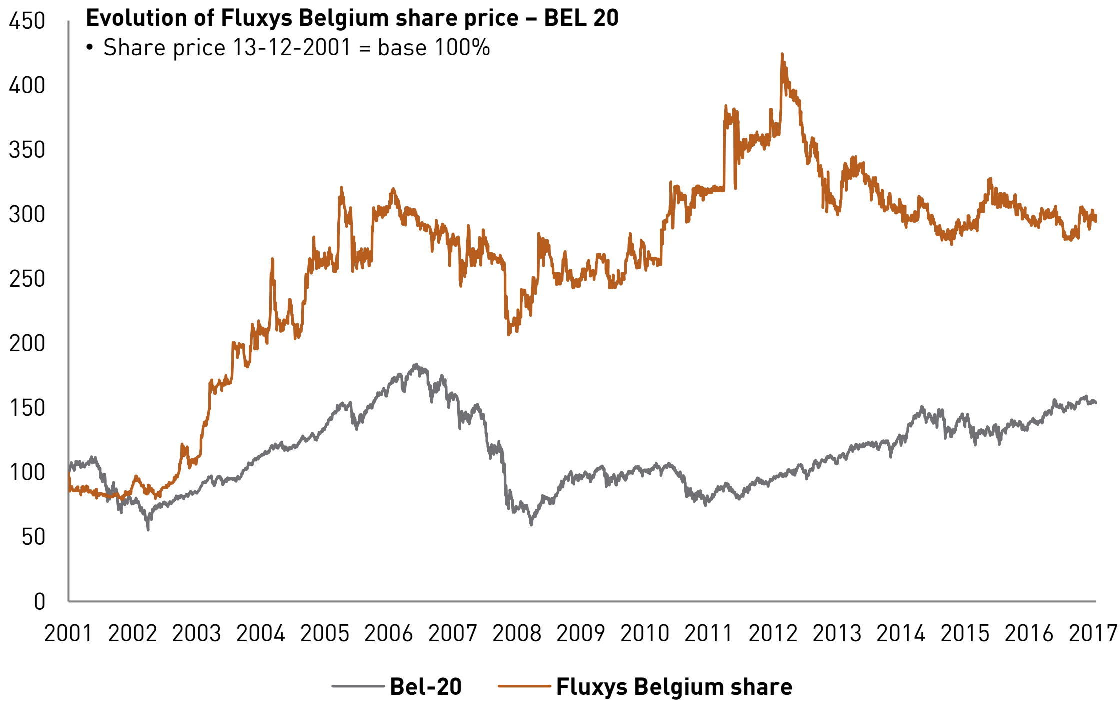
Factoring in a profit of €33.6 million carried over from the previous financial year and withdrawal from reserves of €51.4 million, the Board of Directors will propose to the Annual General Meeting to allocate profits as follows:

- €86.4 million as a dividend payout
- €43.3 million as profit to be carried forward

If this proposed allocation of profits is approved, the total gross dividend per share for the 2017 financial year will be €1.23. This amount will be payable as of 17 May 2018.

4.7 Price of Fluxys Belgium shares

Fluxys Belgium class D shares are listed on Euronext Brussels. In 2017, the lowest closing price (€24.75) was recorded on 11 August, whilst the highest closing price (€27.10) was recorded on 15 May. The year ended with a closing price of €26.04. The average trading volume per day of Fluxys Belgium shares on the Euronext Brussels regulated market was 2,195 shares in 2017 compared to 1,709 shares in 2016.



Fluxys Belgium share

		2017	2016	2015	2014	2013
Price	Maximum	27.10	29.00	27.80	30.50	37.56
	Minimum	24.75	25.41	24.45	26.03	26.50
	Closing price as at 31 December	26.04	26.00	26.46	27.09	26.98
	Average price	26.03	27.02	25.92	28.38	31.41
Consolidated net profit per share		1.00	0.69	0.87	0.86	0.98
Price/profit ratio as at 31 December		26	38	30	32	28
Number of shares		70,263,501	70,263,501	70,263,501	70,263,501	70,263,501
Average daily volume traded		2,195	1,709	2,746	2,352	3,192

Gross/net dividend per share (€)

	2017	2016	2015	2014	2013
Gross dividend per share	1.23	1.20	1.20	1.20	1.32
Net dividend per share	0.861	0.84	0.876	0.90	0.99

Consolidated net profit, Fluxys Belgium portion (in € million)

	2017	2016	2015	2014	2013
Consolidated net profit, Fluxys Belgium SA share	70.3	48.5	61.1	60.4	68.6

Consolidated equity, Fluxys Belgium portion (in € million)

	2017	2016	2015	2014	2013
Consolidated equity, Fluxys Belgium SA share	714	694	736	750	791

4.8 Outlook for 2018

The net profit from Belgian regulated activities is determined, as per the current tariff methodology, based on different regulatory parameters, in particular equity invested, the financial structure, and interest rates (OLO). The recurring dividend will continue to evolve primarily in line with the development of these three parameters. The current situation on the financial markets means that it is not possible to set out a clear outlook regarding the development of interest rates and thus the profit on regulated activities.

5 OPERATIONAL STRENGTH

Fluxys Belgium, together with distribution system operators and the users of its infrastructure, is responsible for optimum continuity of gas flows to end users. Gas flows through Fluxys Belgium infrastructure are not just destined for Belgium - thanks to the Belgian gas network acting as a crossroads, a lot of these flows also find their way onto the vast Western European market. Optimum availability of infrastructure capacity is therefore vital for the security of supply that end users expect from their suppliers. With security of supply in mind, Fluxys Belgium's approach focuses on two key elements:

- Make every effort to avoid unplanned capacity interruptions
- Make the necessary investments at the right time to keep existing infrastructure in good condition and build new infrastructure in line with market demand evolution.

Competitive tariffs are also at the center of Fluxys Belgium's customers and are therefore a major element of the company's competitiveness. For infrastructure users it is very important that the capacity products offered by the company fulfil their expectations as much as possible.

5.1 Market context and activities

5.1.1 Transmission

Supply and demand dynamics on the natural gas market

Demand once again on the rise in Europe. Provisional figures for 2017 indicate that natural gas demand worldwide rose by around 3%, with the biggest growth markets being China and Europe, followed by the Commonwealth of Independent States, Africa and the Middle East.

Demand in Europe rose an estimated 5% in 2017, the third consecutive year of growth in demand following the decline in 2011-2014. This was primarily due to economic revival and increased use of natural gas to generate electricity. The larger share of natural gas in the European electricity mix was predominantly caused by the low production level of hydropower plants. Gas-fired power plants also offered flexibility to cover unavailability in nuclear power generation. Due to the low price of CO_2 emission rights, there was only talk of switching from coal to natural gas where new gas-fired power plants competed with old coal-fired power plants. The UK was the exception here, as the floor price set for CO_2 made natural gas-fired power plants more competitive.

European production declines further. Natural gas production in Europe has systematically continued to decline owing to the depletion of conventional gas reserves. This decline is being sped up due to the successive restrictions placed on production at the Dutch Groningen gas field as a measure to minimise the risk of earthquakes.

The decrease in European natural gas production means that major new import flows are needed. In 2017, gas imports were around 80 billion m^3 higher than in 2014 and import needs are expected to rise further by about 50 billion m^3 per year up to 2040. Thanks to its location and excellent interconnectivity with neighbouring systems, the Fluxys Belgium network is well positioned to assume its role in handling the new flows resulting from additional imports.

The rise in import needs in 2017 was mainly covered by additional gas transmitted by pipeline from Russia and Norway and by a higher supply of liquefied natural gas (LNG) via ships.

Transmission capacity: shift to short-term market

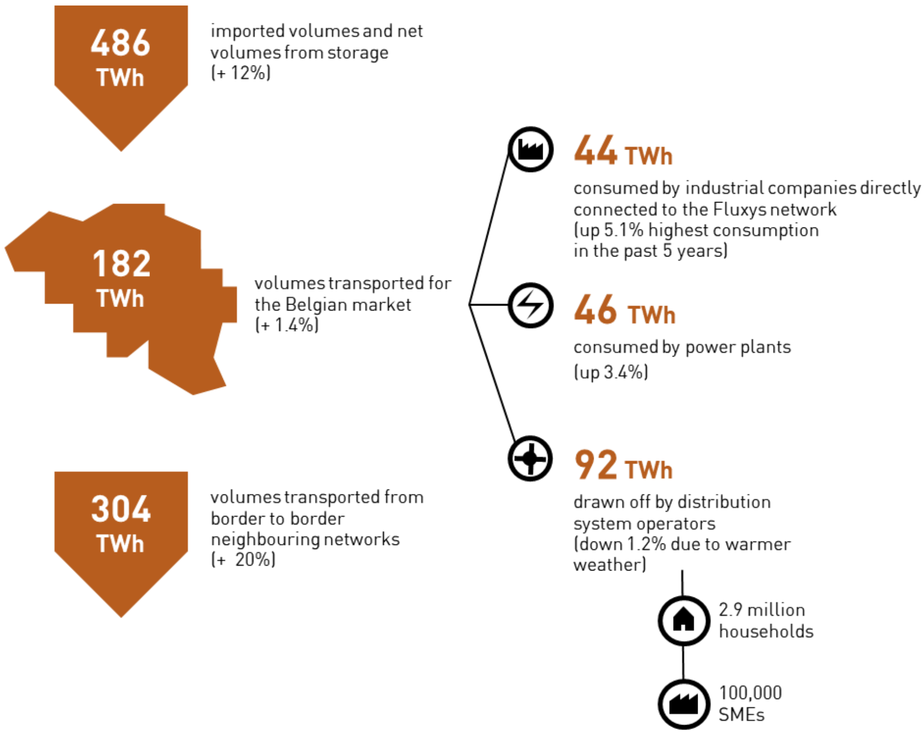
Network users optimise capacity portfolio. Capacity sales on the European natural gas transmission market have been squeezed for a number of years now. This is due to a combination of factors. First, there is the demand for natural gas itself. Although provisional figures for natural gas consumption in 2017 show a rise of around 5% compared to 2016, consumption is still approximately 10% lower than it was 10 years ago. Moreover, system users are increasingly optimising their capacity portfolio, calculating as precisely as possible the volumes to be contracted based on the exact 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 also 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 on gas trading places, leading to more short-term capacity contracts. The shift towards short-term contracts is further fuelled by the new harmonised European rules on system usage. Expiring long-term contracts, for example, can no longer be replaced with new long-term contracts. Once they expire, the capacity released must be sold at auction. 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. Long-term contracts give transmission system operators the prospect of stable revenue in the long term regardless of how much the infrastructure is used. The more short-term capacity sold, the more revenue will fluctuate with actual capacity use. This development poses a real challenge to operators of regulated infrastructure, such as Fluxys Belgium, as the cost basis remains the same regardless of how much capacity is consumed.

Transmitted volumes rise considerably

Transmitted volumes rose by 12% in 2017 compared to 2016, primarily as a result of significantly higher border-to-border flows.



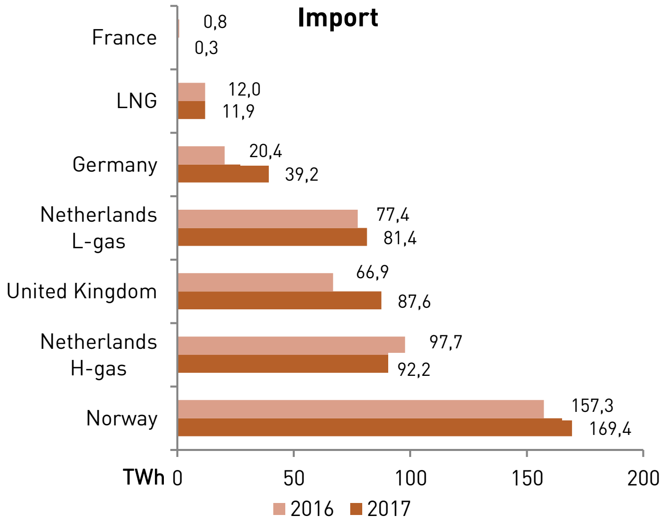
Key event >> Gas-fired power plants once again crucial to the security of the electricity supply
At several points in 2017, Belgium's gas-fired power plants were once again essential to guaranteeing the security of the supply on the electricity market. They supplied back-up capacity during periods with little wind or sun, as well as the necessary baseload when other generation units were unavailable during the first quarter, in April and May, and during the last quarter.

Capacity sold on the rise

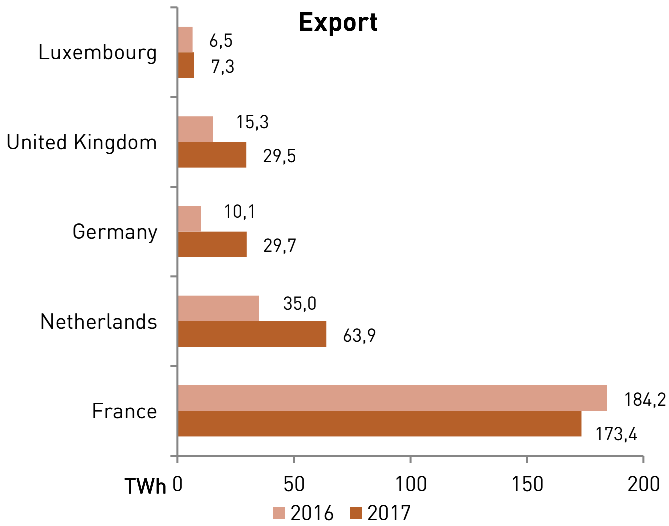
Fluxys Belgium sold more capacity on its system in 2017 than in 2016. As soon as the LNG terminal in Dunkirk became operational, long-term contracts took effect for the Dunkirk-Zeebrugge connection, customers bought more short-term capacity, and capacity bookings for capacity to distribution networks rose in order to have more peak capacity for the increased number of connections for households and SMEs. The rise in booked capacity is also a positive development for the market as a whole: the efficient use of infrastructure is a core component of energy costs.

Fluxys Belgium's network affirms its role as a hub: border-to-border volumes up +20%

The loss of the UK's largest storage site (Rough) from 2016 onwards (see page xx) has triggered a major shift in the provision of flexibility on the North-West European market. The Belgian network once again played a key role as a gas crossroads in this market situation, with volumes transmitted from border to border rising by 20%.



Large quantities of natural gas flowed through the Belgian network towards Germany and the Netherlands, in July and August. During the winter months, high volumes of natural gas were then imported from Germany and the Netherlands and transmitted further to the UK and France via the Belgian network. Imports from Norway were also significantly higher throughout the year.



No interruption or reduction in capacity in 2017

At no point in 2017 was Fluxys Belgium required to proceed to and unplanned reduction or interruption of **firm capacity**, either at the interconnection points on the borders or at the exit points for distribution, industry or power plants.

The objective pursued by Fluxys Belgium for firm capacity is to avoid any unplanned reduction or interruption.

At no point in 2017 was Fluxys Belgium required to proceed to an unplanned reduction or interruption of **interruptible capacity**, either at the interconnection points on the borders or at the exit points for distribution or industry.

The objective pursued by Fluxys Belgium for interruptible capacity is to limit the reduction or interruption to 5% of the capacity.

Continuing focus on competitive tariffs

Fluxys Belgium has turned its network into a central crossroads for international natural gas flows in North-Western Europe, offering excellent interconnectivity, access to all available sources and liquid gas-trading places. In order 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.

Key event >> Transmission tariffs drop by approximately 7.5% in 2018
Tariffs for the transmission of natural gas have decreased since 1 January 2018. This is the result of continuous efficiency efforts by Fluxys Belgium combined with low interest rates.

In 2017, these two factors prompted Fluxys Belgium and CREG to start the regulatory procedure for lowering natural gas transmission tariffs for the period 2018-2019. The tariff reduction and the absence of indexation on 1 January 2018 together resulted in a drop of approximately 7.5% in the transmission tariff.

The reduction in transmission tariffs effective 1 January 2018 will not affect Fluxys Belgium's results. As these depend to a large extent on the regulated rate of return.

Simplified services

Cross-border gas trade between Belgium and France easier thanks to virtual interconnection point. In 2017, Fluxys Belgium and GRTgaz launched Virtualys, North-Western Europe's first virtual interconnection point. Thanks to the virtual interconnection point, cross-border trade between Belgian and French gas trading places (ZTP and PEG Nord respectively) is much easier. Virtualys (a nod to the Lys river running through both countries) combines all physical interconnection points for high-calorific gas between France and Belgium. Rather than booking and nominating capacity on one or more of these points, network users can now manage their gas flows through Virtualys alone. Fluxys Belgium and GRTgaz take charge of the logistic complexity involved.

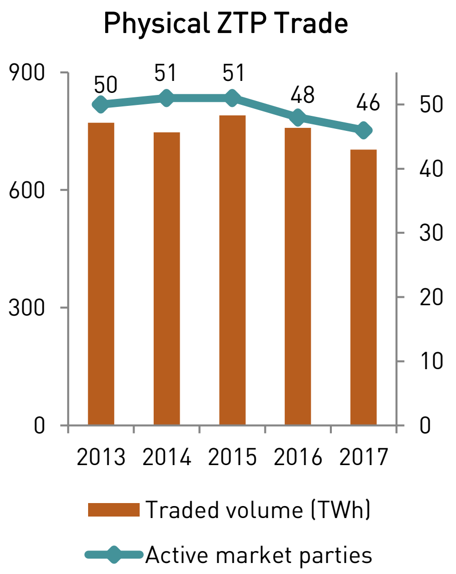
The introduction of virtual interconnection points is one of the provisions of the European Network Code for Capacity Allocation Mechanisms. Transmission system operators have until 1 November 2018 at the latest to establish virtual interconnection points for selling available capacity between adjacent markets instead of using multiple physical interconnection points. The rationale is that virtual interconnection points will make it easier for gas to flow flexibly across the EU following price signals on gas trading places, consequently enhancing competition and pricing on the gas market.

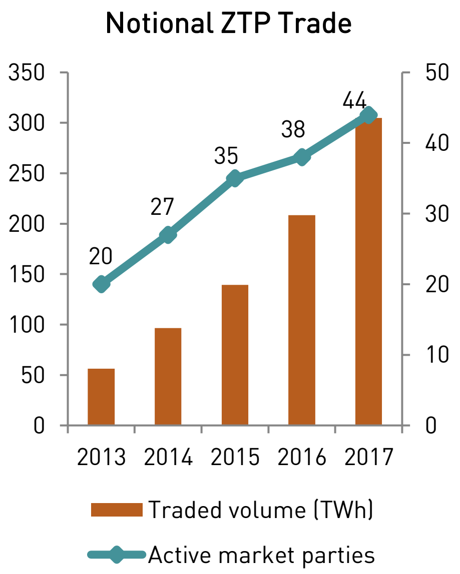
Now even easier: Belgian notional and physical gas trading under one roof. In 2017, Fluxys Belgium streamlined its gas trading services, bringing notional and physical gas trading together under the denominator ZTP.

Belgian gas trade is still booming

Gas trade exceeds 1000 TWh per year. Volumes on Belgium's ZTP gas trading place rose by nearly 10% in 2017 to 1008 TWh, exceeding for the first time 1000 TWh a year, more than five times Belgium's annual consumption.

- Notional trade continued the strong growth seen in recent years, with traded volumes rising by 46%.
- Physical trade decreased by approximately 7%, probably caused by remarkably low activity on the interconnection with the UK in November and part of physical trading shifting to notional trading.





Monthly gas price index for ZTP. ZTP notional trading is experiencing a positive trend, namely the rising proportion of natural gas traded in monthly packages. Following on from this, since September 2017 a ZTP monthly index has been available which end consumers and suppliers can use to have their natural gas contracts index-linked to the Belgian gas trading price. Thanks to its advantageous price, the ZTP monthly index offers an attractive alternative to the usual price references in natural gas contracts. In early 2018, Belgium's federal energy regulator CREG began including the ZTP monthly index in its website's gas listings.

Key event >> Notional gas trade +46%
In 2017, notional trade on Belgium's ZTP gas trading platform continued the growth seen in recent years, with volumes traded rising by 46%. In December, a new daily record of 1.4 TWh traded was set.

The increase is due to, among other things, the rise in the number of active market parties. Liquidity was also supported by so-called *market maker agreements*, whereby gas trading customers undertake to trade a minimum quantity of gas.

In 2017, notional trading at ZTP also took a higher spot in the annual ranking established by the European Federation of Energy Traders (EFET) of Europe's gas trading places. Due to the presence of various *market makers* and the fact that the ZTP price is starting to be used as a reference, ZTP is now in the top three alongside TTF in the Netherlands and NBP in the UK.

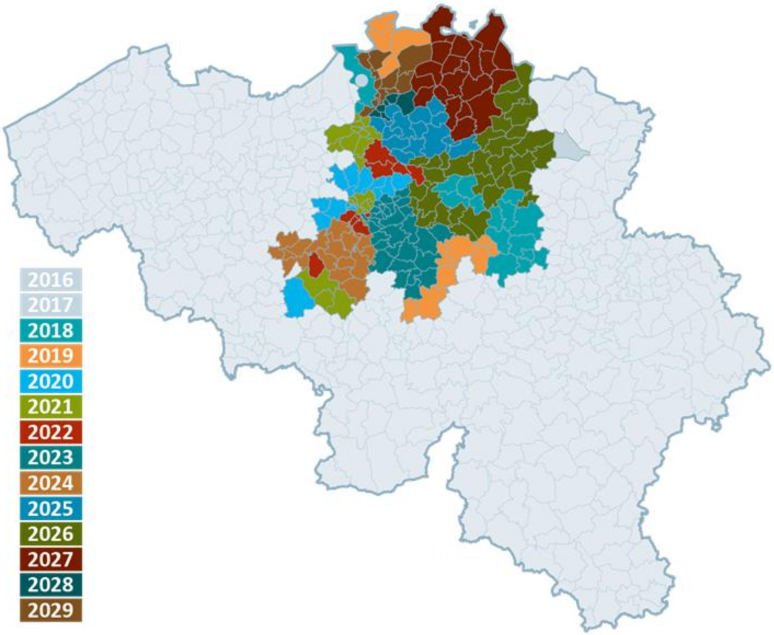
Shift from low-calorific to high-calorific natural gas

Depletion of low-calorific natural gas. The gradual depletion of the Groningen gas field (which produces low-calorific natural gas, otherwise known as L-gas) has prompted the Dutch government to systematically phase out the export of natural gas from this field to Germany (between 2020 and 2030) and to Belgium and France (between 2024 and 2030). In addition, the extraction of natural gas from the near-depleted field triggers earthquakes, so production at Groningen has been limited since 2014. This output reduction remains a subject of debate. As such, in 2017 the production cap was lowered further to approximately 210 TWh per year, and following the earthquake on 8 January 2018 a lower cap of around 120 TWh per year is being considered.

Belgium currently imports around 50 TWh of L-gas per year. The Belgian network also acts as a corridor for channelling approximately 45 TWh of L-gas a year to France. Gas from Groningen accounts for around 30% of the supply in Belgium as a whole and for approximately half of all the gas consumed by households and SMEs.

International cooperation. As L-gas exports from the Netherlands decline, the networks in Belgium, France and Germany must be adapted to enable a gradual switch from L-gas to high-calorific natural gas (H-gas) from other sources. Given the cross-border nature of the measures required, Fluxys Belgium has signed a *Memorandum of Understanding* with the transmission system operators in the Netherlands and France to align technical cooperation and coordination for the conversion across national borders asmuch as possible.

Fluxys Belgium ready for conversion. At the request of the Belgian government, Synergrid (the federation of electricity and natural gas transmission and distribution system operators in Belgium) has drawn up an indicative conversion schedule.



Indicative conversion schedule - Synergrid

Fluxys Belgium then further incorporated this plan in its indicative ten-year indicative investment plan and is ready to complete the conversion within the agreed period by 2029. In 2017, Fluxys Belgium made the necessary modifications to its network so that around 15 SMEs connected to the Eandis distribution system in Antwerp could successfully be switched over. Large-scale conversion starts in 2018.

5.1.2 Storage

Market conditions for storage in Europe remain challenging.

Europe has had a relative surplus of storage options for a few years now, and natural gas is available in abundance on gas trading places. This situation has resulted in structurally small price differences between winter and summer, which, in turn, have priced physical natural-gas storage out of the market.

Against this backdrop, France and Germany, among others, have decommissioned a number of storage sites and various other European countries are increasingly using their storage facilities as a means of ensuring security of supply. As a result, Europe-wide initiatives were rolled out in 2017 to study the best way to better value the role of storage in the market.

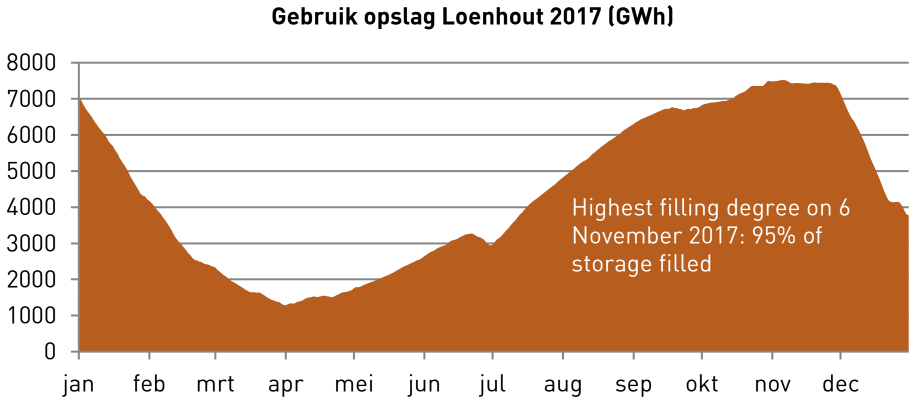
The challenge for storage operators lies in continuing to develop products and services that meet the changing needs of storage customers as closely as possible. It is important that the regulatory framework continues to offer the possibility to flexibly respond to market needs.

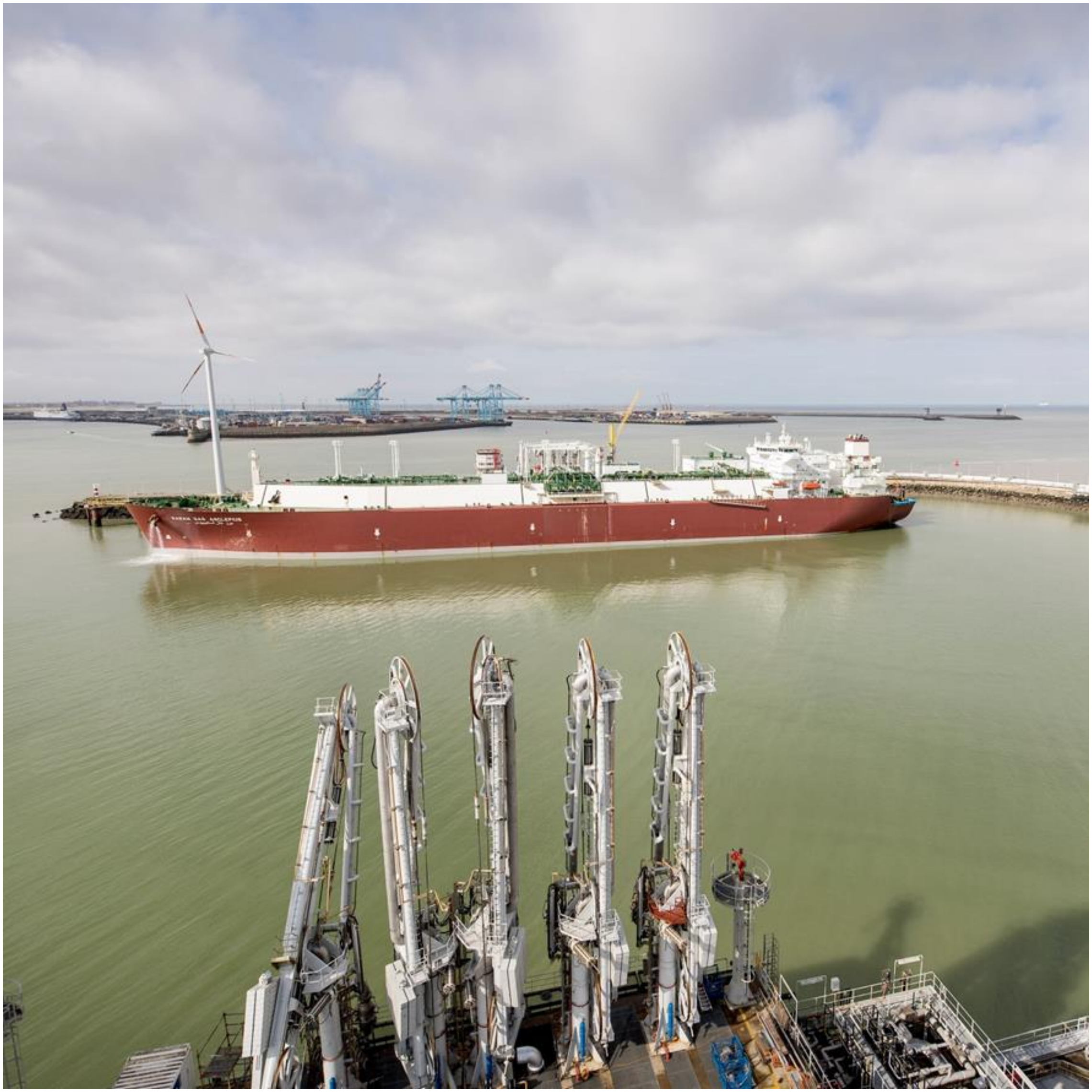
The UK's largest storage site closed

In mid-2017, the operator of the UK's Rough storage site announced that the facility was being permanently shut down for technical reasons. Rough was the UK's largest storage site, accounting for 70% of the country's storage capacity. The site had been unavailable since mid-2016 and the loss of storage capacity has triggered a major shift in the supply of flexibility on the North-West European market.

Loenhout storage facility fully booked for the 2017-2018 season

60% of capacity at the Loenhout storage site is booked under long-term contracts. Upon the closure of the UK's Rough storage site, Fluxys Belgium sold the remaining capacity for the 2017-2018 storage season through a swift commercial offering of solutions taking into account changing flexibility needs.





5.1.3 LNG terminalling

Europe's LNG imports on the rise

In 2017, LNG-producing countries exported over 30 million tonnes more LNG than in 2016 (approximately 42 billion m³ of natural gas). Approximately 22 million tonnes of LNG came from new production capacity opened up in Australia and the US. Due to the low natural gas prices in Europe, most of the additional volumes of LNG went to other regional markets. Over 40% of the additional production went to China, which consequently became the second biggest importer of LNG after Japan.

Europe saw LNG imports increase by around 4.5 million tonnes, to approximately 40 million tonnes (approximately 54 billion m³ of natural gas). This growth was particularly noticeable in southern European countries.

Key event >> Zeebrugge LNG terminal awarded 10 out of 10
In 2017, ICIS, a leading provider of price and market information for the energy market, gave Zeebrugge LNG terminal 10 out of 10 for the ease with which market parties can use the terminal's services and market the gas supplied from the terminal on gas trading places.

European terminal scores

Terminal	Tradeability out of 5	Accessability out of 5	Total out of 10
Zeebrugge, Belgium	✓✓✓✓✓	✓✓✓✓✓	10/10
Isle of Grain, UK	✓✓✓✓✓	✓✓✓✓	9/10
Gate, Netherlands	✓✓✓✓✓	✓✓✓✓	9/10
South Hook, UK	✓✓✓✓✓	✓✓✓	8/10
Fos Cavaou, France	✓✓	✓✓✓✓✓	7/10
Dragon, UK	✓✓✓✓✓	✓✓	7/10
Montoir, France	✓	✓✓✓✓✓	6/10
Dunkirk, France	✓✓✓	✓✓✓	6/10
Barcelona, Spain	✓	✓✓✓✓	5/10
Cartagena, Spain	✓	✓✓✓✓	5/10
Saggas, Spain	✓	✓✓✓✓	5/10
Adriatic, Italy	✓✓✓	✓✓	5/10
BBG, Spain	✓	✓✓✓✓	5/10
Fos Tonkin, France	✓✓	✓✓✓	5/10
OLT, Italy	✓✓✓	✓✓	5/10
Reganosa, Spain	✓	✓✓✓✓	5/10
Panigaglia, Italy	✓✓✓	✓✓	5/10
Swinoujscie, Poland	✓✓✓	✓✓	5/10
Huelva, Spain	✓	✓✓✓	4/10
Sines, Portugal	✓	✓✓✓	4/10
Klaipedos, Lithuania	✓	✓✓✓	4/10
Revithoussa, Greece	✓	✓✓	3/10
Aliaga, Turkey	✓	✓	2/10
Marmara, Turkey	✓	✓	2/10
Cakmakli, Turkey	✓	✓	2/10

Unloading large LNG carriers: natural gas volumes to the network at stable level

Users of Zeebrugge LNG terminal have long-term contracts to unload 110 large LNG carriers per year. The terminal unloaded as much LNG for regasification and transmission onto the network in 2017 as it did the year before, despite a lower number of vessels being unloaded. Demand for loading large LNG carriers fell significantly.

Small-scale LNG activity in full swing

In addition to the transshipment of large volumes of LNG, Zeebrugge LNG terminal is diversifying its offer with a view to capitalising on the new market for small-scale LNG (see page xxx), meaning that small LNG carriers and LNG trucks can load LNG at the terminal. Other LNG terminals in the wider region are also developing services for small-scale LNG. Despite this increased competition, the number of operations involving small LNG carriers and LNG trucks at Zeebrugge remained the same in 2017 compared to 2016.

Services at the LNG terminal were diversified in 2017, with the commissioning of the second jetty now making it possible to load bunkering vessels. The final investment decision has also been made concerning the construction of a second LNG truck-loading station with a view to continuing to quickly meet demand in the future. The second loading station will be built in 2018 and will receive financial support from the European Commission as part of a pilot project regarding the supply of an LNG bunkering facility which is currently being built by our sister company Swedegas in the port of Gothenburg, Sweden.

Co-financed by the Connecting Europe Facility of the European Union

17
LNG carriers unloaded
(30 in 2016)
= 14.2 TWh LNG
1,473: number of carriers that have unloaded since commercial activities began in 1987

18
Small LNG vessels loaded
(21 in 2016)
= 1.4 TWh LNG

Industrial sites

LNG filling stations

1,454
trucks loaded with LNG
(1,480 in 2016)
= 0.4 TWh LNG

11.9 TWh
regasified
(same as 2016)
and transmitted in the Fluxys Belgium pipeline network

Key event >> Second jetty at Zeebrugge LNG terminal major step forward in the development of LNG as a marine fuel

The second jetty at Zeebrugge LNG terminal has been operational since late December 2016. The jetty was 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 loadings have already been booked at the second jetty for small LNG carriers under long-term contracts.

With the second jetty able to accommodate the smallest LNG carriers, LNG bunkering vessels can now also berth at the terminal. These are vessels that load up with LNG in order to supply LNG powered-ships. Without LNG bunkering vessels, LNG-powered ships wanting to fill up on LNG are required to go to fixed bunkering sites or use the limited bunker capacity offered by LNG trucks. In contrast, LNG bunkering vessels sail to the ships requiring LNG as a fuel and can also be used to transport LNG to small LNG bunkering terminals in other ports. ENGIE Zeebrugge regularly loads at the second jetty - this is an LNG bunkering vessel in which parent company Fluxys is a partner and whose home port is Zeebrugge.

The second jetty also enables the terminal to respond flexibly to demand for simultaneous or consecutive berthings.

5.1.4 Helping to build the European gas market

As Belgium's transmission system operator, Fluxys Belgium is fully committed to further strengthening the integration of the European natural gas market and works closely with other transmission system operators on specific projects to achieve this goal. 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 and monitoring of European Network Codes. ENTSOG has developed standardised rules on the use of transmission systems (the so-called Network Codes) as part of the EU's Third Energy Package. Each Network Code was established based on framework guidelines compiled by the *Agency for the Cooperation of Energy Regulators* (ACER). Once a Network Code has been approved by the European authorities, it will enter into force. The implementation of the Network Codes by transmission system operators is being monitored closely.

The Network Code on harmonised tariff structures came into force in 2017. The Code provides for a gradual introduction and will consequently form the starting point for Fluxys Belgium's preparations of its new tariffs after 2019.

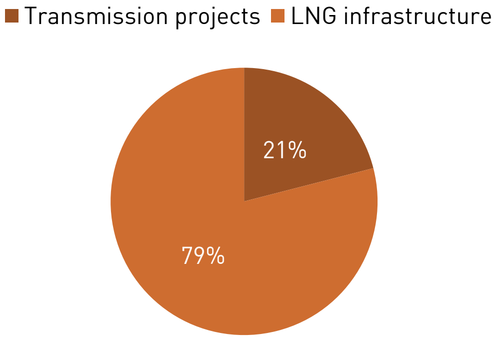
European Network Development Plan. Within ENTSOG, a ten-year development plan for European *natural gas infrastructure is developed every two years* (Ten-Year Network Development Plan). ENTSOG published its fifth ten-year plan in 2017. Belgium's contribution to the plan took the form of the Fluxys Belgium investment programme. Every year, the company updates its indicative investment plan for the following ten years (see page 84).

ENTSOG's European Network Development Plan provides an overview of all planned major investments in natural gas infrastructure in the European Union and contributes to the development of an integrated European natural gas market.

- The consistent transnational approach makes it possible to identify potential investment gaps and supply bottlenecks.
- 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.

5.2 €83.4 million invested in infrastructure

In 2017, Fluxys Belgium invested €83.4 million in infrastructure projects in Belgium. €16.8 million went to transmission projects, while €64.8 million went to LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal).



Overijse-Jezus-Eik and Maleizen (1.5 km). Construction of a new pipeline for the transmission of natural gas between Overijse and Jezus-Eik. A pressure-reducing station is also being built at the starting point of the pipeline. The pipeline is expected to be commissioned in summer 2018.

Zwijndrecht-Beveren (5.2 km). Fluxys Belgium is renewing its natural gas pipeline network between Antwerp and Sint-Niklaas. As such, the line between Zwijndrecht and Beveren was replaced by a new pipeline and a connection was also established with the Eandis distribution system. The new pipeline was commissioned in early July.

New connections. As at late 2017, the Fluxys network comprised 230 direct connections with industrial end users, power plants and CHP facilities. Over the course of the year three new connections were added for industrial companies, namely Total Raffinaderij Antwerpen, Oleon in Ertvelde and Farm Frites in Lommel. New connections were commissioned in Diest, Ypres, Ghent, Tienen, Trooz, Zele and Zonhoven for the benefit of the distribution networks.

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

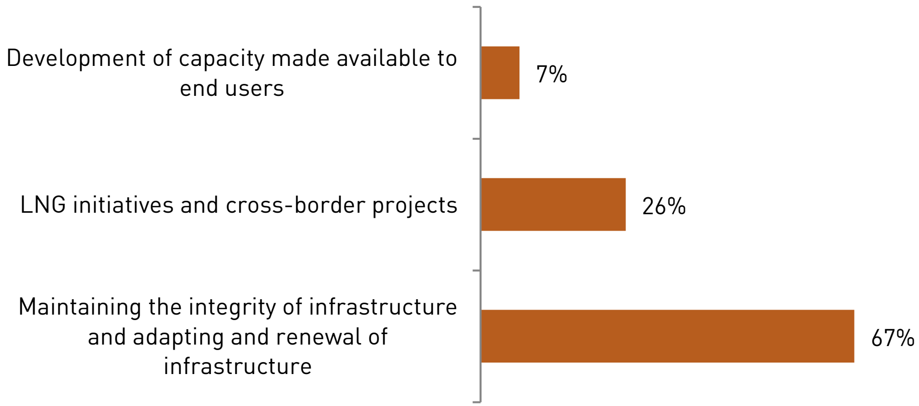
A fifth LNG storage tank and associated process facilities have been under construction at Zeebrugge LNG terminal since mid-2015. Commissioning is expected over the course of 2019. These investments result from the long-term contract concluded in 2015 with Yamal Trade for the transshipment at the terminal of up to eight million tonnes of LNG per year (approximately 123 TWh of natural gas). The aim is to transship LNG transported by ice breaker/LNG carriers from the new production terminal in Yamal in northern Siberia onto conventional LNG carriers to be conveyed to its final destination. The additional LNG storage tank will serve as a buffer for the transshipment of LNG between two vessels if they are not berthed at the same time.

5.3 2018-2027 indicative investment programme €549 million

Every year, Fluxys Belgium updates its indicative ten-year investment programme for its three core activities: the transmission and storage of natural gas, and LNG terminalling. The company plans to invest € 549 million in the 2018-2027 period.

The programme is based on three key pillars: investments to maintain the integrity of, adapt and renew the natural gas transmission infrastructure (67%), investment in LNG initiatives and cross-border projects (26%), and investment in covering changes in the capacity made available to end users (7%).

Ten Year Investment Programme based on three pillars



Thanks to significant investments made in recent years, the Belgian network has become a mature system with considerable entry capacity, a high level of interconnectivity with all neighbouring networks and systems, and bidirectional flows to and from all neighbouring countries. As such, most of the projects in the indicative investment programme are intended to keep existing infrastructure in good condition. Investments in new infrastructure usually go to projects intended to strengthen the security of supply in a particular region for the benefit of distribution system operators. Investments in LNG predominantly comprise construction work of the fifth LNG storage tank and the associated process facilities at the Zeebrugge LNG terminal.

5.4 Research and development

5.4.1 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 under the umbrella of 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.

5.4.2 New gas applications

Green gas: Biomethane quality requirements

Biomethane is the gas that is left when CO_2 is removed from biogas. Biogas is produced from biological sources (green waste, sludge from purification plants, energy crops). Like natural gas, biomethane is mainly composed of methane. Fluxys Belgium is involved in various working groups examining the quality requirements biomethane must meet before it can be injected into a natural gas network and what the impact of this injection might be. Fluxys Belgium will use the results of this research as a reference in the biomethane injection projects that are currently under development in Belgium.

Power-to-gas

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

Fluxys Belgium has joined forces with 10 other European companies (including natural gas and electricity system operators) in the *European Power to Gas Platform* to monitor this technology and exchange best practices. In 2017, the company particiapated in a study around this new technology. The study showed in particular that power-to-gas and renewable energy sources complement one another, and that power-to-gas can make a major contribution to achieving the climate goals by cutting CO_2 emissions.

Combined heat and power

Fluxys Belgium contributes to research into different natural gas-fired cogeneration systems that generate both electricity and heat. Cogeneration not only reduces greenhouse gas emissions but also lowers energy bills. Fluxys is actively analysing the possibility of integrating one or more CHP units into its infrastructure.

Other energy carriers

In 2017, we began looking into the role that Fluxys Belgium and its parent company Fluxys could play in transmitting other gases or energy carriers (CO_2, gaseous hydrogen and heat).

5.4.3 Design and operation of pipelines and facilities

Improving the design of pressure-reducing stations. In 2017, Fluxys Belgium further optimised the design principles and te principles for dimensioning its pressure-reducing stations. One of the improvements was to further limit greenhouse gas emissions by opting for the most appropriate pressure and flow control technologies. Other adjustments aimed at reducing noise pollution from pressure-regulating facilities and enhancing the efficiency of gas heating installations. The new principles will be applied to the construction of new facilities and the adaptation of existing stations.

5.4.4 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 worked with Ghent University to develop a hydrodynamic model of this layer with a view to reconstructing, among other things, how water pressure is changing over time in certain locations in connection with the storage reservoir. The model was 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. It 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 2017 Fluxys and a consultancy firm further honed the existing model to demonstrate the impact of nearby geothermal projects on natural gas storage. The model will be completed in 2018.

5.4.5 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. With this in mind, 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. In 2017, work began on the construction of a new LNG measurement and calibration facility at the Maasvlakte in Rotterdam with a view to developing the international standard. Commissioning is scheduled for late 2018.

6 GOOD NEIGHBOURLY RELATIONS

As the operator of Belgium's natural gas transmission facilities, Fluxys Belgium is responsible for building safe infrastructure and ensuring the safe operation thereof. The route of a pipeline or the location of a surface station is carefully chosen in close consultation with the local and regional authorities. Through open dialogue, Fluxys Belgium strives to establish good relations with all those affected by the construction and operation of our facilities. The company also ensures that the construction and operation of its infrastructure cause as little disruption as possible.

6.1 Constructing and operating safe infrastructure

Careful construction

All materials used, including steel pipes, comply with Belgian regulations and the international safety standards in force. For example, 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 contractors. 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, for example, the density and resistance of the pipes. The condition of the pipes will then be regularly checked as part of an inspection programme. The pipes are also fitted with a cathodic protection system to prevent corrosion.

Providing information and raising awareness about works in the vicinity of our infrastructure

Damage to natural gas transmission pipelines is often caused by work carried out by third parties in the vicinity of infrastructure (see 'Risk management, industrial risks' on page 138). As a result, anyone wishing to carry out work close to our pipelines is legally required to inform Fluxys Belgium of this in advance.

Identifying unreported works. However, some work is not reported, and safety regulations are not always followed. To detect such works, Fluxys runs frequent patrols from eight regional branches (see 'Risk management, Industrial risks' on page 138).

Information programmes. Fluxys Belgium runs a range of programmes to provide information and raise awareness about how to work safely in the vicinity of its infrastructure. The programmes focus on everyone involved in such works, such as architects, building managers, designers, contractors, owners and operators, municipalities, notaries and emergency services. Fluxys Belgium regularly issues reminders to all owners and operators of land on which Fluxys infrastructure is found, and the company also holds an information session for municipalities, as well as police and emergency zones at least once every legislative period.

Thanks to the **careful action taken by all of our employees**, in 2017 no damage caused by third parties involved the escape of gas or interruption of capacity.

In 2017, **22,988 letters** were sent to landowners and operators and **71 municipality visits** were organised.

In 2017, a new campaign was launched on the risks of some **agricultural or horticultural work**.

In 2017, Fluxys Belgium received **61,284 works notifications**, 87% of which were made via the KLIP and KLIM-CICC portals.

Reporting works easily. Fluxys Belgium is also committed to initiatives to make the reporting of such works as easy as possible. In recent years, compliance with the statutory notification requirement has been made much easier with the arrival of online portals, with Fluxys Belgium being a prime mover indeed in the launch and development of the Federal Cable and Pipeline Information Database (KLIM-CICC) in 2006.

Safe and consistent digging methods in the vicinity of Fluxys infrastructure. Every day, Fluxys Belgium staff attend preparatory meetings with regard to sites where work is scheduled in the vicinity of natural gas transmission infrastructure. During these meetings, they describe the safety measures to be taken. Fluxys Belgium has also worked with the regional employment services VDAB and FOREM to develop training programmes for those involved in excavation. Pipelines were laid on pilot sites so that practical digging exercises could be held using the Fluxys method. The programmes have been accredited by the Fund for Vocational Training in the Construction Sector. Furthermore, Fetrapi (the Belgian federation of pipeline transmission companies) is now also recommending this digging method, which simplifies matters for the contractors - the same rules now apply to excavation work performed near infrastructure operated by Fetrapi members.

At the ready, 24 hours a day

A dispatching office is to natural gas transmission what an air traffic control tower is to an airport. Fluxys Belgium dispatchers in the dispatching office control and monitor natural gas flows on the network 24 hours a day. The dispatching office also has a coordinating role when a gas smell, an incident or an accident is reported. At both Fluxys headquarters and its regional branches there are staff ready 24 hours a day to take immediate action if an incident occurs. A crisis team can also be rapidly deployed in an 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. As such, over the course of 2017 five drills were held with emergency services in East Flanders, Hainaut, West Flanders and Limburg, alongside Fluxys Belgium's internal drills (see 'Risk management, industrial risks' on page xxx).

6.2 Open dialogue with residents

Personal contact: trust is a two-way street

Landowners and operators have their own point of contact at Fluxys Belgium, from the preliminary study of a route to the restoration of a site following the construction of a pipeline. This allows them to consult with someone familiar with their concerns and the features of their land from the outset. These points of contact are part of Fluxys Belgium's team of negotiators and have a special task, namely to understand the interests of landowners and operators and defend them to Fluxys Belgium.

New infrastructure: securing consensus with our neighbours.

Transparent communication from the project phase onwards. In the case of new infrastructure projects, from the planning phase onwards Fluxys Belgium aims to transparently provide information to and communicate with the relevant municipal authorities, local residents and other parties involved.

Information sessions. In connection with permit applications for major infrastructure projects, Fluxys Belgium proposes to the municipalities that they organise an information evening for local residents before the permit procedures get under way so they can discuss the project and its potential consequences and 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 that an information session be organised so that local residents can again ask any questions they might have about the project.

In May 2017, Fluxys Belgium, alongside representatives from the municipalities involved, **visited the construction site** of the pipeline between Zwijndrecht and Beveren

In 2017, three **information sessions** were held in Zele, Maarkedal and Ronse.

Agreements concerning agriculture, horticulture, forest management and hunting

Fluxys Belgium installs the vast majority of its facilities (pipelines and surface stations) in areas used for agriculture, horticulture or forest management. Good neighbourly relations are crucial between Fluxys Belgium and the owners and operators of land through which our facilities run or which are located in the vicinity of our facilities. With this in mind, Fluxys Belgium has concluded agreements with the three largest farming associations (the Boerenbond, the Algemeen Boerensyndicaat and the Fédération Wallonne de l'Agriculture), Hubertus (the Flemish hunting association), Landelijk Vlaanderen vzw and Nature, Terres et Forêts. These agreements set out the compensation due to agricultural, horticultural and forest management parties that encounter disruption or are temporarily unable to use their land during the construction of a facility. If problems still occur following construction, Fluxys Belgium shall deal with any reported problems on a case-by-case basis.

A key advantage of the agreements is that they lay the foundations for an approach in which everyone is treated equally, also with regard to compensation. The agreements set out the conditions under which something can be considered a disruption and detail how the associated compensation from Fluxys Belgium is calculated.

Provision of pipeline maps and data

Every five years, Fluxys Belgium provides municipalities, emergency services and local police forces with a full overview of all Fluxys Belgium pipelines in their area. If new pipelines are commissioned or existing pipelines are moved during this period, the updated maps are automatically sent out.

Fluxys Belgium has also recorded data on its pipelines in databases that are constantly being updated and are used by emergency services as well as communication and information centres (CICs) and emergency centres that centralise all requests for police intervention.

7 GREENHOUSE GAS EMISSIONS AND ENERGY EFFICIENCY

Together with the users of its infrastructure and distribution system operators, Fluxys Belgium provides end users in Belgium and on the Western European market with an energy source that can significantly contribute to cutting greenhouse gases and emissions harmful to air quality, thanks to its advantageous emissions profile.

Natural gas also has a growing role to play in replacing more harmful fuels in the transport sector, and the company is actively supporting the development of the necessary infrastructure. Furthermore, Fluxys Belgium is preparing for the influx of green gas into its infrastructure in order to further shape a carbon-neutral energy system.

The company also strives to minimise the the climate and environmental impactof its own acitvities. Traditional transport modes of are no match for underground pipeline transmission when it comes to air and noise pollution, soil contamination or visual impact. Fluxys' environmental policy is designed to systematically continue reducing this already minimal impact when designing, building and operating infrastructure.

7.1 Development of natural gas as transport fuel

7.1.1 Fluxys Belgium active on various fronts

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 immediately cuts carbon emissions and reduces the impact on air quality and health: nitrogen oxide emissions are 90% lower, and emissions of sulphur and particulate matter are negligible (see page 34).

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 of the switch lies in developing the infrastructure needed for vehicles and vessels to refuel easily with natural gas. While compressed natural gas (CNG) is used in cars, vans, buses and commercial vehicles, liquefied natural gas (LNG) isthe ideal solution for ships and long distance freight.

7.1.2 LNG for shipping and freight continues to pick up

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 80 LNG-fuelled ships operating in those areas; orders have been placed for over 60 new vessels as well as a number of LNG-powered inland waterway vessels. Orders for new LNG-fuelled vessels are expected to increase further in as in 2020 sulphur emission regulations will become significantly stricter for all shipping traffic.

Inland waterway vessels can refuel at ports. Currently, trucks that load up with 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 further intensify.

Seagoing vessels can now refuel with LNG bunkering vessels. LNG-powered seagoing vessels have been able to refuel with LNG bunkering vessels since 2017 thanks to the commissioning of the second jetty at Zeebrugge LNG terminal and the LNG bunkering vessel ENGIE Zeebrugge, in which parent company Fluxys is a partner and whose home port is Zeebrugge (see page 78).

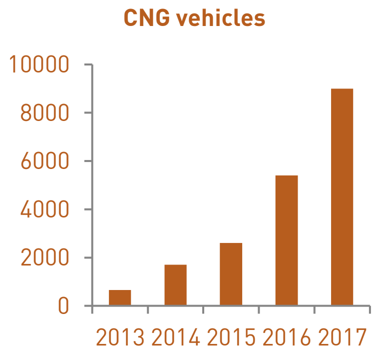
Upturn in LNG truck market. Logistics companies are increasingly considering switching to LNG as a cleaner option for long-haul transport as more powerful LNG trucks come onto the market.

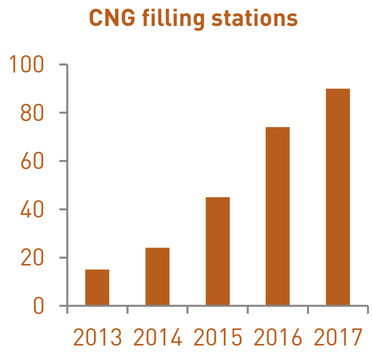
Belgium currently has two LNG filling stations for trucks: in Kallo in the Port of Antwerp and in Veurne, where parent company Fluxys teamed up with haulage firm Mattheeuws to invest in an LNG filling station. There are also plans to build other LNG filling stations in other parts of Belgium.

7.1.3 CNG for cars and light freight is on the rise

Fluxys Belgium works with other market parties to encourage private individuals, companies and local authorities to use CNG-fuelled cars. Authorities are also taking a range of initiatives (through tax measures and bonuses, for instance) to encourage people to switch to CNG. A number of cities intend to introduce low-emission zones, which is another incentive.

Key event >> Number of CNG vehicles and filling stations continues to rise
The number of CNG-powered vehicles rose considerably in 2017, from 5,400 to 9,000. More than one CNG filling station on average opened per month, with their numbers rising from 74 to 90. In 2018, 28 additional CNG stations are planned.





7.2 Active voice in the Belgian energy debate

In 2017, Fluxys Belgium made a special effort to showcase the role of gas and gas infrastructure during preparations for Belgium's inter-federal Energy Pact. The EU objective of having renewables account for 27% of the energy mix by 2030 means that the remaining energy must come from other sources. Thanks to its emission profile, natural gas has a crucial role to play here, while green gas could also help to boost the share of renewable energy.

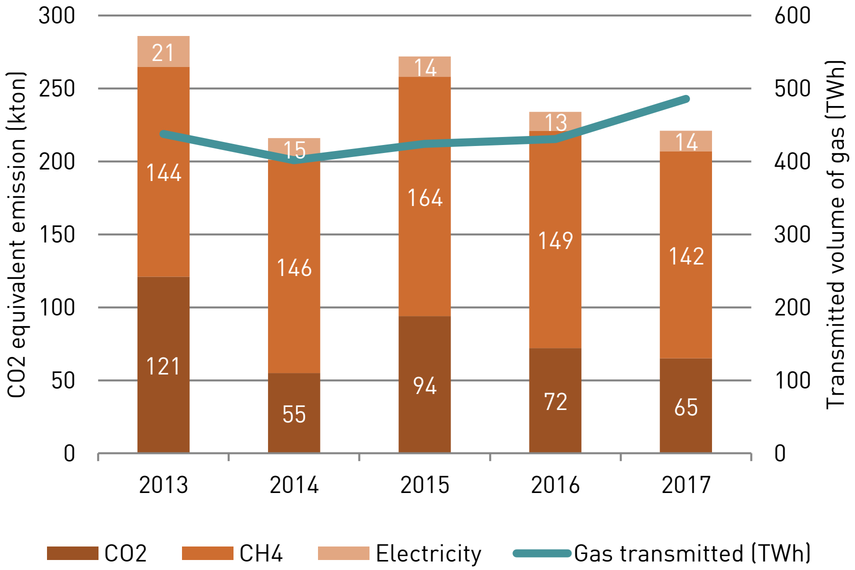
When it comes to heating, transport or industrial applications, natural gas yields immediate emission gains when compared to other fossil fuels with a higher carbon content. With regard to electricity generation, natural gas-fired power plants have the advantage of flexibly backing-up for renewable generation and not impeding the further development of such generation. In addition, when combined with CHP facilities these plants can supply power at full load, in substitution for nuclear generation. Gas infrastructure is particularly cost effective compared to electricity with regard to the transmission and storage of large volumes of energy. The carbon intensity of gas continues to shrink as larger quantities of green gas flow through the gas infrastructure.

Fluxys Belgium is therefore highlighting the importance of a policy that focuses on the total system cost for gas and electricity, capitalises on the complementarity of gas and electricity systems and strives for optimal use of existing infrastructure. Electricity, natural gas, green gas, wind and solar power must work together optimally, if we want to achieve an energy system that is sustainable, reliable and affordable (see also 'Gas and gas infrastructure: crucial for the energy future', page 33).

7.3 Towards a carbon neutral gas supply in 2050

Fluxys Belgium is collaborating closely with other gas infrastructure companies in Europe to achieve a carbon neutral gas supply by 2050 (*Green Gas Initiative*). The cooperation between the companies is currently researching how gas and gas infrastructure can help to achieve the European objectives for lower carbon and other harmful emissions. The initiatives of the Green Gas Initiative focus on three main topics: biomethane, power to gas and gas as a fuel in road and maritime transport.

7.4 Limiting our own greenhouse gas emissions



Fluxys Belgium's direct and indirect greenhouse gas emissions

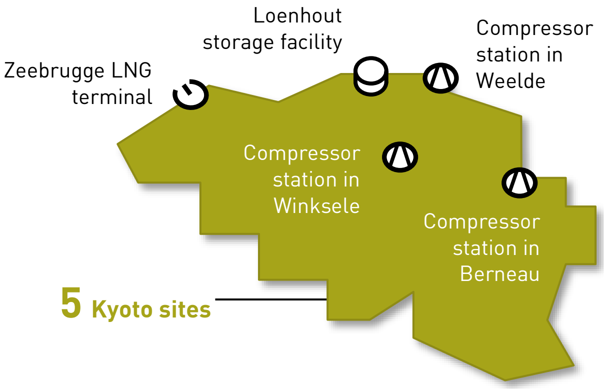
The operation of gas infrastructure causes emissions of carbon dioxide (CO_2) and methane (CH4) (direct emissions). The company's electricity consumption is a source of indirect emissions. In 2017, greenhouse gas emissions per volume of natural gas transported were 16% lower than in 2016 (CO_2eq emissions for electricity are calculated based on a factor of 200 g CO_2/kWh).

Efforts to further limit carbon emissions

Since 2013, Fluxys has used an **open rack vaporizer** at the LNG terminal to regasify LNG using heat from seawater, which has a positive impact on energy consumption and CO_2 and NO_x emissions.

When **plotting the route** of a new natural gas pipeline, Fluxys Belgium strives to avoid having to use its compressor facilities as much as possible.

The most suitable **pressure and flow-reducing technologies** are used when designing new pressure-reducing stations or modifying existing pressure-reducing stations.



Fluxys Belgium has CO_2 emission rights for each of its five sites that are subject to the European Directive on tradable emission rights. An internal audit is organised every year, and an annual emissions report is drawn up and undergoes an external verification audit.

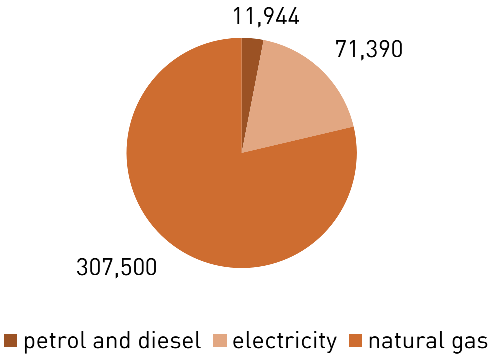
Efforts to further limit methane emissions

Total methane losses on the Fluxys Belgium network amount to 0.020% to 0.026% of total transported volumes. The company is working on additional measures to bring down methane losses to an even lower level.

- Fluxys uses a laser detection system to identify and measure any natural gas released into the air. This system is mounted on a helicopter that flies over the pipeline routes and produces particularly accurate results.
- Constantly striving for improvement and optimisation, in 2016-2017 Fluxys Belgium commissioned a specialist company to measure methane emissions, giving the company more accurate data to hone the methodology used to map these emissions. Based on the research results, targeted actions were defined and taken.
- A multiannual programme is also runningthat aims to cut the methane losses even further by replacing certain pieces of pneumatic equipment with electrical alternatives.
- During maintenance work, for instance, sometimes part of a pipeline has to be closed in and the natural gas in this part of the pipeline has to be removed in order to work safely. Rather than letting natural gas be released into the air in a controlled manner, in certain circumstances the natural gas can be collected in a mobile facility in which it is repressurised and re-injected elsewhere in the network.
- Pigging is a technique used to clean pipes internally and inspect the condition of pipe walls for deviations. A new technology has significantly minimised the carbon footprint of pigging operations. Use of a mobile pressure-reducing station ensures that less natural gas has to be released into the air.

7.5 Consistent focus on energy efficiency

Total energy consumption in 2017 (MWh - For 1 MWh of electricity 2.5 MWh of primary energy is needed)



Fluxys Belgium's industrial processes and operation require natural gas, electricity, diesel and petrol.

In 2017, Fluxys Belgium took steps to help reduce energy consumption by 40% compared to 2013 levels.

- Fluxys Belgium carries out an in-depth energy study in advance of any new natural gas transport infrastructure project that will consume a large amount of energy. This study is used as a basis for adopting the most effective way of improving the project's energy efficiency.
- In line with the legislation in force, the government approved the energy plans for the Weelde compressor station and the LNG terminal. Concerning the current 2015-2018 plan, it was noted that there measures reducing energy consumption were sufficient and therefore no major suggestions for improvement were made.
- In line with the legislation in force, the head office in Brussels is subject to a periodic energy audit. The energy audit was updated in December 2017 and the experts did not make any major suggestions for improvement.

7.6 Other environmental measures

In 2017 Fluxys did not receive any fines or sanctions for failing to comply with environmental legislation or regulations.

11 environmental complaints were made to the environmental coordinator. These mainly related to noise and the smell of gas.

Reducing noise pollution

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

When building new infrastructure, potential noise pollution is taken into consideration from the design phase on. The most appropriate and efficient solution is chosen, taking into account the legislation in force, the infrastructure's location and the various environmental circumstances.

Fluxys Belgium also takes targeted control measures to monitor its existing infrastructure so as to identify potential noise pollution and then 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 infrastructure. Environmental impact assessments gauge the infrastructure's impact on ecosystems (see below). When laying a new pipeline, Fluxys Belgium always takes care to ensure that the environment is disturbed as little as possible, that nature can be fully restored once the works have been completed, or invests in compensatory measures beneficial to nature.

Environmental impact assessments

An environmental impact assessment must always be appended to permit applications for the construction and operation of new facilities. Such assessments cover potential effects, including emissions into the air, water and ground, environmental noise, the production of waste, spatial integration, mobility, and the impact on biodiversity. Many of the adverse effects discussed are temporary and limited to the construction phase.

The assessments propose any measures needed to prevent environmental effects, repair the damage they cause or limit their impact. A number of examples of preventive or mitigating measures are listed below:

- Road plates, caterpillar tracks or a strip of sand can be used to minimise the compression of soil layers caused by heavy-duty site machinery.
- Return irrigation can be used when ground drainage (the removal of water from a work pit to dry it out for work) removes too much water from a wet environment.
- The execution technique for building a pipeline can be adjusted at specific points (e.g. jacking, directional drilling).
- It may be necessary to limit the work area in valuable forested areas.
- Surface infrastructure must be integrated with the surrounding area as well as possible.
- Small landscape elements such as wood edges that are cut through by construction work can be repaired with shallow-rooted local plants.
- Take into account fish spawning periods when crossing a waterway.

- Devise the soil profile of waterways to include resting, feeding and spawning areas to provide extra support for endangered species of fish.

Wastewater treatment

In all large installations separate drain system has been laid and a wastewater treatment plant or a reed bed filtration system installed in all large installations.


FLUXYS

8 DEVELOPMENT OF OUR EMPLOYEES

As a company in the energy sector, Fluxys Belgium is operating in a rapidly changing market that is continuously evolving. To maintain its success in this context, it is vital for the company to be able to continue to count on skilled, motivated employees and the flexible employability of everyone in their work.

Tapping into adaptability in interactions between people, processes and structures is a key priority of the company's HR policy. At the same time, the policy aims to ensure that the right talent is in the right place at the right time to make an optimum contribution to the company's success against the backdrop of an evolving market and changing company processes and structures.

The personnel data in this section are based on the workforce of Fluxys Belgium and Fluxys LNG. Workforce statistics are based on all personnel in the personnel register, including active staff as well as those on long-term sick leave. Unless otherwise specified, the figures indicate the number of employees and not FTEs.

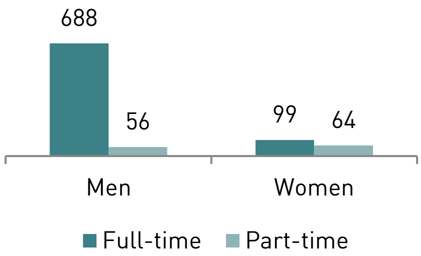
8.1 Organisation moving with the growth strategy

Fluxys Belgium constantly examines its processes and structures in light of new challenges that materialise. After all, a transforming market requires an organisation that moves along with it. More efficient processes and structures are key to achieving the enhanced performance which the company strives for in a bid to pursue continued growth sustainably and further bolster its position on the market. Employees have a vital contribution to make here, being expected to critically analyse their day-to-day approach, be agile and adapt to changes with an open mind. With this in mind, in 2017 all employees were invited to a workshop on stress, how to deal with it and how to become more resilient.

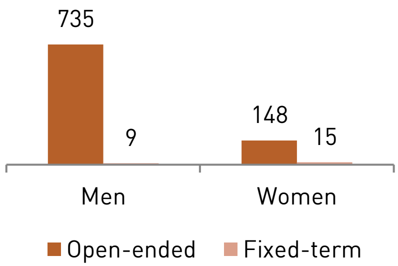
8.2 Attracting the right talent for today and tomorrow

Based on its company objectives, Fluxys Belgium assesses its future staffing needs to gain a clear overview of which competencies 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 the right talent, Fluxys Belgium offers competitive salary packages in line with the market.

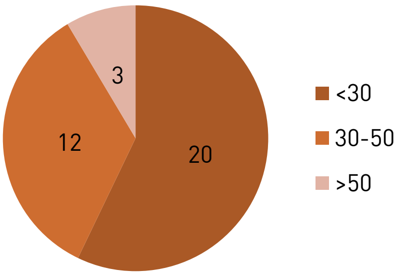
Employees full-time/part-time



Employees per employment contract

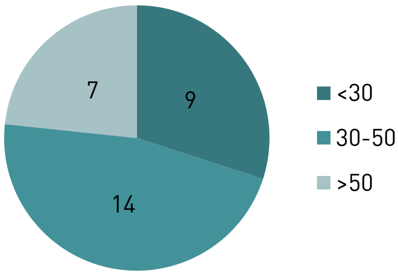


New hires

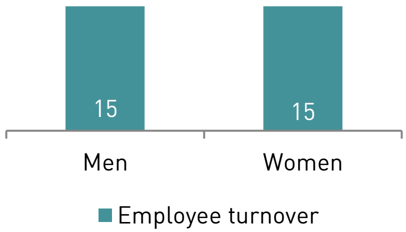


Ratio new hires: 4%

Employee turnover



Ratio employee turnover: 3%- The employee turnover contains the unforeseen turnover (dismissal/resignation, death, ...). The planned turnover (pension, end of contract, ...) comprises of 27 employees.



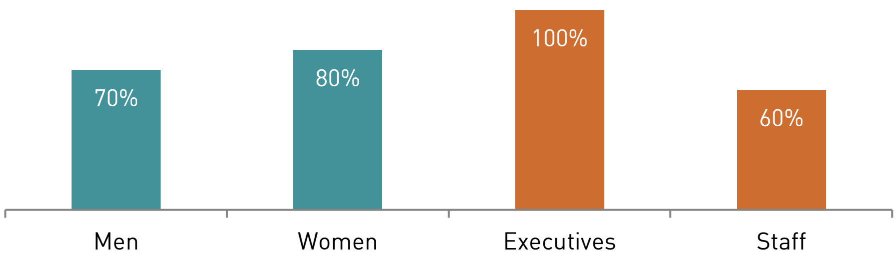
8.3 Ensuring that talent contributes to the company's goals

Fluxys Belgium uses tailor-made induction programmes and dynamic performance management to help its employees make the maximum possible contribution for 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, 2017 was a dynamic year for **internal job mobility**: 50 members of staff took the opportunity to move to another position in the company or in the Fluxys group. Fluxys Belgium continues to encourage mobility, as it contributes to staff development and employability.

Percentage of employees that have had an evaluation concerning performance and career development



In the **performance management cycle**, constructive consultations take place each year at the different levels of the company to translate the corporate goals into personal goals. In the course of the year, these goals are the subject of regular dialogue between the staff members and their managers. Daily feedback forms the basis of this dialogue, which is formally complemented by performance reviews and assessment interviews. Employees are rewarded for their commitment to achieving the company's goals.

8.4 Allowing talent to grow and flourish

Fluxys Belgium's competency management and professional development and training programmes are geared towards providing employees with the support they need to achieve both the company's objectives and their own aims.

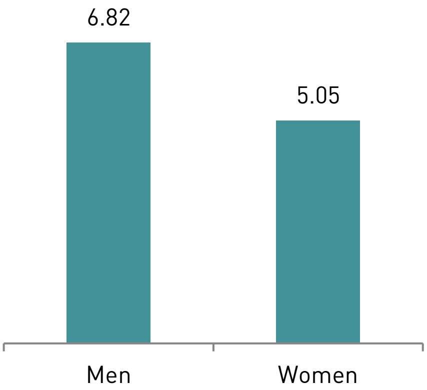
Fluxys Belgium pays attention to the fact that talent thrives most when members of staff have a good work/life balance and so the company offers staff the chance to telework from home. In 2017 300 employees worked from home for just under 4,000 days combined.

Competency management at Fluxys Belgium is focused on aligning staff competencies with what the company needs to make its strategy a success. As such, the development of employees' individual competencies aims for an optimum contribution to the company's goals and future employability. Since 2012, Fluxys Belgium works with a competency management system for managers and supervisors, that will be rolled out to all staff members in 2018.

Fluxys Belgium works with a model comprising four groups of competencies: Think, Do, Interact and Lead. Members of staff map their competencies every couple of years and use this to devise a targeted plan for their personal development. Following the same logic, managers are encouraged to coach staff in the areas of both performance and development.

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 is used: educational tasks within or outside the function, internal or external coaching, internal or external training and an online learning platform. Fluxys Belgium applies the bottom-up principle. Staff are expected to take control of their own development and career, with the support of their managers.

Average number of training days per full time equivalent



As well as technical and safety training, a wide range of courses are laid on to develop general skills centred around Think, Do, Interact and Lead. In 2017, members of staff completed close to 42,000 hours of training, over 55% of which was dedicated to safety and technology. The high number of technical and safety courses also explains the difference in the average number of training days taken by men and women in 2017, as women hold fewer technical positions in the company.

In a bid to improve employees' long-term employability within the company, Fluxys Belgium has introduced a comprehensive programme for developing digital skills. With this in mind, in 2017 employees had the chance to purchase a home computer at an attractive price to prepare for the digital future outside the workplace, too.

8.5 Working on the talent of tomorrow

Through the performance management cycle, development plans and the annual talent review process, among others, Fluxys Belgium maintains an overview of competencies within the company. This process results in succession planning involving details of how to meet future personnel requirements and so contribute to business continuity, growth and innovation. 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.

8.6 Foster involvement

Fluxys Belgium attaches great importance to ensuring employees are familiar with the business context and the challenges the company faces as this fosters personal commitment to the company’s vision, strategy and objectives. Fluxys Belgium makes special effort, using a variety of means, to give members of staff a better understanding of what changes are going on 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.

Fluxys Belgium also actively encourages a sense of solidarity and enjoyment at work. For example, employees are encouraged to work with their department to organise a team building event where they provide practical support to a social organisation. By doing so, they contribute to the good neighbourly relations that are so important to Fluxys Belgium while coming together as a team. The company is also home to a Circle of Friends where staff organise a wide range of sporting and cultural activities.

8.7 Transparent and constructive social dialogue

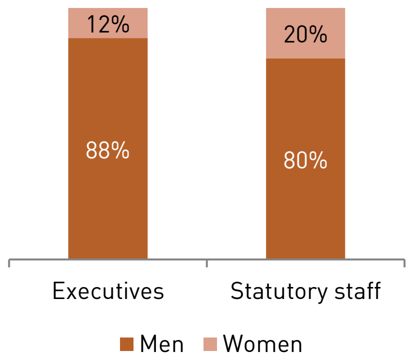
70% of Fluxys Belgium's staff are employees, while the remaining 30% are executives. Various collective bargaining agreements have been concluded for employees, while a number of agreements are in force for executives.

Good industrial relations are vital for company cohesion and activity development, which is why Fluxys Belgium conducts 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 executive representatives.

When it comes to social dialogue, the company pays heed to fostering constructive cooperation in an atmosphere of mutual respect. This cooperation takes shape in formal bodies, working groups and during informal meetings.

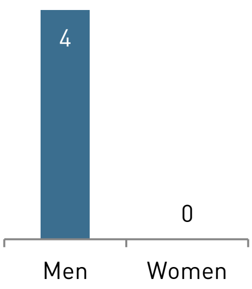
8.8 Diversity

Many roles within the company are technical in nature, and some require employees to work shifts or regularly be on call outside working hours. This means that for a range of roles within the company the number of female candidates is limited and there is a marked difference in the number of men and women on staff.

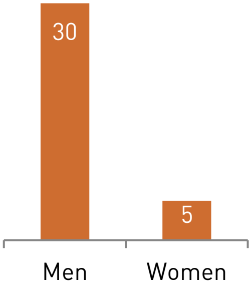


In light of Fluxys Belgium's social mission in terms of safety and the security of supply, the company's HR policy is competency-based and the company does not use any positive discrimination quotas for female members of staff. With regard to the composition of the Board of Directors, Fluxys Belgium complies with the legal requirement that at least one third of Board members must be of the opposite gender to the other two thirds.

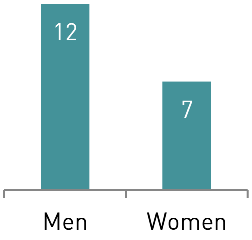
Executive Board



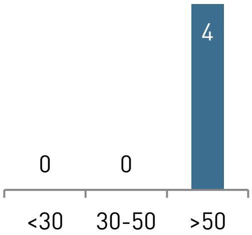
Senior management



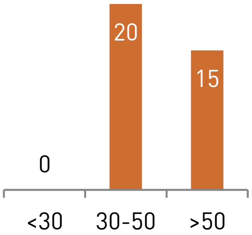
Board of Directors



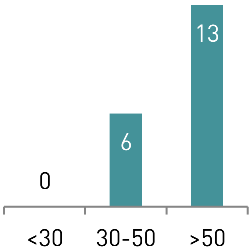
Executive Board



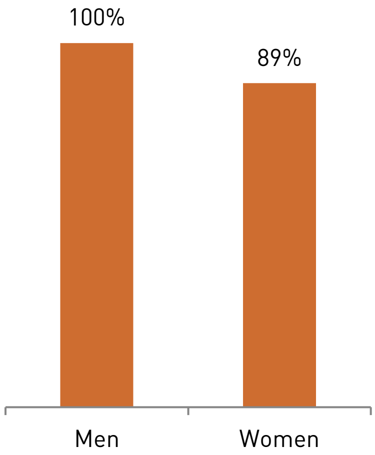
Senior management



Board of Directors



Ratio of the average basic salary men/women



Fluxys Belgium's HR policy applies uniform remuneration criteria for all genders and gives young people plenty of opportunity to gain valuable work experience through starter jobs or study-work programmes.

The difference in the average basic salary between men and women is due to the fact that the composition of both categories differs with regard to age, seniority, type of role, and the division between old and new working conditions.


FLUX

9 SAFETY, HEALTH AND WELL-BEING OF OUR EMPLOYEES

The company's HSE policy and its values highlight the importance of employee well-being. Healthy and motivated employees are the company's driving force.

Fluxys Belgium has developed a range of programmes on, for instance, well-being and protecting employee health, ergonomics, occupational hygiene, site safety, and information security. In 2017, the company focused on well-being through a commitment survey, a policy on absenteeism and targeted initiatives on well-being, among other things. The safety culture within the company was also measured in 2017 through nine interactive sessions attended by over 135 employees.

This all contributed to levels of absence due to illness within Fluxys Belgium being lower than market levels. There was also a decline in the total number of occupational accidents (both with and without the victim being unable to work) and the number of working days lost. The measurement of the safety culture, which was based on four areas (vision, people, organisation and resources), indicated that the safety culture is firmly entrenched in a proactive way, meaning that everyone takes the initiative to work safely and suggest improvements.

9.1 Continuing to aim for fewer occupational accidents

In 2017, Fluxys Belgium staff were involved in 13 occupational accidents whereby the victim was unable to work, resulting in a total of 319 working days lost. Most days lost were the result of accidents occurring during the delivery of goods and as such were not directly connected to the company's industrial activities. The severity of the accidents was 0.23. In 2017, there was a period of 62 days where there were no accidents that rendered staff unable to work.

In any case, every accident is investigated and measures are taken to prevent such accidents from recurring. According to figures from contractors, there were 13 occupational accidents involving Fluxys Belgium contractors, four of which rendered the victim unable to work. However, Fluxys Belgium has not verified these figures.

9.2 Global prevention plan

Fluxys Belgium brings together its initiatives to improve the prevention of accidents and incidents at work in a five-year Global Prevention Plan (GPP). In addition to focusing on (occupational and process) safety, the 2017-2021 GPP hones in on the prevention of psychosocial risks, well-being, health and travel, for instance.

With this in mind, in 2017 Fluxys Belgium developed a **policy on absenteeism** that will apply from 2018 onwards. Adopting a policy on absenteeism due to illness is one of the ways in which Fluxys Belgium keeps an eye on its employees' health. Fluxys Belgium has also made efforts to clarify the arrangements in place in the event of absence due to illness by rolling out a positive absenteeism policy based on cooperation between the employee, manager, HR team and the internal and external team for prevention and protection at work.

For Fluxys Belgium, the **well-being** of its staff is also vital. In 2016, the company conducted a survey on staff well-being and commitment. As a result, in 2017 feedback was given to all employees and a decision was made on a number of initiatives, such as the organisation of information sessions on resilience, the development of a policy on absenteeism, and focus on managing work peaks at local level.

9.3 Committee for Prevention and Protection at Work

Fluxys Belgium also has a Committee for Prevention and Protection at Work (CPPW), a consultation body between employees, the employer and management where they can discuss issues and problems concerning employee well-being. The CPPW meets every month. It is mainly tasked with actively contributing to everything intended to promote and maintain employee well-being at work. This primarily involves giving advice and making proposals concerning, among other aspects, the policy for preventing accidents, incidents and occupational illnesses, the global prevention plan and the annual action plan.

Furthermore, the CPPW conducts inspections at least once a year of each of Fluxys Belgium's manned facilities and takes part in investigations of serious accidents and incidents. The CPPW comprises a number of ad hoc working groups on specific topics, such as work clothes, commercial vehicles, and the reintegration of sick employees.

9.4 Collective bargaining agreements on employee health and well-being

There are various collective bargaining agreements relating to the health and well-being of all Fluxys Belgium employees.

For example, the **Local Joint Consultation** (the consultation body between the trade union and employer delegation at local level) is intended to solve those day-to-day problems that do not solely fall within the remit of one of the other consultation bodies, such as the works council or CPPW. Meetings are held at least once every three months depending on the location.

CAO no. 90 (non-recurring performance-related premium): The 2017-2018 plan (for salaried personnel on one hand, executive staff on the other) encourages employees to work towards certain goals. This also includes goals relating to safety and well-being such as (i) tidiness and cleanliness at work, (ii) the Last Minute Risk Analysis, (iii) team building with a social aim, (iv) safety inspections, visits from the occupational physician, and so on.

There is also the **Joint Social Fund**, which was set up within Fluxys Belgium and Fluxys LNG by the works council under the national sectoral collective bargaining agreement of 1993-1994. Active and non-active staff are entitled to a range of benefits associated with health and well-being. The Fund also offers support to beneficiaries experiencing difficulties due to an unexpected event or medical or social problems.

Psychosocial risks. Fluxys Belgium also takes a series of measures intended to prevent psychosocial risks (including stress, violence, bullying and sexual harassment) in the workplace. Alongside the provisions of the work regulations (annex 15), in 2016 a specific procedure was drawn up and disseminated among employees. This procedure covered both the reporting of psychosocial risks and the handling of requests for psychosocial intervention. Any employee who, in spite of the preventive measures taken, declares that they are facing a psychosocial risk (including violence, bullying or sexual harassment) perpetrated by one or more colleagues or one or more third parties can request advice, assistance, refuge or appeal directly from the health and safety advisor and/or the support officer appointed in accordance with the law. As such, 2017 saw five informal discussions with the support officer and one with the external health and safety advisor. None of these discussions resulted in further, formal action.

10 ETHICS AND HUMAN RIGHTS

Fluxys Belgium takes a number of actions intended to issue codes of conduct and rules concerning employee ethics and rights, make personnel (and third parties) aware of this, and encourage them to comply.

There were **no complaints** of unethical conduct (such as fraud) within the company in 2017.

No trade relations were **terminated** because of corruption or other ethical issues in 2017.

There are **no ongoing legal proceedings** concerning anti-competitive behaviour or failure to comply with competition law.

10.1 Ethical code of conduct

The ethical code of conduct translates Fluxys Belgium's corporate values into working principles regarding stakeholders - customers, suppliers, employees, shareholders and partners, public authorities and regulators, group companies and the community – and guidelines on HSE (*Health, Security, Environment*), conflicts of interest and the dissemination of information. The ethical code of conduct applies to both employees and third parties working on behalf of Fluxys Belgium.

Furthermore, Fluxys Belgium has issued guidelines on the use of social media and information security with a view to achieving a balance between free speech and every employee's right to privacy and protecting the company against unauthorised use and potential damage as a result of negative remarks on social media.

Lastly, the company has set out a number of policy lines on information security. As cyber attacks pose a major risk of fraud from the outside world, in 2017 Fluxys Belgium organised phishing drills for personnel intended to teach staff how to recognise phishing and respond accordingly.

10.2 Procurement policy

Principles. Fluxys Belgium has a procurement policy that is regularly reviewed (most recently in 2014). This policy is built on five main principles:

- Fluxys Belgium systematically opens up contracts by having potential contractors compete against each other by requesting quotes, organising tender procedures and limiting the duration of contracts.
- Transparency and non-discrimination are fundamental factors in maintaining sustainable relationships with contractors and developing in-depth market knowledge.
- In the procurement process every effort is made to strike the best balance between safety, security, reliability and cost, the aim being to contribute to the company's profitability and continuity.

- This approach must lead to an optimal result that is in line with Fluxys Belgium's strategic aims, values and ethical code of conduct.
- Given the above considerations, Fluxys Belgium has opted for a centralised procurement process featuring the dynamic distribution of roles between requester and buyer, resulting in a pragmatic and efficient partnership for implementing procurement in practice.

Audit for instances of fraud or complaints about unethical behaviour. The Audit, Risk, Ethics & Compliance Department audits the procurement policy every year for instances of fraud and audits the procurement process itself every three years. As per the audit plan, regular audits cover purchases and payments, non-discrimination in providing access to the market, and the confidentiality of information.

Complaints about unethical behaviour are detailed in the annual compliance report drawn up by the Compliance Officer and published on the Fluxys Belgium website. (http://www.fluxys.com/belgium/en/Financial%20info/CorporateGovernance/CorporateGovernance)

10.3 Human rights

At Fluxys Belgium, the protection of human rights is intertwined with the company's values and translated into signs of respect:

- Customer focus: **Respect** for our customers by paying attention to their needs
- Professionalism and commitment: **Respect** for ourselves by remaining professional in everything we do
- Cohesion: **Respect** for our colleagues by encouraging cohesion and team spirit within our company
- Good neighbourly relations: **Respect** for those living in the vicinity of our facilities and municipalities within which our infrastructure is located
- Respect for safety and the environment: **Respect** for safety and for the environment for future generations

Through the ethical code of conduct, the work regulations, a number of collective bargaining agreements and specific regulations, Fluxys Belgium strives to respect human rights. This covers the following rights, among others:

- Right to decent work (for the company's employees and those employed by our suppliers) and well-being;
- Right to rest and free time (flexible working hours, short leave);
- Equal opportunities, no discrimination;
- Protection of the work/life balance (incl. working remotely, short leave);
- Freedom of assembly and association;
- Right to protection from risks at work, including stress, violence, bullying and sexual harassment.

The conditions applicable to Fluxys Belgium's purchase of services or material also contain a range of provisions regarding the prohibition of illegal work, forced labour or child labour, the protection and insurance of contractor employees, and so on. Fluxys Belgium ensures that the necessary emphasis is placed on these aspects during the qualification of its suppliers.

11 RISK MANAGEMENT

11.1 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 a continuous and cyclical one, to ensure ever more comprehensive mapping and effective control of risks.

The Fluxys Risk Charter sets out the organisation, development and management of the risk management process for Fluxys Belgium and its subsidiaries. It encompasses the identification, analysis, evaluation and treatment of risks in order to assist management in meeting 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 biggest risks are suitably identified, managed and communicated. Risks associated with social, personal and environmental issues, respect for human rights and tackling corruption and bribery are considered in the relevant processes and departments. Since late 2017, the biggest risks have been monitored on a quarterly basis and reported to the Executive Board. The Executive Board is responsible for implementing risk management. 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, several control functions are in place within key departments which regularly evaluate the latter's respective risks and controls, and adjust and report on them. A budget monitoring exercise is also held every quarter as part of financial reporting. 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 Belgium uses SAP as its system for financial reporting.

Fluxys Belgium also sets *Key Performance Indicators* (KPI). The company's main KPIs relate to the corporate objectives (concerning, for example, safety, continuity of gas flows, marketing, market development, budget balance and HR policy).

Risk register. The *likelihood* and *impact* of each risk identified are determined in either quantitative or qualitative terms. The impact assessment criteria may pertain to the financial situation, reputation, safety, the environment, or availability. Fluxys Belgium views impact as a combination of these aspects, as certain risks can affect the financial situation while others have a bigger impact on reputation or safety. If the impact of a risk encompasses multiple criteria (e.g. financial, reputation), Fluxys Belgium opts for the criterion with the highest grading (prudence principle). 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 immediately to reduce the risk.
- 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 divisions keep a close eye on the risks.
- Risks that are acceptable as the necessary controls and measures are in place.

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 the aim of bringing all risks within acceptable limits. For each sector of activity, these measures are translated into a policy, procedures, instructions and regular evaluations by means of external and internal audits, technical audits and quality controls on implementation of the measures. This strengthens risk awareness within the organisation.

Internal Audit Department. The Internal Audit Department is an independent and objective control department within Fluxys. The Internal Audit Manager reports to the Chairman of the Audit Committee, thus guaranteeing independence. The department is tasked with applying a rigorous, systematic approach to evaluate and enhance the efficiency of risk management, risk control and processes.

An annual audit plan is drawn up every year based on a multi-year risk-based audit plan. A number of stakeholders are involved in this planning process. Incorporating the business and risk management into the planning process offers the advantage that the audit is focussed squarely on relevant and major risks and controls.

11.2 Market risk

The current market situation is squeezing both transmission and storage of natural gas, and this is having an impact on the amount of capacity actually reserved. In this context, Fluxys is working hard to make its services even more attractive and to keep tariffs as competitive as possible.

In light of Europe's energy and climate policy, the shift towards greater energy efficiency and a low-carbon energy mix in favour of, among others, renewable energy sources ultimately endangers the development of demand for natural gas. While the number of long-term transmission contracts is dwindling, the number of short-term transmission contracts is on the rise. For this reason, Fluxys is carefully considering where to invest in new infrastructure.

Today, gas-fired power plants are often priced out of the market: a high penetration of generation capacity with renewable energy sources combined with low coal prices and low prices for CO_2 emission rights result in low load factors for gas-fired plants in parts of Europe. The declining activity of the power plants has a major impact on capacity bookings for gas-fired power plants. The uncertainty surrounding these bookings will remain in future: it is unclear how the price of CO_2 emission rights will change and, on top of that, there is a lack of clarity on the timing of a nuclear phase-out, exacerbating the uncertainty.

The end of Dutch L-gas by 2030, exports of which will start falling as of 2024, may lead to the end of L-gas transit flows through Belgium, which may not be offset by new H-gas transit flows. The schedule of this phase-out could be brought forward in light of the earthquakes in the Groningen area. Furthermore, the gradual disappearance of L-gas and subsequent conversion to H-gas represents a potential risk for loss of market share because L-gas users may switch to energy sources other than natural gas.

Fluxys Belgium minimises the market risk by monitoring the market closely and so seizing 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 a tailor-made 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. Fluxys promotes its assets in new natural gas flows that will substitute declining European production.

11.3 Financial risk: counterparty risk

Fluxys Belgium systematically assesses its counterparties' financial capacity and systematically monitors receivables. Company policy regarding counterparty risks requires that important customers and suppliers undergo a financial analysis (liquidity, solvency, profitability, reputation and risks) in advance and subsequently on a recurring (or regular) basis. The company uses internal and external information sources to this end, such as official analyses performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess companies in relation to risk and award them a *credit rating*. Fluxys Belgium also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. The group also asks most of its customers and certain categories of suppliers to provide a financial guarantee. 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 parent company Fluxys within the framework of *cash pooling* agreements. Fluxys 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 at market conditions. Fluxys monitors its subsidiaries to reduce and control counterparty risk in respect of its subsidiaries.

11.4 Industrial risks

The main activities in which Fluxys Belgium is involved are the transmission and storage of natural gas and LNG terminalling in Zeebrugge. Given the nature of the product Fluxys Belgium transports, the company adopts a comprehensive safety and security policy.

Risks linked to the operation of Seveso sites. In 2017, Fluxys Belgium and Fluxys LNG operated two Seveso sites: the LNG terminal in Zeebrugge and the underground storage facility in 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 often arise 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 required 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 2017 no damage caused by third parties involved the escape of gas or the interruption of capacity.

Fluxys Belgium inspectors in the field regularly check the pipeline routes by car or helicopter or on foot, 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. A special helicopter uses infrared technology to check the gas network for leaks every year. In 2017, the Threatscan acoustic detection system was further expanded and installed on all main lines. The expansion will be fully operational from 2018 onwards.

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 concerning its natural gas transmission infrastructure for local authorities and all parties involved in works nearby.

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 late 2017, Fluxys Belgium's safety management system was successfully audited by an external organisation, as required by law. The management system for 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 can also be caused while Fluxys Belgium is carrying out works to commission or repair infrastructure. All incidents or near-incidents are investigated thoroughly and action is taken immediately to prevent such incidents from recurring.

Preventing corrosion. Where possible the pipelines are periodically inspected internally using intelligent pipeline integrity gauges and systematically checked 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. Competent teams have been set up to manage and control crisis situations prompted by possible 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 drills to ensure that the group is always ready to respond to an incident.

Availability, reliability and safeguarding of ICT. As time goes on, the activities of Fluxys Belgium and Fluxys LNG are becoming increasingly dependent on the availability of ICT and ICS (industrial control systems). These systems can experience failures caused by events outside 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.

11.5 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, multilevel cover;
- staff programme: mandatory insurance cover (statutory insurance against workrelated 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.

12 LEGAL AND REGULATORY FRAMEWORK

12.1 Europe

Since 3 March 2011, the European natural gas market has been regulated by the European Union's third energy package.

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the Third Gas Directive)
- Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (Second Gas Regulation)
- Regulation (EC) No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (ACER Regulation).

12.2 Belgium

Within the current legal and regulatory framework, a regulated system is applied to transmission (both domestic and border-to-border), natural gas storage and LNG terminalling. As required by European legislation, the Belgian market is supervised and overseen by independent regulators. The supervisory authority for the regulated activities of the Fluxys Belgium Group is the federal regulator, the Commission for Electricity and Gas Regulation (CREG).

12.2.1 Legislation

The Belgian Gas Act forms the general basis of the regulatory framework and incorporates the main principles that apply to the activities of Fluxys Belgium and Fluxys LNG as operators of the transmission network, natural gas storage facilities and LNG terminalling facilities.

The third package of legislative measures, in particular the Directive of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, was transposed into Belgian legislation (Law of 8 January 2012 amending the Gas Act adopted as of 21 January 2012):

- The legislation provides for a procedure for certifying operators of the transmission network, natural gas storage facilities and LNG terminalling facilities. The aim of this certification is to verify compliance with the requirements of unbundling operators from energy suppliers or producers (*ownership unbundling*). On 27 September 2012, CREG certified Fluxys Belgium as a transmission system operator that works entirely separately from natural gas suppliers and producers.
- In addition to the certification procedure, the procedure for appointing operators of the transmission network, natural gas storage facilities and LNG terminalling facilities remains unchanged by Ministerial Decree. As a result, on 23 February 2010 Fluxys Belgium was appointed operator of the natural gas transmission network and of the natural gas storage facility, and Fluxys LNG as operator of the LNG facility.
- CREG is also responsible for developing the methodology for transmission, storage and LNG terminalling tariffs after having undertaken a public consultation on the subject. Operator tariff proposals must be approved by CREG.

12.2.2 Setting tariffs

General

The decisions pertaining to the establishment of the tariff method for the natural gas transmission network, the natural gas storage facility and the LNG facility were approved by CREG on 18 December 2014. This method includes the rules that network operators must comply with when preparing, calculating, and submitting tariffs for the period 2016-2019 and which the regulator itself will use for processing these tariff proposals.

The tariff proposal submitted by Fluxys Belgium on 30 June 2015 based on that method was reviewed. The reviewed version was finally approved by CREG on 29 October 2015. The approved tariffs are valid for four-year periods except in the case of exceptional circumstances. As a result, 2016 was the first year of the four-year regulatory period.

Thanks to the interim tariff review mechanism, as provided for in CREG's approval decision, an amended tariff proposal for transmission services was submitted on 26 April 2017, which was approved by CREG on 24 May 2017, providing for a decrease in tariffs for 2018 and 2019. The decrease in tariffs and non-indexation on 1 January 2018 together represent a decrease of approximately 7.5% of the transmission tariff. That decrease follows an earlier tariff decrease from 1 January 2015. The tariff decrease for transmission services on 1 January 2018 will not cause a fall in Fluxys Belgium's results. These are largely determined by the regulated authorised return.

On 16 March 2017, a network code for tariffs (TAR-NC) was adopted by Regulation (EU) No. 2017/460 of the European Commission. This aims to achieve a harmonised transmission tariff structure for gas transmission in Europe and provides a range of requirements regarding publication of data and communication on tariffs. This will have an impact on the determination of tariffs in the following regulatory period (2020-2023).

Principles

The tariffs must cover the **estimated authorised costs** necessary to be able to efficiently assure the regulated services. The basis for this calculation is the accounting according to the Belgian accounting rules (Belgian GAAP). The estimated authorised costs include **the operating costs, financial expenditure and regulated return**.

Operating costs. The operating costs are divided into:

- manageable costs, for which efficiency gains or losses are distributed proportionately between Fluxys Belgium (rise or fall of authorised profits) and regulatory assets or liabilities (increase or decrease of future tariffs),
- non-manageable costs, for which deviations from the estimated value are fully allocated to the regulatory assets or liabilities.

In this way, Fluxys Belgium is encouraged to perform its activities in the most efficient possible way. Every saving against the estimated and permitted budget for manageable costs has a positive impact on the pre-tax gross profits for 50% of the amount. On the other hand, exceeding budgets negatively influences the profit.

The following costs are not considered manageable costs: depreciation, costs relating to other regulated activities, subsidies, taxes, duties and expenses relating to the purchase of commodity products for the operation of the network. Staff costs, business expenses, services and various goods are considered under manageable costs.

Financial expenditure. Financial expenditure relates to net financial costs, i.e. after deduction of financial income. All actual and reasonable encountered financial costs relating to debt financing for regulated activities are consequently included in the tariffs.

Regulated return. The regulated return is the return on equity authorised by the regulation. This is calculated based on a **remuneration percentage of the average annual value of the regulated assets** (average Regulatory Asset Base - RAB). This RAB, based on the calculations under Belgian accounting standards, varies from year to year, taking into account new investments, decommissioning, authorised depreciation and changes in operating capital.

This **remuneration percentage is made up of two components** determined by the equity/RAB ratio (=S-factor).

1. **For the equity part up to 33% of the RAB, the following applies:**
   average RAB in year n x 33% x [(OLO n)+(ßx risk premium)] x (1+α)

   The remuneration percentage (%) as established by the CREG for the year 'n' is equal to the sum of the risk-free interest rate, i.e. the average rate of return on 10 year Belgian linear bonds (OLOs), and a premium for the risk of the shares market, weighted with the applicable beta factor. The reference financial ratio of 33% is applied on the average value of the Regulatory Asset Base (RAB) to calculate the reference equity. The following applies:
   - OLO n = for year n, the average rate of return for Belgian linear bonds over 10 years. This came to 0.49% in 2016 and 0.74% in 2017.
   - ß (network operator risk against global market risk) = 0.65 for transmission; 0.78 for storage and terminalling
   - risk premium = 3.5%
   - α (illiquidity premium) = 20% for transmission and storage

2. **For the part of the equity that exceeds 33%:**
   average RAB in year n x (S - 33%) x (OLO n + 70 basis points)

   CREG encourages a ratio between equity and regulatory asset base that is as close as possible to 33%. As a result, the part of the reference equity that exceeds 33% of the regulatory asset base, is remunerated at a lower tariff, i.e. the average rate of return on 10 year Belgian linear bonds and a premium of 70 basis points.

The methodology also provides for a specific level of authorised margin for new facilities or extensions to facilities to promote security of supply, or for new facilities or extensions to storage or LNG facilities. The remuneration of the LNG facilities combines a RAB x WACC formula on the initial and replacement investments of the terminal with an IRR (Internal Rate of Return) formula on extension investments undertaken since 2004. CREG establishes a maximum IRR per investment, which Fluxys LNG may not exceed to ensure the attractiveness and competitiveness of the LNG terminal.

The principles of the IRR model for the extension investments by Fluxys LNG have been approved by CREG and confirmed in its decision of 2 October 2014. In 2014, CREG has requested to submit a new tariff proposal, taking into account some remarks (for example the expected costs) after the final investment decision has been made. This has not yet been done, but an adapted tariff proposal will have no significant influence on the regulated return of 2017.

Annual settlement

Every year, a settlement is made which compares the estimated amounts with the real amounts. These differences are registered on a regulatory asset or liability in the year in which they occur. This applies to the different aspects of the tariff calculation:

- the estimated sales volumes used to determine the unit tariff
- operating costs
- financial expenditure
- the regulated returns.

This results in a regulatory debt (if for example the real volumes exceed the estimates or if the operating costs, financial expenditure or regulated returns are lower than expected) or a regulatory receivable in the opposite case.

This regulatory debt or receivable is taken into account in accordance with the tariff methodology to set the tariffs for the following regulatory periods. In the event of an accumulated positive balance at the end of the regulatory period, CREG can also decide to use part of it to finance investments. In 2017, €12.5 million was used to finance investments (€18.3 million in 2016).

12.2.3 Code of conduct

The code of conduct determines the terms for accessing the natural gas infrastructure. These terms constitute all the operational and commercial rules that form the framework within which Fluxys Belgium and Fluxys LNG enter into contracts with users of the transmission, storage and LNG infrastructure.

An initial code of conduct was established by Royal Decree of 4 April 2003. From 2006 onwards, several market consultations were organised by CREG on the evolution of this code. On 15 January 2011, the Royal Decree of 23 December 2010 on a new code of conduct came into effect.

That code of conduct determines that operators (for transmission, storage and LNG terminalling) must draw up a range of documents which are subject to CREG's approval: the Access Code for Transmission, the Transmission programme, the Standard Transmission Agreement and Standard Connection Agreement. When drawing up these documents, the network users concerned are consulted to ensure that the services offered are as closely as possible in line with market needs. Only after this consultation can the documents be submitted to CREG for approval.

12.2.4 Compliance officer

The code of conduct determines that the network operator must appoint a compliance officer as part of the commitments that the network operator undertakes regarding non-discriminatory access to the network. Fluxys Belgium has appointed a compliance officer. In 2011, the compliance officer set up a compliance programme with the specific details of the rules of conduct that members of staff must comply with regarding non-discrimination, transparency and handling of confidential information. The board of directors and the management committee of Fluxys Belgium approved the compliance programme.

Every year, a compliance report is prepared for both Fluxys Belgium and Fluxys LNG and the results are published on the website:
http://www.fluxys.com/belgium/en/Financial%20info/CorporateGovernance/CorporateGovernance

13 CORPORATE GOVERNANCE DECLARATION

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 gaseous 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 Belgium can be found online:

- Code 2009: www.corporategovernancecommittee.be
- Gas Act: www.just.fgov.be
- Directive: eur-lex.europa.eu

Fluxys Belgium does not apply the Code 2009 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 Article 4.6 of the Code 2009. However, this term is justified in light of the technical, financial and legal particularity and complexity of the tasks and responsibilities entrusted to the natural gas system operator.

13.1 Changes in the composition of the Board of Directors in 2017

At the Ordinary Annual General Meeting (OAGM) held on 9 May 2017, Luc Zabeau's directorship was renewed for a period of six years until the 2023 OAGM, and the directorships of both Nele Roobrouck and Christian Viaene were renewed for a period of one year until the 2018 OAGM. The independent directorship of Hélène Deslauriers was also renewed for a period of six years until the 2023 OAGM.

Patrick Côté, who was co-opted by the Board of Directors on 25 January 2017 with effect from 1 January 2017, was definitively elected by the same OAGM as company director until the 2023 OAGM.

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

13.2 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. The directors are appointed by the Ordinary Annual General Meeting for no more than six years and can be dismissed by the Ordinary Annual General Meeting.

Articles 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 terminate immediately after the Ordinary Annual General Meeting. In the event that one or more directorships remain vacant, the remaining directors may, by a simple majority of votes, temporarily fill the vacancy. In such cases, the Ordinary Annual General Meeting shall make the permanent nomination or nominations at its first meeting thereafter. Where a directorship becomes vacant prior to routine expiry of a directorship, the replacement director appointed shall serve out the remaining period in question.

Amendments to the Articles of Association. The company's Articles of Association may be amended by the Ordinary Annual General Meeting; any amendments made must be published in the Belgian Official Gazette. Deliberation and decisions regarding amendments to the Articles of Association are only valid if at least half of the group's share capital is represented at the General Meeting. No amendment shall be permitted unless it is passed by three-quarters of the votes.

13.3 Board of Directors

13.3.1 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 federal 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 gender to the other two thirds.

At least half of the directors must be fluent in French and the other half in 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

Daniel Termont, Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee
Daniel Termont is the Mayor of Ghent and Chairman of Publigas. He was appointed director in May 1998 at the suggestion of Publigas and his current term of office expires at the Ordinary Annual General Meeting to be held in May 2021.

Jos Ansoms, Director
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 director in May 2016 at the suggestion of Publigas and his current term of office expires at the Ordinary Annual General Meeting to be held in May 2022.

Patrick Côté, Director
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. Patrick was co-opted as director by the Board of Directors at the suggestion of CDPQ with effect from 1 January 2017 and his current term of office will expire at the end of the Ordinary Annual General Meeting in May 2023.

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 director in October 1994 at the suggestion of Publigas. His current term of office expires at the Ordinary Annual General Meeting to be held 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 to the Board of Directors in May 2015 at the suggestion of Publigas, and his term of office will run until the Ordinary Annual General Meeting of May 2021.

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

Ludo Kelchtermans, Director, Chairman of the Audit Committee
Ludo Kelchtermans has a degree in economics and works as CEO of N.V. Nutsbedrijven Houdstermaatschappij (NUHMA). He is a director of several companies and chairman of Aspiravi's audit committee. He was appointed director in June 2012 at the suggestion of Publigas. His current term of office expires at the Ordinary Annual General Meeting to be held in May 2020.

Renaud Moens, Director
Renaud Moens has a degree in business from ULB's Solvay Business School. 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 end of the AGM 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 director in June 2009 following nomination by Publigas. His current term of office expires at the Annual General Meeting to be held in May 2020.

Nele Roobrouck, Director
Nele Roobrouck holds a degree in law from KU Leuven and a Master's in Energy and Environmental Law. She is currently Deputy Head of Cabinet (Energy) to Deputy Minister-President Bart Tommelein and expert to Deputy Prime Minister Alexander De Croo. She has also served as a representative of the federal government at Elia since January 2013. She was appointed director in May 2016 at the suggestion of Publigas and her current term of office expires at the Ordinary Annual General Meeting of May 2018.

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 director in March 2005 at the suggestion of Publigas. His current term of office expires at the Ordinary Annual General Meeting to be held in May 2018.

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 director in June 2009 following nomination by Publigas. His current term of office will expire at the Ordinary Annual General Meeting in May 2023.

Independent directors under the provisions of the Gas Act:

Marianne Basecq, Director
Marianne Basecq holds a degree in business administration with additional training in public management. She is a General Advisor for the holding Socofe SA. She was appointed independent director in May 2007 at the suggestion of Publigas. Her current term of office expires at the Ordinary Annual General Meeting to be held in May 2019.

Valentine Delwart, Director
Valentine Delwart holds a degree in law and a Master's degree in European law. She is alderperson for finance and social affairs in Uccle and has been general-secretary of the Mouvement Réformateur, a Belgian political party, since March 2011. She is also a director of NMBS/SNCB. She was appointed independent director in May 2013 at the suggestion of the Board of Directors and opinions from the relevant advisory committees. Her current term of office expires at the Ordinary Annual General Meeting to be held in May 2019.

Hélène Deslauriers, Director
Hélène Deslauriers studied law at the Université de Montréal and then earned an LL.M from University College London. She is a member of the Quebec Bar and the International Bar Association. She was Vice President at Bombardier Transportation for 13 years. She was appointed independent director in May 2011 on the proposal of the Board of Directors and upon the advice of the relevant advisory committees. Her term of office will expire at the Ordinary Annual General Meeting in May 2023.

Monique Lievens, Chairman of the Corporate Governance Committee
Monique Lievens holds a degree in economics and specialised in business economics. She is Human Resources Advisor at the National Bank of Belgium and was appointed as an independent director in May 2007 at the suggestion of Publigas. Her current term of office expires at the Ordinary Annual General Meeting to be held in May 2019.

Walter Nonneman, Director
Walter Nonneman is an emeritus professor of economics at the University of Antwerp. He has held management and board positions in the private, non-profit and public sectors. He is currently a director of a number of financial institutions. He holds a PhD in applied economics from UFSIA and also studied at the Harvard Graduate School of Business Administration. Walter Nonneman was appointed independent director in May 2009 pursuant to a nomination by the Appointment and Remuneration Committee and his current term of office will expire 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 independent director in May 2006 and her appointment as an independent director was confirmed by the Board of Directors upon the advice of the relevant advisory committees. Her term of office will expire at the Ordinary Annual General Meeting in May 2018.

Sandra Wauters, Director
Sandra Wauters holds a PhD in Chemical Engineering from the Ghent University. She is currently working as an Energy and Climate Policy Expert at BASF Antwerp, where she is in charge of coordinating energy and climate related matters. She was appointed independent director in May 2013 at the suggestion of the Board of Directors and upon the advice of the relevant advisory committees. Her current term of office expires at the Ordinary Annual General Meeting to be held in May 2019.

Federal government representatives

François Fontaine

François Fontaine holds degrees in law and tax law. He is a general advisor with the Federal Holding and Investment Company (SFPI-FPIM). He was appointed francophone federal government representative by the Minister of Energy on 4 February 2009 with the specific responsibilities detailed in the laws 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 meetings of the Board of Directors and the Strategy Committee in an advisory capacity.

Presence of the Chairman of the Executive Board

As Chairman of the Executive Board, Pascal De Buck was, in 2017, 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, acts as secretary to the Board of Directors.

13.3.2 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
- The 2017 budget
- The 10-year investment programme (2018-2027)
- The Medium-Term Plan
- The 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 2016 and the half-yearly financial report as at 30 June 2017
- The issue of bonds, including for the repayment of the bond loan expiring in May 2018 and the granting of a short-term intragroup loan from Fluxys Belgium to Fluxys up to May 2018, and advice on this intragroup loan from a 524 committee
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
    - Market integration projects
    - Evolution of transmission services
    - Kraainem-Haren/Overijse-Jezus-Eik pipeline projects
    - L-gas to H-gas conversion
    - Construction of the second jetty at Zeebrugge
    - The construction of the fifth storage tank for LNG in Zeebrugge
- Changes in the legal and regulatory framework, including:
    - Tariffs, developments in tariff discussions and tariff preparations for 2020-2023
    - Keeping abreast of developments in disputes and legal action brought in order to safeguard the company's interests
    - European legislation concerning the Winter Package and Network Codes
    - The energy mix, positioning of gas-fired power plants, the inter-federal energy pact

    - Proposed amendments to the Third Gas Directive
- Commercial activities and network operation
- Convening the Ordinary Annual General Meeting
- 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
- 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 made by the Board of Directors are taken by a simple majority of votes cast by directors present or represented. In 2017, 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 2017. Director attendance at Board of Directors meetings in 2017 was as follows:

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

13.3.3 Fluxys Belgium's intragroup loan to Fluxys: application of Article 524 of the Belgian Company Code

Fluxys Belgium granted Fluxys an intragroup loan of €350,000,000 at a fixed interest rate of 0.15% and term of seven months. 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 advice from financial and legal experts, and following the evaluation of the financial consequences of the transaction 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 lender 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 14 September 2017.

Done in Brussels on 14 September 2017"

Extract from the minutes of the Board of Directors' meeting. "Following discussion, the Board of Directors takes note of the opinion of the committee of independent directors as per Article 524 of the Belgian Company Code.

In light of this opinion, the Board of Directors nominates Messrs P. De Buck and P. Tummers, each acting alone, for and on behalf of Fluxys Belgium, to take all necessary or desirable action to conclude a loan agreement between Fluxys Belgium and Fluxys for an amount of €350,000,000 with a duration of six to seven months with a deadline of 3 May 2018 and an interest rate to be determined as per the methodology of the Fluxys group, as detailed more fully in Annex 7 (reference interest rate to which a margin is added representing the risk involved)."

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 20 September 2017 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 20 September 2017 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 Directors' 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, 30 October 2017
The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Jurgen Kesselaers"

13.4 Committees formed by the Board of Directors

13.4.1 Strategy Committee

Composition of the Strategy Committee

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

Chairman
Claude Grégoire

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

Members
Jos Ansoms
Patrick Côté
Valentine Delwart*
Luc Hujoel
Walter Nonneman*
Christian Viaene (since 10 May 2017)
Sandra Wauters*

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

Federal government representative acting in an advisory capacity
François Fontaine

Invited in an advisory capacity
As Chairman of the Executive Board, Pascal De Buck was, in 2017, routinely invited to attend meetings of the Strategy Committee.
Andries Gryffroy, Director (since 10 May 2017)

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 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 2017, the Strategy Committee addressed the following issues:

- The strategy of Fluxys Belgium, including European developments
- The 10-year investment programme (2018-2027)
- The Medium-Term Plan
- The HSEQ policy
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
  - Market integration projects
  - Evolution of transmission services
  - The main infrastructure projects
  - Kraainem-Haren/Overijse-Jezus-Eik pipeline projects
  - L-gas to H-gas conversion
  - Construction of the second jetty at Zeebrugge
  - The construction of the fifth storage tank for LNG in Zeebrugge

- Changes in the legal and regulatory framework, including:
    - Tariffs, developments in tariff discussions and tariff preparations for 2020-2023
    - Keeping abreast of developments in disputes and legal action brought in order to safeguard the company's interests
    - European legislation concerning the Winter Package and Network Codes
    - The energy mix, positioning of gas-fired power plants, the inter-federal energy pact
    - Proposed amendments to the Third Gas Directive
- Commercial activities and network operation
- Information relating to operation and safety

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 2017, 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 functions, 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 eight times in 2017. Director attendance at Strategy Committee meetings in 2017 was as follows:

	Attendance
Claude Grégoire	8 out of 8 meetings
Daniel Termont	5 out of 8 meetings
Jos Ansoms	8 out of 8 meetings
Patrick Côté	5 out of 8 meetings
Valentine Delwart	7 out of 8 meetings
Andries Gryffroy	3 out of 4 meetings
Luc Hujoel	1 out of 8 meetings
Walter Nonneman	8 out of 8 meetings
Christian Viaene	8 out of 8 meetings
Sandra Wauters	7 out of 8 meetings

13.4.2 Audit Committee

Composition of the Audit Committee

The Audit Committee comprises six non-executive directors, the majority of whom are 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 from principal 5.2/4 of the Corporate Governance Code. The Audit Committee has collective expertise in the company's area of activity and at least one independent director has the required expertise in accounting and auditing.

Chairman
Ludo Kelchtermans

Members
Marianne Basecq*
Patrick Côté
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[1]

Marianne Basecq

- Graduate in business administration (commerce and management) from the University of Liège (ULG), specialising in finance; she subsequently undertook additional training in the consolidation of corporate accounts.
- She is a member of various audit committees and appointment and remuneration committees.
- She is a director of various companies in the environmental and renewable energies sector.

Henriette Van Caenegem

- Holds a law degree from Ghent University and a Master of Laws (LL.M. Cantab, Cambridge).
- As a corporate lawyer, risk management has always been 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.

[1] Pursuant to Article 96 of the Belgian Company Code, the annual report must detail the independence and accounting and auditing expertise of at least one member of the Audit Committee.

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

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 2017, the Committee addressed the following main issues:

- The company's accounts as at 31 December 2016 and 30 June 2017 as well as associated press releases (financial part)
- The annual financial report for the 2016 financial year and the half-yearly report as at 30 June 2017
- The principles governing the closing of accounts
- Examination of the auditor's work
- Examining the internal control and risk management system
- Goals, timetable and activities of the internal audit in 2017
- The internal audit schedule for 2018
- Following up on the recommendations made in the wake of the internal audit in 2016
- The General Data Protection Regulation
- Audit Reform and Key Audit Matters
- The issue of bonds
- Presentation of the 2017 data sheets of Fluxys Belgium's 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 2017, 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 functions, 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 four times in 2017. Director attendance at Audit Committee meetings in 2017 was as follows:

	Attendance
Ludo Kelchtermans	3 out of 4 meetings
Marianne Basecq	4 out of 4 meetings
Patrick Côté	4 out of 4 meetings
Renaud Moens	4 out of 4 meetings
Henriette Van Caenegem	4 out of 4 meetings
Sandra Wauters	4 out of 4 meetings

13.4.3 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 has the required expertise in remuneration policy.

Chairman
Christian Viaene

Members
Marianne Basecq*
Valentine Delwart*
Hélène Deslauriers*
Luc Hujoel
Walter Nonneman*
Nele Roobrouck
** 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 2017, 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 renewal of the term of office of (independent) 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 targets for 2017
- The weighting of roles

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 2017, 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 functions, 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 2017. Director attendance at Committee meetings in 2017 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
Luc Hujoel	3 out of 4 meetings
Walter Nonneman	4 out of 4 meetings
Nele Roobrouck	2 out of 4 meetings

13.4.4 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
Monique Lievens*

Members
Valentine Delwart*
Hélène Deslauriers*
Andries Gryffroy (up to 9 May 2017)
Josly Piette (since 10 May 2017)
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 in order to carry out the tasks conferred upon it by the Gas Act. The members of the Corporate Governance Committee seek to adopt decisions by consensus. In 2017, the Corporate Governance Committee addressed the following main issues:

- Preparation of the 2016 annual report by the Corporate Governance Committee drafted on the basis of Article 8/3 section 5(3) of the Gas Act
- The opinion on the reappointment of an independent director whose term of office had expired

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 2017, 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 functions, 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 twice in 2017. Director attendance at Corporate Governance Committee meetings in 2017 was as follows:

	Attendance
Monique Lievens	2 out of 2 meetings
Valentine Delwart	1 out of 2 meetings
Hélène Deslauriers	2 out of 2 meetings
Andries Gryffroy	0 out of 2 meetings
Josly Piette	0 out of 0 meetings
Henriette Van Caenegem	1 out of 2 meetings
Luc Zabeau	2 out of 2 meetings

13.5 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 adjust the composition of the Board of Directors to changing circumstances and within the framework of the reappointment process.

The evaluation of the Board of Directors and the advisory committees took place in 2017 and pertains to 2016.

For example, in 2017 the Board of Directors conducted an evaluation based on both a questionnaire completed by all members individually as well as a report from an external advisor who had studied the efficiency of Fluxys Belgium's Board of Directors, its individual members and the efficiency of its committees.

The questionnaire covered the following subjects:

- The operation of the Board of Directors and its committees (e.g. number and frequency of meetings, quorum, pertinence of agenda items, course of the meetings, quality of the reports)
- Whether the Board of Directors can fully play its role and whether the key issues were being sufficiently prepared and handled
- Assessment of interaction between non-executive directors and management; (flow of information, supervision, etc.)
- Estimate of the actual contribution of each director (e.g. attendance at meetings, training, knowledge of mission and responsibility)

- Whether the composition of the Board of Directors is suitable (e.g. number, complementary skills, representation of shareholders)

The external advisor performed their study based on company documents (Articles of Association, charter, invitations, preparatory documents for meetings, minutes, assessment forms for individual directors, etc.) and additional explanations. The completed questionnaires have shown that, overall, the members of the Board of Directors are satisfied to very satisfied with the operation of the Board of Directors and its committees. The investigation demonstrated that the Board of Directors and its committees were able to fulfil their tasks adequately and in an appropriate manner.

The annual assessment of interaction between the Board of Directors and the Executive Board also took place and pertains to 2017.

13.6 Company management in 2017

The Executive Board of Fluxys Belgium comprises no more than six members, including one 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, 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 hindered in some way. The chairman convenes the members and any guests and sets the agenda. In 2017 – in addition to the matters submitted to the Board of Directors (see page 161-162) - the Executive Board focused on the following issues:

- **Strategy**: 2017-2019 objectives and *balanced score cards*, 2018-2027 indicative investment programme, the place of natural gas in the energy mix
- **Commercial activities**: Monitoring changes in traded volumes and liquidity on gas trading places, the merger of 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 or disconnection of industrial consumers, upgrading of infrastructure for distribution system operators, development of virtual interconnection points with neighbouring countries
- **Finance**: Annual and half-yearly financial results, efficient cost management, audit policy, monitoring subsidy applications (TEN-T), drafting and monitoring of the budget, refinancing of a bond loan expiring in May 2018
- **Legal and regulatory framework**: Monitoring and implementation of the European Network Codes, tariff methodology, monitoring of amendments to the Gas Act
- **Infrastructure and operations**: Monitoring infrastructure works, network safety, analysing incidents, near-incidents and occupational accidents, investment projects,

orders up to €20 million, obtaining the necessary permits for investment projects or operating activities, status of the decommissioning of pipelines, transfer of the ownership of land or subsurfaces, activities to enhance cyber security

- **HR policy**: Competency management, social team building, personnel movements, absenteeism policy, salary benchmarking, efficiency, tracking progress made with regard to the company's objectives
- **Monitoring the activities of subsidiaries**
- **Preparing dossiers for the Board of Directors and various committees**

13.7 Remuneration report

13.7.1 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 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 General Meeting has set the total annual amount of emoluments for directors and government representatives at a maximum of €360,000 (subject to indexation) as of 1 July 2007 (or €415,448.85 on 31 December 2017). The Board of Directors distributes the amount of overall remuneration determined between all directors on the basis of the workload their individual roles require within the company. Directors and government representatives also receive an attendance fee of €250 for each Board and committee meeting.

Within the limits of the maximum amount, 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 receive neither performance-related remuneration, such as bonuses or long-term, share-related incentive schemes, nor 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 over the half-year. 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 2017:

	Gross total (€)
Daniel Termont	27,334.70
Claude Grégoire (1)	23,167.76
Jos Ansoms	18,250.82
Marianne Basecq	23,667.76
Patrick Côté (3)	23,417.76
Valentine Delwart	29,084.70
Hélène Deslauriers	21,917.76
Andries Gryffroy	16,750.82
Luc Hujoel (2)	21,167.76
Ludo Kelchtermans (4)	16,000.82
Monique Lievens	17,250.82
Renaud Moens (6)	17,250.82
Walter Nonneman	24,917.76
Josly Piette (1)	14,513.05
Nele Roobrouck	15,750.82
Henriette Van Caenegem	22,417.76
Christian Viaene (5)	23,917.76
Sandra Wauters	23,917.76
Luc Zabeau (2)	16,750.82
François Fontaine	18,000.82
Total	415,448.85

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 Sibelgas.
(6) This director retroceded his emoluments and attendance allowance to Igratec.

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.[2]

The members of Fluxys Belgium's Board of Directors held no paid directorships in other Fluxys group companies.

[2] 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.

13.7.2 Executive Board: procedures, principles and remuneration

Remuneration policy

The procedure for drawing up the remuneration policy for the members of Fluxys Belgium's Executive Board 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 Executive Board's remuneration policy. The Appointment and Remuneration Committee developed a remuneration policy based on external benchmarking via 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 a variable remuneration that rewards personal and company performance.

The members of the Executive Board 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 their 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 *Score Cards* are used to determine the extent to which each member of the Executive Board has achieved their individual objectives each year.

As regards the variable remuneration for 2017, Fluxys Belgium is covered by the legal derogation from the requirement to spread payment over multiple years, because the on-target variable remuneration of Executive Board members is not 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. The Appointment and Remuneration Committee was also given an explanation by Pascal De Buck, Chairman of the Executive Board and

CEO of Fluxys Belgium, regarding the evaluation of the other members of the Executive Board in 2017.

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 2017;
- defined the amount of the 2017 variable remuneration for Pascal De Buck as Chairman of the Executive Board and CEO of Fluxys Belgium in 2017, pursuant to a proposal by the Appointment and Remuneration Committee, and defined the total amount of the variable remuneration in 2017 of the other members of the Executive Board of Fluxys Belgium, pursuant to a proposal by Pascal De Buck.

The remuneration granted 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 receive neither shares nor share options in the company 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 2017:

Remuneration awarded to Pascal De Buck in his capacity as Chairman of the Executive Board and CEO:	
Basic salary	223,080
Variable remuneration	133,848
Pension	76,043
Other components	17,950
Total	450,921

Remuneration awarded to the other members of the Executive Board:	
Basic salary	464,181
Variable remuneration	176,348
Pension	172,203
Other components	56,719
Total	869,451

Under the multi-employer contract, the members in question are remunerated partly for services rendered at Fluxys Belgium and partly for services rendered at Fluxys.

Contractual provisions. All members of the Executive Board in 2017 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 Fluxys Belgium or Fluxys consolidation scope.

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.

13.7.3 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. However, in 2018 there are plans to review the weighting of the roles of Executive Board members and subsequently take into account the changes arising since the previous weighting of roles.

13.8 Voting rights and special powers

The shareholders' meeting represents all shareholders irrespective of their share class. 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 said decisions.

Each share entitles the holder to one vote. In compliance 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 attributed to the golden share held by the Belgian State in Fluxys Belgium in addition to the ordinary rights attached to all other shares. Said special rights are exercised by the federal Energy Minister and, in brief, comprise the following:

- The right to oppose 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 dated 16 June 1994 – if the federal Energy Minister considers that such an operation would adversely affect national interests in the field of energy.
- 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 advice from the 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 has not annulled the decision concerned within eight working days after this appeal, the decision shall become definitive.
- A special voting right in the event of deadlock at the 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 class-B and class-D share of all dividend payments and all other payments which the company makes to its shareholders.

13.9 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 class-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 class-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.

A shareholder planning to transfer shares must inform the company in writing, and requesting acknowledgement of receipt, a) of the number of shares he 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. Every 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 shall submit a bid and, if so, of the number of shares he 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 said 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 who indicated their 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 their notification and under the conditions indicated therein.

13.10 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.

The 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 as far as possible any situation in which a personal conflict of interest 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 such a conflict of interest is present, he or she must notify the Chairman of the Corporate Governance Committee accordingly.

Where a personal conflict of interest is present, the director or member of the Executive Board concerned must, without being asked, 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 said matter. Reasons for this abstention must be stated in accordance with the terms of the Company Code.

Where a conflict of interest is deemed to be present, 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 said purpose and 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 financial year 2017.

13.11 Issue or buy-back of shares

Fluxys' Articles of Association authorise the General Meeting to acquire the company's own shares in accordance with legal provisions. No such decision was taken at the 2017 General Meeting. However, when the company acquires its own shares with a view to distributing them to its staff, no decision by the 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 General Meeting may, in the interests of the company, limit or eliminate the right of preference in compliance with legal provisions.

13.12 Auditor

The Ordinary Annual General Meeting determined the annual emoluments of Deloitte SCRL, Réviseurs d'entreprise. In 2017, Deloitte received emoluments totalling €160,750 for its work as Fluxys Belgium's auditor. Deloitte also performed other tasks worth a total of €55,480. This remuneration is broken down as follows:

- Audit services as auditor for the group: €145,200
- Audit services as auditor for group subsidiaries: €15,550
- Services to provide security: €31,500
- Other consulting services provided by associates of the auditor: €23,980

13.13 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.

13.14 Disclosure of major holdings

The periodic disclosure pursuant to Article 74(8) of the Act of 1 April 2007 was sent on 13 December 2017. As of the date of disclosure, Fluxys held 63,237,240 shares with voting rights in Fluxys Belgium, an increase of 20,140 shares compared to the previous disclosure. Publigas held no shares with voting rights in Fluxys Belgium. Publigas confirms that as of 13 December 2017 it had not acquired or transferred any shares with voting rights in Fluxys Belgium.

14 FINANCIAL SITUATION

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14.1 Consolidated financial statements under IFRS

14.1.1 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 these activities.

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

14.1.2 Consolidated financial statements of the Fluxys Belgium group under IFRS

A. Consolidated balance sheet

Consolidated balance sheet			In thousands of €
	Notes	31-12-2017	31-12-2016
I. Non-current assets		**2,392,797**	**2,463,346**
Property, plant and equipment	5.1	2,250,659	2,321,123
Intangible assets	5.2	45,246	52,250
Investments in associates and joint ventures		16	16
Other financial assets	5.3/6	81,179	57,022
Finance lease receivables	5.4/6	0	7,222
Other non-current assets	5.5	15,697	25,713
II. Current assets		**898,076**	**525,825**
Inventories	5.6	27,856	21,500
Finance lease receivables	5.4/6	7,222	5,581
Current tax receivable		12	113
Trade and other receivables	5.7/6	108,598	88,309
Short-term investments	5.8/6	415,153	101,209
Cash and cash equivalents	5.8/6	320,573	291,727
Other current assets	5.9	18,662	17,386
Total assets		**3,290,873**	**2,989,171**

Consolidated balance sheet			In thousands of €
	Notes	**31-12-2017**	**31-12-2016**
I. Equity	5.10	**713,795**	**694,352**
Equity attributable to the parent company's shareholders		713,795	694,352
Share capital and share premiums		60,310	60,310
Retained earnings and other reserves		653,485	634,042
Non-controlling interests		0	0
II. Non-current liabilities		**2,019,777**	**2,107,992**
Interest-bearing liabilities	5.11/6	1,752,654	1,765,025
Provisions	5.12	3,947	2,437
Provisions for employee benefits	5.13	59,346	62,224
Deferred tax liabilities	5.14	203,830	278,306
III. Current liabilities		**557,301**	**186,827**
Interest-bearing liabilities	5.11/6	467,176	79,472
Provisions	5.12	325	6,841
Provisions for employee benefits	5.13	3,879	4,472
Current tax payables		6,689	6,524
Trade and other payables	5.15/6	76,957	87,942
Other current liabilities		2,275	1,576
Total liabilities and equity		**3,290,873**	**2,989,171**

B. Consolidated income statement

Consolidated income statement			In thousands of €
	Notes	**31-12-2017**	**31-12-2016**
Operating revenue	4.1	510,528	509,490
Sales of gas related to balancing of operations and operational needs		66,096	47,245
Other operating income		12,248	13,607
Consumables, merchandise and supplies used	4.2.1	-2,678	-3,837
Purchase of gas related to balancing of operations and operational needs		-66,014	-47,138
Miscellaneous goods and services	4.2.2	-122,996	-121,894
Employee expenses	4.2.3	-107,077	-113,436
Other operating expenses	4.2.4	-6,944	-7,332
Net depreciation	4.2.5	-160,081	-159,141
Net provisions	4.2.6	5,399	-964
Impairment losses	5.6	831	2,007
Profit/loss from continuing operations		**129,312**	**118,607**
Change in the fair value of financial instruments		-1,058	-1,010
Financial income	4.3	2,464	2,065
Finance costs	4.4	-48,240	-47,849
Profit/loss from continuing operations after net financial result		**82,478**	**71,813**
Income tax expenses	4.5	-12,157	-23,329
Net profit/loss for the period	**4.6**	**70,321**	**48,484**
Fluxys Belgium share		70,321	48,484
Non-controlling interests		0	0
Basic earnings per share attributable to the parent company's shareholders in €	4.7	1.0008	0.6900
Diluted earnings per share attributable to the parent company's shareholders in €	4.7	1.0008	0.6900

C. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income			In thousands of €
	Notes	**31-12-2017**	**31-12-2016**
Net profit/loss for the period	**4.6**	**70,321**	**48,484**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of employee benefits	5.12	-4,748	-9,147
Income tax expense on other comprehensive income		1,614	3,109
Income tax expenses - Change in tax rate	(1)	36,572	0
Other comprehensive income		**33,438**	**-6,038**
Comprehensive income for the period		**103,759**	**42,446**
Fluxys Belgium share		103,759	42,446
Non-controlling interests		0	0

(1) The corporate tax reform in Belgium generates a non-recurring revision of deferred taxes accounted for in the past. This downwards revision of deferred taxes on the liability side of the balance sheet is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement (see Note 2.21), i.e. the revaluation of property, plant and equipment (€37.7 million), the staggered taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.5 million). The balance of this revision is accounted for in the net profit/loss for the period (€16.2 million - see Notes 2.21 and 4.5.2).

D. Consolidated statement of changes in equity

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

Statement of changes in equity									In thousands of €
	Share capital	**Share premium**	**Reserves not available for distribution**	**Retained earnings**	**Reserves for employee benefits (1)**	**Other compreh ensive income (1)**	**Equity attributable to the parent company's shareholders**	**Non-controlli ng interest s**	**Total equity**
III. CLOSING BALANCE AS AT 31-12-2016	**60,272**	**38**	**45,729**	**595,602**	**-7,289**	**0**	**694,352**	**0**	**694,352**
1. Comprehensive income for the period				70,321	-4,619	38,057	103,759	0	103,759
2. Dividends paid			-9,905	-74,411			-84,316		-84,316
3. Other changes							0		0
IV. CLOSING BALANCE AS AT 31-12-2017	**60,272**	**38**	**35,824**	**591,512**	**-11,908**	**38,057**	**713,795**	**0**	**713,795**

(1) See comment on previous page.

E. Consolidated cash flow table

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2017	**31-12-2016**
I. Cash and cash equivalents, opening balance	**291,727**	**327,061**
II. Net cash flows from operating activities	**220,206**	**239,258**
1. Cash flows from operating activities	**267,000**	**278,993**
1.1. Profit from operations	129,312	118,607
1.2. Non cash adjustments	153,218	158,139
1.2.1. Depreciation	160,081	159,141
1.2.2. Provisions	-5,399	964
1.2.3. Impairment losses	-831	-2,007
1.2.4. Translation adjustments	0	0
1.2.5. Non cash adjustments	-633	41
1.3. Changes in working capital	-15,530	2,247
1.3.1. Inventories	-6,356	4,616
1.3.2. Tax receivables	101	661
1.3.3. Trade and other receivables	-20,289	-11,072
1.3.4. Other current assets	49	-2,669
1.3.5. Tax payables	-117	-723
1.3.6. Trade and other payables	7,869	7,502
1.3.7. Other current liabilities	699	238
1.3.8. Other changes in working capital	2,514	3,694
2. Cash flows relating to other operating activities	**-46,794**	**-39,735**
2.1. Current tax paid	-48,165	-41,483
2.2. Interests from investments, cash and cash equivalents	1,500	1,903
2.3. Other inflows (outflows) relating to other operating activities	-129	-155
III. Net cash flows relating to investment activities	**-439,985**	**-143,198**
1. Acquisitions	**-129,817**	**-139,297**
1.1. Payments to acquire property, plant and equipment, and intangible assets	-105,660	-130,398
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	-24,157	-8,899

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2017	31-12-2016
2. Disposals	**1,652**	**813**
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	1,652	312
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	0	501
3. Dividends received classified as investment activities	**8**	**8**
4. Subsidies received	**2,116**	**0**
5. Increase (-) / Decrease (+) of short-term investments (1)	**-313,944**	**-4,722**
IV. Net cash flows relating to financing activities	**248,625**	**-131,394**
1. Proceeds from cash flows from financing	**443,696**	**57,227**
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	5,581	3,838
1.4. Proceeds from other non-current assets	0	4,218
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities (1)	438,115	49,171
2. Repayments relating to cash flows from financing	**-63,959**	**-62,726**
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	0
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-63,959	-62,726
3. Interests	**-46,796**	**-41,579**
3.1. Interest paid classified as financing	-46,926	-41,712
3.2. Interest received classified as financing	130	133
4. Dividends paid	**-84,316**	**-84,316**
V. Net change in cash and cash equivalents	**28,846**	**-35,334**
VI. Cash and cash equivalents, closing balance	**320,573**	**291,727**

(1) With a view to refinancing a loan maturing in May 2018, Fluxys Belgium proceeded with a €350 million bond issue in October 2017. This amount is invested with Fluxys SA for 7 months. The latter is included in the item 'Increase/Decrease of short-term investments', an item which is consequently reclassified in the net cash flows relating to investment activities.

14.1.3 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.

Therefore, in the balance sheet, the group records the regulatory liabilities corresponding to the excess of regulated revenue received according to the real costs to be covered by the authorised regulated tariffs. This difference is transferred to the income statement via the operating revenue to the balance sheet in the interest-bearing liabilities (non-current and current - See Note 5.11.4). The regulatory assets are accounted for (in the non-current loans and receivables or in the current trade and other receivables in the balance sheet) when the regulated revenue received is lower than the real costs to be covered by the authorised regulated tariffs.

These latter are recognised inasmuch as the group considers their recovery highly likely. This accounting method (see Note 2.20) has been determined by the group as no definitive guidance on 'rate-regulated activities' has been published to date.

Note 1c. Date of authorisation for issue

The Board of Directors of Fluxys Belgium SA authorised these IFRS financial statements for issue on 28 March 2018.

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

The clarifications made to the accounting principles and policies in 2017 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 2017:
- Annual improvements to IFRS (2014-2016 round): Amendments to IFRS 12 (effective for annual periods beginning on or after 1 January 2017 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) – See Note 5.11.
- 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)

The standards applicable since 2017 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:

- Annual improvements to IFRS (2014-2016 round): Amendments to IFRS 1 and IAS 28 (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level)
- 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)
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after January 2021 but not yet adopted at European level)
- Amendments to IFRS 2 Classification and measurement of share-based payment (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level)
- Amendments to IFRS 4 Application of IFRS 9 Financial instruments with IFRS 4 Insurance contracts (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019 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 28 Long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019 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)
- IFRIC 23 Uncertainty over income tax treatments (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)
- Annual improvements to IFRS (2015-2017 round) (effective for annual periods beginning on or after 1 January 2019 but not yet adopted at European level)
- Amendments to IAS 19 - Plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019 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 as finance leases under IAS 17 (see Note 7.5).
- Certain building and vehicle leases will also be booked as finance lease contracts under IAS 17 (see Note 4.2.2).
- The assessment of credit risk under IFRS 9 relating to counterparty default should have a very limited impact on the group's financial statements, (approximately -€0.1 million before tax), the majority of its activities being regulated.
- Outside financial participations, the group mainly has financial assets generating cash flows corresponding only to principal repayments and interest payments on the principal that remains due. These financial assets are measured at amortised cost in accordance with IFRS 9. Some of these assets are measured at fair value with changes to the income statement in IAS 39. The reclassification of financial assets in IFRS 9 should have a positive impact of approximately €0.6 million before tax in the group financial statements.
- The group has analysed the potential impact of IFRS 15 on the accounting principles for revenue. The group confirms that at this stage of its analysis this standard will have no impact on the principles currently applied.

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 28 March 2018.

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

Note 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.

Note 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.

Note 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.

Note 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.

Note 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).

Note 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.

Note 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.

Note 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, taking into account the time during which the assets may generate regulated revenue.

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.

Maximum durations of amortisation are:

- 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 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.

Note 2.18. Trade payables

Trade payables are stated at face value.

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

Note 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.

Note 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).

Note 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.

Any later change in rates requires a change to the deferred taxes. This is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement. The balance of the change in deferred taxes is accounted for in the net profit/loss for the period.

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 2016.

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 €171.3 million as at 31-12-2017 compared to €172.1 million as at 31-12-2016.

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[2] 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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[2] Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)

Segment income statement at 31-12-2017

In thousands of €

	Transmission	Storage	Terminalling	Other	Elimination between segments	Total
Operating revenue						
Sales and services to external customers	378,980	25,431	94,819	11,298	0	510,528
Transactions with other sectors	840	8,471	1,997	7,612	-18,920	0
Sales of gas related to balancing of operations and operational needs	64,537	976	583	0	0	66,096
Other operating income	2,115	147	815	9,171	0	12,248
Consumables, merchandise and supplies used	-946	-19	-41	-1,672	0	-2,678
Purchase of gas related to balancing of operations and operational needs	-64,537	-976	-501	0	0	-66,014
Miscellaneous goods and services	-103,346	-7,243	-24,252	-7,075	18,920	-122,996
Employee expenses	-78,469	-6,978	-17,372	-4,258	0	-107,077
Other operating expenses	-3,911	-586	-2,211	-236	0	-6,944
Depreciation and amortisation	-119,040	-10,986	-29,853	-202	0	-160,081
Provisions for risks and charges	-176	-26	-54	5,655	0	5,399
Impairment losses	831	0	0	0	0	831
Profit/loss from continuing operations	**76,878**	**8,211**	**23,930**	**20,293**	**0**	**129,312**
Changes in the fair value of financial instruments	0	0	0	-1,058	0	-1,058
Financial income	199	22	0	2,243	0	2,464
Finance costs	-35,640	-3,997	-6,440	-2,163	0	-48,240
Profit/loss from continuing operations after net financial result	**41,437**	**4,236**	**17,490**	**19,315**	**0**	**82,478**
Income tax expenses						-12,157
Net profit/loss for the period						**70,321**

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**

Note 4.1. Operating revenue

Analysis of operating revenue by business segment:

Operating revenue				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Transmission in Belgium	4.1.1	378,980	372,323	6,657
Storage in Belgium	4.1.1	25,431	24,798	633
Terminalling in Belgium	4.1.1	94,819	100,564	-5,745
Other operating revenue	4.1.2	11,298	11,805	-507
Total		**510,528**	**509,490**	**1,038**

Operating revenue in the 2017 financial year amounted to €510,528 thousand, in line with the €509,490 thousand in the previous financial year.

In accordance with the regulatory framework, the stability of the regulated revenue is mainly the result of a reduction in operating expenses which compensated the increase in the level of authorised return.

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

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

4.1.1. Revenue from transmission activities increased by €6,657 thousand as compared with the previous financial year. This increase is largely explained by the entry into force of the contracts for the capacity sold between Dunkirk and Zeebrugge, the LNG terminal in Dunkirk now being operational.

Turnover from terminalling services generated a decrease in regulated revenue (-€5,745 thousand). This latter reflects the decrease in the number of large tanker loadings. It can also be explained by the evolution in operating and finance costs.

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

Note 4.2. Operating expenses

Operating expenses excluding net depreciation, impairment losses and provisions				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Consumables, merchandise and supplies used	4.2.1	-2,678	-3,837	1,159
Miscellaneous goods and services	4.2.2	-122,996	-121,894	-1,102
Employee expenses	4.2.3	-107,077	-113,436	6,359
Other operating expenses	4.2.4	-6,944	-7,332	388
Total operating expenses		**-239,695**	**-246,499**	**6,804**
Of which costs related to lease agreements	4.2.2	-21,862	-23,154	1,292

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 are mainly composed of:

	31-12-2017	31-12-2016
Purchase of equipment	-6,989	-8,348
Rent and rental charges (see Note 7.5)	-10,706	-10,419
Maintenance and repair expenses	-24,306	-26,787
Goods and services supplied to the group	-4,753	-5,574
Third-party remuneration	-34,330	-31,936
Royalties and contributions	-27,714	-24,825
Non-personnel related insurance costs	-8,439	-8,643
Other miscellaneous goods and services	-5,759	-5,362
	-122,996	**-121,894**

Miscellaneous goods and services include, in 2017, the royalties due for the French portion of the line between Dunkirk and Zeebrugge, which explains the increase in this item (see Note 4.1.1). The efficiency efforts realised by the Group have allowed Fluxys Belgium to be in line with the terms of reference set for the regulatory period 2016-2019 and even to make efficiency gains.

4.2.3. Employee expenses

Employee expenses are down €6,359 thousand. This can be explained by the change in average staffing levels. In 2016 these included the non-recurring effects linked to the accounting of long-term employee benefits in accordance with IAS 19.

The average headcount for the group went down from 946 in 2016 to 918 in 2017. Expressed in FTE (full-time equivalents), these figures convert to 886.6 in 2017 compared to 914.5 in 2016.

Workforce

	Financial year		Preceding financial year	
	Total number of staff	**Total in FTE**	**Total number of staff**	**Total in FTE**
Average number of employees	**918**	**886.6**	**946**	**914.5**
Fluxys Belgium	**878**	**847.3**	**905**	**875.2**
Executives	272	265.4	274	268.2
Employees	606	581.9	631	607.0
Fluxys LNG	**39**	**38.8**	**40**	**38.8**
Executives	4	4.2	5	4.2
Employees	35	34.6	35	34.6
Flux Re	**1**	**0.5**	**1**	**0.5**

Headcount at balance sheet date	**908**	**877.6**	**933**	**901.9**
Fluxys Belgium	**868**	**838.5**	**893**	**862.6**
Executives	270	263.5	272	266.0
Employees	598	575.0	621	596.6
Fluxys LNG	**39**	**38.6**	**39**	**38.8**
Executives	4	4.0	4	4.0
Employees	35	34.6	35	34.8
Flux Re	**1**	**0.5**	**1**	**0.5**

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 €517 thousand in 2017, compared with €1,168 thousand in 2016.

Net depreciation, impairment losses and provisions				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Depreciation	4.2.5	**-160,081**	**-159,141**	**-940**
Intangible assets		-10,456	-11,852	1,396
Property, plant and equipment		-149,625	-147,289	-2,336
Provisions for risks and charges	4.2.6	**5,399**	**-964**	**6,363**
Impairment losses		**831**	**2,007**	**-1,176**
Inventories		831	2,007	-1,176
Total net depreciation, impairment losses and provisions		**-153,851**	**-158,098**	**4,247**

4.2.5. Depreciation

The depreciation charges for the period are up largely following the commissioning of facilities, especially the second jetty at the Zeebrugge LNG terminal.

4.2.6. Provisions for risks and charges

The provisions for site restoration include, in 2017, a use of funds to cover the costs associated with the restoration of a site that is sold. The balance of the provision concerned was then recognised in the profit/loss for the period (see Note 5.12.2).

Note 4.3. Financial income

Financial income				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Dividends from unconsolidated companies		8	8	0
Financial income from lease contracts	4.3.1	130	133	-3
Interest income on marketable securities, cash and cash equivalents at fair value through profit and loss	4.3.2	1,356	169	1,187
Other interest income	4.3.2	144	1.734	-1,590
Unwinding of discounts	4.3.3	765	0	765
Other financial income		61	21	40
Total		**2,464**	**2,065**	**399**

4.3.1. Financial income from lease contracts relates 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 interest rates obtained. In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018, which had a favourable impact on the average volume invested (see Note 4.4.1).

4.3.3. In 2017, the effects of discounting provisions are recognised in revenue. The rates used to discount liabilities relating to employee benefits explain this change (see Notes 4.4 and 5.12).

Note 4.4. Finance costs

Finance costs				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Borrowing interest costs	4.4.1	-48,103	-47,501	-602
Unwinding of discounts		53	-172	225
Other finance costs		-190	-176	-14
Total		**-48,240**	**-47,849**	**-391**

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

For the purpose of refinancing a loan maturing in May 2018, Fluxys Belgium proceeded in October 2017 with a bond issue in two parts:

- one part of €300,000 thousand over 10 years with a coupon value of 1.75% (87 bps over mid-swap) and maturing in October 2027;
- one part of €50,000 thousand over 15 years with a coupon value of 2.375% (105 bps over mid-swap) and maturing in October 2032.

This early refinancing explains the temporary increase in interest charges on debts.

Note 4.5. Income tax expenses

Income tax expense is analysed as follows:

Income tax expenses				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Current tax	4.5.1	-48,447	-46,909	-1,538
Deferred tax	4.5.2	36,290	23,580	12,710
Total	**4.5.3**	**-12,157**	**-23,329**	**11,172**

Income tax expenses are down €11,172 thousand as compared with those of the year 2016. This change is explained as follows:

4.5.1. Current tax			In thousands of €
	31-12-2017	**31-12-2016**	**Change**
Income taxes on the result of the current period	**-49,344**	**-47,344**	**-2,000**
Taxes and withholding taxes due or paid	-48,165	-41,483	-6,682
Excess of payment of taxes and withholding taxes included in assets	0	0	0
Additional taxes	-1,179	-5,861	4,682
Adjustments to previous years' current taxes	**897**	**435**	**462**
Total	**-48,447**	**-46,909**	**-1,538**

Current tax increased €1,538 thousand compared with the previous financial year. This can largely be explained by the increase in the pre-tax results, an effect partially compensated by the non-recurring level of non-deductible expenses linked, in 2016 to the accounting of long-term employee benefits (see Note 4.2.3).

4.5.2. Deferred tax

In thousands of €

	31-12-2017	31-12-2016	Change
Relating to origination or reversal of temporary differences	**20,080**	**18,616**	**1,464**
Differences arising from the valuation of property, plant and equipment	19,760	20,345	-585
Changes in provisions	175	-2,041	2,216
Other changes	145	312	-167
Relating to tax rate changes or to new taxes	**16,210**	**4,964**	**11,246**
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	**36,290**	**23,580**	**12,710**

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) affects the change in differences arising from provisions.

Thanks to the reform of corporate tax in Belgium, the nominal tax rate will go from 33.99% in 2017 to 29.58% in 2018 and 2019 and 25% from 2020. This progressive rate decrease has generated a non-recurring revision of deferred taxes accounted for in the past amounting to €16,210 thousand. This revision essentially concerned the deferred taxes accounted for during the price allocation exercises from business combination operations. The balance of the impact of the rate revisions on deferred taxes was recognised in the other parts of the global results (see Note 5.14). In 2016, the favourable effect concerned the revision of tax rates applicable in Luxembourg.

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

In thousands of €

	31-12-2017	31-12-2016	Change
Expected tax as per effective average tax rate – Financial year	**-28,034**	**-24,409**	**-3,625**
Earnings before tax	82,478	71,813	10,665
Applicable tax rate	33.99%	33.99%	
Reconciling items	**14,980**	**645**	**14,335**
Income tax rate differences between jurisdictions	573	253	320
Change in tax rate	16,210	4,964	11,246
Tax-exempt income	0	0	0
Non-deductible expenses	-1,756	-4,455	2,699
Taxable dividend income	-107	-403	296
Deductible notional interest cost	60	286	-226
Other	0	0	0
Income tax as per effective average tax rate – Financial year	**-13,054**	**-23,764**	**10,710**
Earnings before tax	82,478	71,813	10,665
Average effective tax rate	15.83%	33.09%	-17.26%
Taxes on tax-exempt reserves	**0**	**0**	**0**
Adjustments to previous years' current taxes	**897**	**435**	**462**
Total income tax expense	**-12,157**	**-23,329**	**11,172**

The average effective tax rate for 2017 amounted to 15.83% compared with 33.09% the previous year. This decrease can largely be explained by the change in the tax rates (see Note 4.5.2).

Note 4.6. Net profit/loss for the period

Net profit/loss for the period			In thousands of €
	31-12-2017	**31-12-2016**	**Change**
Non-controlling interests	0	0	0
Group share	70,321	48,484	21,837
Total net profit for the period	**70,321**	**48,484**	**21,837**

The consolidated net profit for the financial year amounted to €70,321 thousand, an increase of €21,837 thousand compared with 2016.

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). The average OLO interest rate for the period totalled 0.74% in 2017 compared to 0.49% in 2016. This increase has a favourable effect on the regulated authorised rate of return on capital invested and therefore on results for 2017. The latter additionally benefits the progress of profit/loss from non-regulated activities. Together, these two items represent an impact of €5.5 million.

The corporate tax reform in Belgium generates a non-recurring revision in deferred taxes accounted for in the past of €16.2 million. The ensuing increase in the consolidated net profit does not, however, have any impact on the distributable profit and the dividend of Fluxys Belgium. The regulated net profit for shareholders is not affected by tax rates. The fiscal reform will have a favourable effect on future tariffs however, because the decrease in taxes associated with the rate review will reduce the costs to be covered by the tariffs.

Note 4.7. Earnings per share

Numerator (in thousands of €)	31-12-2017	31-12-2016
Net income from continuing operations attributable to the parent company's shareholders	**70,321**	**48,484**
Net profit	70,321	48,484
Impact of dilutive instruments	0	0
Diluted net income from continuing operations attributable to the parent company's shareholders	**70,321**	**48,484**
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	**70,321**	**48,484**
Net profit	70,321	48,484
Impact of dilutive instruments	0	0
Diluted net profit per attributable to the parent company's shareholders	**70,321**	**48,484**

Denominator (in units)	31-12-2017	31-12-2016
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)	31-12-2017	31-12-2016
Basic earnings per share from continuing operations attributable to the parent company's shareholders	1.0008	0.6900
Diluted earnings per share from continuing operations attributable to the parent company's shareholders	1.0008	0.6900
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	1.0008	0.6900
Diluted earnings per share attributable to the parent company's shareholders in €	1.0008	0.6900

Note 5. Segment balance sheet

Segment balance sheet at 31-12-2017						In thousands of €
	Transmission	**Storage**	**Terminalling**	**Other**	**Unallocated**	**Total**
Property, plant and equipment	1.535,495	167,959	542,243	4,962	0	2,250,659
Intangible assets	44,519	0	125	602	0	45,246
Other financial assets	87	0	0	81,092	0	81,179
Inventories	22,592	2,916	2,199	149	0	27,856
Finance lease receivables	0	0	0	7,222	0	7,222
Net trade receivables	87,935	3,516	2,407	12,172	0	106,030
Other assets					772,681	772,681
						3,290,873
Interest-bearing liabilities	1,483,939	168,567	432,091	135,233	0	2,219,830
Other liabilities					357,248	357,248
						2.577.078
Equity						713,795
						3,290,873
Investments in property, plant and equipment for the period	16,821	1,672	64,792	69	0	83,354
Investments in intangible assets for the period	3,446	0	6	0	0	3,452

Segment balance sheet 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					450.322	450.322
						2.294.819
Equity						694.352
						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

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 31-12-2015	**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	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2016	**47,344**	**160,218**	**3,414,641**	**378,561**
Investments	229	424	10,840	1,648
Subsidies	0	0	0	0
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-43	-38	-3,911	0
Internal transfers	0	96	1,595	852
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2017	**47,530**	**160,700**	**3,423,165**	**381,061**

** Installations subject to the Gas Act*

In thousands of €

LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
1,045,001	**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**
4,025	57	5,477	60,654	83,354
-1,774	0	0	-342	-2,116
0	0	0	0	0
-785	0	-974	-124	-5,875
-2,579	0	0	36	0
0	0	0	0	0
0	0	0	0	0
1,144,680	**43,475**	**58,840**	**177,641**	**5,437,092**

Movements in property, plant and equipment

	Land	Buildings	Gas transmission networks*	Storage facilities*
Depreciation and impairment losses				
As at 31-12-2015	**0**	**-81,358**	**-1,808,445**	**-198,264**
Depreciation	0	-3,074	-103,881	-10,926
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	0	5,878	0
Internal transfers	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2016	**0**	**-84,432**	**-1,906,448**	**-209,190**
Depreciation	0	-3,004	-101,885	-10,768
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	0	2	2,873	0
Internal transfers	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2017	**0**	**-87,434**	**-2,005,460**	**-219,958**
Net book values as at 31-12-2017	**47,530**	**73,266**	**1,417,705**	**161,103**
Net book values as at 31-12-2016	**47,344**	**75,786**	**1,508,193**	**169,371**

** Installations subject to the Gas Act*

In thousands of €

LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
-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**
-28,862	-84	-5,022	0	-149,625
0	0	0	0	0
1	0	922	0	3,798
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-786,732	**-43,139**	**-43,710**	**0**	**-3,186,433**
357,948	**336**	**15,130**	**177,641**	**2,250,659**
387,922	**363**	**14,727**	**117,417**	**2,321,123**

Movements in property, plant and equipment

	Land	Buildings	Gas transmission facilities*	Storage facilities*
Net book value at 31-12-2017, including:	**47,530**	**73,266**	**1,417,705**	**161,103**
At cost	47,530	73,266	1,417,705	161,103
At revaluation	0	0	0	0
Net book values as at 31-12-2017 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 comprise the group's transmission, storage (Loenhout) and LNG terminalling (Zeebrugge) facilities.

In 2017, the Fluxys Belgium group made investments of €83,354 thousand.

Of this amount, €64,792 thousand was allocated to LNG infrastructure projects (principally the construction of the fifth storage tank at the Zeebrugge LNG Terminal) and €16,821 thousand to projects associated with transmission activity.

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 €53.7 million as at 31-12-2017.

The costs for loans activated on investments under construction came to €3,528 thousand in 2017 compared to €1,737 thousand in 2016. 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**
	357,948	**336**	**15,130**	**177,641**	**2,250,659**
	357,948	336	15,130	177,641	2,250,659
	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
	0	**0**	**0**	**0**	**110**

The depreciation charge for the period amounts to €149,625 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	CO^2 emission rights	Total
Gross book value				
As at 31-12-2015	**36,852**	**52,800**	**0**	**89,652**
Investments	3,130	0	0	3,130
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-7,742	0	0	-7,742
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2016	**32,240**	**52,800**	**0**	**85,040**
Investments	3,452	0	0	3,452
Acquisitions through business combinations	0	0	0	0
Disposals and retirements	-5,205	0	0	-5,205
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2017	**30,487**	**52,800**	**0**	**83,287**

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 31-12-2015	**-27,470**	**-1,196**	**0**	**-28,666**
Depreciation	-5,401	-6,451	0	-11,852
Impairment losses	0	0	0	0
Disposals and retirements	7,728	0	0	7,728
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2016	**-25,143**	**-7,647**	**0**	**-32,790**
Depreciation	-4,006	-6,450	0	-10,456
Impairment losses	0	0	0	
Disposals and retirements	5,205	0	0	5,205
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2017	**-23,944**	**-14,097**	**0**	**-38,041**

Movements in the book value of intangible assets				In thousands of €
	Software	Client portfolios	$C0^2$ emission rights	Total
Net book values as at 31-12-2017	**6,543**	**38,703**	**0**	**45,246**
Net book values as at 31-12-2016	**7,097**	**45,153**	**0**	**52,250**

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 2017 amounting to 46,303 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	**31-12-2017**	**31-12-2016**
Shares at cost		24	24
Investment securities at fair value through profit or loss	5.3.1	81,092	56,935
Other financial assets at cost		63	63
Total		**81,179**	**57,022**

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 2027.

Note 5.4. Finance lease receivables

Finance lease receivables			In thousands of €
	31-12-2017	**31-12-2016**	**Change**
Non-current receivables	0	7,222	-7,222
Current receivables	7,222	5,581	1,641
Total	**7,222**	**12,803**	**-5,581**

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. In March 2018, IZT communicated its wish to extend the leasing contract with Fluxys Belgium for a duration of 5 years (see Note 10).

Maturity of finance lease receivables at 31-12-2017				In thousands of €
	Up to one year	**Between one and five years**	**Over five years**	**Total**
Finance lease receivables	7,222	0	0	7,222
Total	**7,222**	**0**	**0**	**7,222**
Finance lease receivables				
Present value of minimum lease payments at market rate	7,311	0	0	7,311
Total minimum lease payments (A)	7,311	0	0	7,311
Interest (B)	89	0	0	89
Total finance lease receivables (A-B)	7,222	0	0	7,222

Maturity of finance lease receivables at 31-12-2016	Up to one year	Between one and five years	Over five years	Total
In thousands of €				
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

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

Other non-current assets	Notes	31-12-2017	31-12-2016	Change
In thousands of €				
Plan asset surpluses 'IAS 19 Employee benefits'	5.13	11,475	19,808	-8,333
Prepaid insurance expenses	5.5.1	4,222	5,905	-1,683
Total		**15,697**	**25,713**	**-10,016**

5.5.1. 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 €
	31-12-2017	**31-12-2016**	**Change**
Supplies	**16,629**	**12,932**	**3,697**
Gross book value	22,996	20,123	2,873
Impairment losses	-6,367	-7,191	824
Goods held for resale	**11,078**	**8,464**	**2,614**
Gross book value	11,078	8,471	2,607
Impairment losses	0	-7	7
Work in progress	**149**	**104**	**45**
Gross book value	149	104	45
Impairment losses	0	0	0
Total	**27,856**	**21,500**	**6,356**

Inventories of materials connected to the transmission network are at their normal levels. The change thereto can be explained by the timing of purchases of materials as compared with their use.

Impact of movements on net profit/loss			In thousands of €
	31-12-2017	**31-12-2016**	**Change**
Inventories – purchased or used	5,525	-6,623	12,148
Impairment losses	831	2,007	-1,176
Total	**6,356**	**-4,616**	**10,972**

Note 5.7. Trade and other receivables

Trade and other receivables				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Gross trade receivables		107,555	87,110	20,445
Impairment losses		-1,525	-1,525	0
Net trade receivables	5.7.1	106,030	85,585	20,445
Other receivables		2,568	2,724	-156
Total		**108,598**	**88,309**	**20,289**

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 €
	31-12-2017	**31-12-2016**	**Change**
Receivables not past due	105,128	82,709	22,419
Receivables < 3 months	680	2,800	-2,120
Receivables 3 - 6 months	0	0	0
Receivables > 6 months	0	9	-9
Receivables in litigation or doubtful	222	67	155
Total	**106,030**	**85,585**	**20,445**

Disputed or doubtful receivables mainly concern grid users. Those which are deemed unrecoverable have been subject to impairment losses 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 to Fluxys (*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 €
		31-12-2017	**31-12-2016**	**Change**
Short-term investments	**5.8.1**	**415,153**	**101,209**	**313,944**
Cash and cash equivalents		**320,573**	**291,727**	**28,846**
Cash equivalents and cash pooling		294,849	276,659	18,190
Short-term deposits		205	3,253	-3,048
Bank balances		25,502	11,804	13,698
Cash in hand		17	11	6
Total		**735,726**	**392,936**	**342,790**

In 2017, the average rate of return on short-term investments, cash and cash equivalents was 0.26% against 0.37% in 2016. This fall can be explained by the change in market interest rates.

5.8.1 In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018 (see Note 5.11.1).
Fluxys Belgium has invested this €350,000 thousand at a fixed interest rate with Fluxys for a duration of 7 months.

Note 5.9. Other current assets

Other current assets				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Accrued income		555	707	-152
Prepaid expenses		15,184	15,081	103
Other current assets	5.9.1	2,923	1,598	1,325
Total		**18,662**	**17,386**	**1,276**

Other current assets mainly comprise prepaid expenses amounting to €15,184 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

As at 31-12-2017, equity amounted to €713,795 thousand. The €19,443 thousand increase since the previous year is due to the global profit/loss for the period (+€103,759 thousand), an increase partly compensated for by the dividends distributed in 2017 (-€84,316 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 the owner to receive 100 times the dividend or any other distribution by the entity to its shareholders, than the ones attached to the category B or D shares.

Note 5.11. Interest-bearing liabilities

Non-current interest-bearing liabilities				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Bonds	5.11.1	694,812	696,569	-1,757
Other borrowings	5.11.2	563,000	583,000	-20,000
Other financing	5.11.3	157,538	102,953	54,585
Other liabilities	5.11.4	337,304	382,503	-45,199
Total		**1,752,654**	**1,765,025**	**-12,371**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

Current interest-bearing liabilities				In thousands of €
	Notes	**31-12-2017**	**31-12-2016**	**Change**
Bonds	5.11.1	362,336	10,833	351,503
Other borrowings	5.11.2	30,494	39,078	-8,584
Other financing	5.11.3	20,361	4,423	15,938
Other liabilities	5.11.4	53,985	25,138	28,847
Total		**467,176**	**79,472**	**387,704**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	0

5.11.1. In November 2014 and October 2017, Fluxys Belgium issued bonds for a total of €700,000 thousand. These bonds offer a gross annual coupon of between 1.75% and 3.25%. They will mature between 2027 and 2034. The €350,000 thousand issue in 2012 matures in May 2018.

5.11.2. Other borrowings include:

- 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 €326,000 thousand as at 31-12-2017.
- A loan of €257,000 thousand at a fixed rate of 3.20% with Fluxys to cover needs relating to investments necessary for the transshipment services at the Zeebrugge LNG Terminal.
- Short-term loans and accrued interest amounting to €10,494 thousand.

5.11.3. Other financing corresponds to the amount at the group's disposal to finance investments, notably in the second jetty at Zeebrugge, but also the cost associated with the conversion of part of the gas transmission network. These amounts carry interest at a 10-year rate for one part and at an average 1-year Euribor rate for the balance.

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.

Changes in liabilities based on financing activities					In thousands of €
	31.12.2016	Cash flow	Other movements		31.12.2017
			Reclassifications between non-current and current	Variation in accrued interests	Total
Non-current interest-bearing liabilities	**1,765,025**	**438,845**	**-451,216**	**0**	**1,752,654**
Finance leases	0				0
Bonds	696,569	348,193	-349,950		694,812
Other borrowings	583,000		-20,000		563,000
Other financing	102,953	74,533	-19,948		157,538
Other liabilities	382,503	16,119	-61,318		337,304
Current interest-bearing liabilities	**79,472**	**-64,689**	**451,216**	**1,177**	**467,176**
Finance leases	0				0
Bonds	10,833		349,950	1,553	362,336
Other borrowings	39,078	-28,208	20,000	-376	30,494
Other financing	4,423	-4,010	19,948		20,361
Other liabilities	25,138	-32,471	61,318		53,985
Total	**1,844,497**	**374,156**	**0**	**1,177**	**2,219,830**

Cash flows for interest-bearing liabilities are included in points IV.1.6, 1.6 and 2.5 of the summarised consolidated statement of cash flows.

The variation in interest to be paid corresponds to the difference between interest paid (see point IV.3.1 of the summarised consolidated statement of cash flows) and interest charges on debts (see Note 4.4.1).

Maturity of interest-bearing liabilities at 31-12-2017, non-discounted				In thousands of €
	Up to year	**Between one and five years**	**Over five years**	**Total**
Bonds	384,211	67,216	777,552	1,228,979
Other borrowings	52,251	203,538	520,886	776,675
Other financing	21,001	78,638	85,377	185,016
Other liabilities	53,985	163,500	173,804	391,289
Total	**511,448**	**512,892**	**1,557,619**	**2,581,959**
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 31-12-2016, non-discounted				In thousands of €
	Up to one year	**Between one and five years**	**Over five years**	**Total**
Bonds	36,180	422,103	446,296	904,579
Other borrowings	61,672	184,854	581,328	827,854
Other financing	4,866	26,279	83,791	114,936
Other liabilities	25,138	195,620	186,883	407,641
Total	**127,856**	**828,856**	**1,298,298**	**2,255,010**
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 31-12-2016	**66,696**
Additions	8,650
Use	-9,096
Release	0
Unwinding of the discount	2,778
Actual gains / losses recognised in profit / loss (seniority bonuses)	-1,452
Expected return on plan assets	-2,091
Actual gains / losses directly recognised in equity	4,748
Reclassification of the asset	-7,008
Provisions at 31-12-2017 of which :	**63,225**
Non-current provisions	59,346
Current provisions	3,879

Provisions for employee benefits (see Note 5.13) are down, mainly following the effect of assumptions on turnover and on migration. The defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated liabilities of the group at 31-12-2017. 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). Based on the interpretation of IFRIC 14 § 21, the group capped recognised assets at €14,398 thousand pending any changes to the financing policy. This will ensure that surpluses are 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 31-12-2016	**2,437**	**6,841**	**9,278**
Additions	26	0	26
Use	0	-4,055	-4,055
Release	0	-924	-924
Unwinding of the discount	0	-53	-53
Provisions at 31-12-2017 of which :	**2,463**	**1,809**	**4,272**
Non-current provisions	2,463	1,484	3,947
Current provisions	0	325	325

The provisions for site restoration include, in 2017, a use of funds to cover the costs associated with the restoration of a site that is sold. The balance of the provision concerned was then recognised in the profit/loss for the period (see Note 4.2.6).

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	8,676	-14,075	-5,399
Financial profit (loss)	2,725	-3,543	-818
Total	**11,401**	**-17,618**	**-6,217**

Maturity of provisions at 31-12-2017	Up to one year	Between one and five years	Over five years	Total
				In thousands of €
Litigation and claims	0	0	2,463	2,463
Environment and site restoration	325	1,484	0	1,809
Subtotal	**325**	**1,484**	**2,463**	**4,272**
Employee benefits	3,879	15,516	43,830	63,225
Total	**4,204**	**17,000**	**46,293**	**67,497**

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**

Discount rate

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

Discount rate	31-12-2017	31-12-2016
Between one and five years	0.02%	0.13 %
Between six and nine years	0.86%	0.89 %
Between ten and twelve years	0.90%	1.03 %
Between thirteen and nineteen years	1.73%	1.55 %
Over nineteen years	1.81%	1.55 %

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].

The defined benefit pension plans have surplus plan assets of €29,229 thousand compared with the actuarial liability on estimated liabilities of the group as at 31-12-2017. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' and 'Other current assets'. Based on the interpretation of IFRIC 14, the group capped recognised assets at €14,398 thousand pending any changes to the pension fund financing policy. This will ensure that surpluses are recovered over the duration of the pension plans.

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.

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 **	
	2017	**2016**	**2017**	**2016**
Present value of funded obligations	-183,456	-180,608	-51,592	-53,376
Fair value of plan assets	201,052	188,694	0	0
Funded status of plans	**17,596**	**8,086**	**-51,592**	**-53,376**
Impact on minimum funding requirement/effect of the asset ceiling	-14,831	0	0	0
Other	0	0	0	0
Net employee benefit liability	**2,765**	**8,086**	**-51,592**	**-53,376**
Of which assets	14,398	21,406	0	0
Of which liabilities	-11,633	-13,320	-51,592	-53,376

* 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 **	
	2017	**2016**	**2017**	**2016**
At the start of the period	**-180,608**	**-126,627**	**-53,376**	**-55,088**
Transfer of defined contribution plans with a guaranteed minimum return	0	-22,727	0	0
Service costs	-6,444	-6,031	-1,662	-1,571
Early retirement costs	231	-1,036	0	0
Financial loss (-) / profit (+)	-2,065	-3,070	-713	-965
Participant's contributions	-836	-823	0	0
Change in demographic assumptions	-3,150	1,284	467	173
Change in financial assumptions	-1,312	-27,362	983	-4,132
Change from experience adjustments	2,750	-304	866	6,575
Past service costs	0	0	0	0
Benefits paid	7,978	6,088	1,843	1,632
Other	0	0	0	0
At the end of the period	**-183,456**	**-180,608**	**-51,592**	**-53,376**

Movements in the fair value of plan assets

In thousands of €	Pensions *		Other **	
	2017	**2016**	**2017**	**2016**
At the start of the period	**188,694**	**146,340**	**0**	**0**
Transfer of defined contribution pension plans, with a guaranteed minimum return	0	22,727	0	0
Interest income	2,091	3,321	0	0
Return on plan assets (excluding net interest income)	10,931	15,200	0	0
Employer's contributions	6,478	6,371	1,843	1,632
Participants' contributions	836	823	0	0
Benefits paid	-7,978	-6,088	-1,843	-1,632
Other	0	0	0	0
At the end of the period	**201,052**	**188,694**	**0**	**0**
Actual return on plan assets	**13,022**	**18,521**	**0**	**0**

Costs recognised in profit or loss

In thousands of €	Pensions *		Other **	
	2017	**2016**	**2017**	**2016**
Cost				
Service costs	-6,444	-6,031	-1,662	-1,571
Early retirement costs	231	-1,036	0	0
Past service costs	0	0	0	0
Actuarial gains/(losses) on other long-term benefits	0	0	1,452	581
Net interest on net liabilities / (assets)				
Interest expense on obligations	-2,065	-3,070	-713	-965
Interest income on plan assets	2,091	3,321	0	0
Costs recognised in profit or loss	**-6,187**	**-6,816**	**-923**	**-1,955**

Actuarial losses (gains) recognised in other comprehensive income

In thousands of €	Pensions *		Other **	
	2017	**2016**	**2017**	**2016**
Change in demographic assumptions	-3,150	1,284	467	173
Change in financial assumptions	-1,312	-27,362	-469	-4,713
Change from experience adjustments	2,750	-304	866	6,575
Effect of the asset ceiling	-14,831	0	0	0
Return on plan assets (excluding net interest income)	10,931	15,200	0	0
Actuarial losses (gains) recognised in other comprehensive income	**-5,612**	**-11,182**	**864**	**2,035**

Allocation of obligations by type of participant to the plan

In thousands of €	2017	2016
Active plan participants	-195,108	-199,845
Non-active participants with deferred benefits	-11,160	-4,364
Retirees and beneficiaries	-28,780	-29,775
Total	**-235,048**	**-233,984**

Allocation of obligations by type of benefit

In thousands of €	2017	2016
Retirement and death benefits	-183,456	-180,608
Other post-employment benefits (medical expenses and tariff reductions)	-31,718	-32,570
Seniority bonuses	-19,874	-20,806
Total	**-235,048**	**-233,984**

Main actuarial assumptions used

	2017	2016
Discount rate between 10 to 12 years	0.90%	1.03%
Discount rate between 13 to 19 years	1.73%	1.55%
Discount rate over 19 years	1.81%	1.55%
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(BAR) / 65(CAD)	63(BAR) / 65(CAD)
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:

	2017	2016
Listed investments	**80.81%**	**88.33%**
Shares – Eurozone	15.65%	20.87%
Shares - outside Eurozone	21.08%	25.77%
Government bonds – Eurozone	4.91%	0.92%
Other bonds – Eurozone	30.97%	21.24%
Other bonds - outside Eurozone	8.20%	19.53%
Non-listed investments	**19.19%**	**11.67%**
Insurance contracts	0.00%	0.04%
Real estate	3.74%	4.70%
Cash and cash equivalents	0.96%	0.07%
Other	14.49%	6.86%
Total (in %)	**100.00%**	**100.00%**
Total (in thousands of €)	**201,052**	**188,694**

Sensitivity analysis

Impact on defined benefit obligation	In thousands of €
	Increase (-) / Decrease (+)
Increase in discount rate (0.5%)	12,063
Average salary increase - Excluding inflation (0.5%)	-13,253
Increase in inflation rate (0.25%)	-5,575
Increase in healthcare benefits (1%)	-4,022
Increase in tariff benefits (0.5%)	-1,335
Increase in life expectancy of retirees (1 year)	-1,829

Average weighted duration of obligations

	2017	2016
Average weighted duration of defined benefit obligations	11	10
Average weighted duration of other obligations	19	17

Expected contribution to pay for extra-statutory pensions

	In thousands of €
Expected contribution in 2018	7,021

The contributions to be paid are based on changes in the payroll of the population concerned.

Note 5.14. Deferred tax assets and liabilities

Recognised deferred tax liabilities			In thousands of €
	31-12-2017	**31-12-2016**	**Change**
Valuation of assets	171,847	245,347	-73,500
Accrued income	1,377	3,028	-1,651
Fair value of financial instruments	39	223	-184
Provisions for employee benefits or provisions not accounted for under IFRS	30,567	29,417	1,150
Other normative differences	0	291	-291
Total	**203,830**	**278,306**	**-74,476**

Deferred tax assets and liabilities are offset within each taxable entity. They are all fully recognised.

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment. 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 Belgian GAAP but not recognised under IFRS are another major source of deferred tax.

In 2017, the corporate tax reform in Belgium generated a non-recurring revision of deferred taxes accounted for in the past. This downwards revision of deferred taxes is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement, i.e. the revaluation of property, plant and equipment (€37.7 million), the staggered taxation of capital gains on property, plant and equipment (€0.4 million) and the revaluation of defined benefit pension plans (-€1.5 million). The balance of this revision is accounted for in the net profit/loss for the period (€16.2 million - see Note 4.5.2)

Movement for the period	In thousands of €
	Deferred tax liabilities
As at 31-12-2016	**278,306**
Deferred tax expenses – Profit & loss account	-36,290
Deferred tax expenses – other comprehensive income	-38,186
As at 31-12-2017	**203,830**

Note 5.15. Trade and other liabilities

Trade and other liabilities			In thousands of €
	31-12-2017	**31-12-2016**	**Change**
Trade payables	36,936	49,448	-12,512
Payroll and related items	25,105	25,339	-234
Other payables	14,916	13,155	1,761
Total	**76,957**	**87,942**	**-10,985**

In 2016, the debts to suppliers included 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 SA under cash pooling. By way of reminder, Fluxys centralises the management of Fluxys group's cash funds and financing.

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 31-12-2017, current investments, cash and cash equivalents amounted to €816,818 thousand compared with €449,871 thousand on 31-12-2016. In October 2017, Fluxys Belgium proceeded with the issue of bonds in anticipation of the repayment of the bond maturing in May 2018 (see Note 5.8.1), which explains the aforementioned increase in cash investments.

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.

As regards the concentration risk it must be noted that three clients contribute 26%, 17% and 16% of the operating revenue. The breakdown per segment of these latter is €213 million in transmission, €27 million in storage and €99 million in terminalling.

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 amounting to €1,650,642 thousand at 31-12-2017 and maturing between 2018 and 2034. The balance of fixed-rate loans totalled €1,329,480 thousand at 31 December 2016.

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, these tariff gains bear interest partly at the average Euribor 1 year rate and partly at a 10-year interest 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 one of Fluxys Belgium group’s main objectives. 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 Fluxys Belgium group can call upon Fluxys SA in case of liquidity needs, under the cash pooling arrangements. By way of reminder, Fluxys centralises the management of the Fluxys group’s cash funds and financing, and has lines of credit.

The maturity of interest-bearing liabilities is provided 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 2017:

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2017	**Category**	**Book value**	**Fair Value**	**Level**
I. Non-current assets				
Other financial assets	1 & 2	81,179	81,179	1 & 2
Finance lease receivables	1	0	0	2
II. Current assets				
Finance lease receivables	1	7,222	7,222	2
Trade and other receivables	1	108,598	108,598	2
Cash investments	1 & 2	415,153	415,153	1 & 2
Cash and cash equivalents	1 & 2	320,573	320,573	1 & 2
Total financial instruments – assets		**932,725**	**932,725**	
I. Non-current liabilities				
Interest-bearing liabilities	1	1,752,654	1,791,547	2
II. Current liabilities				
Interest-bearing liabilities	1	467,176	459,513	2
Trade and other payables	1	76,957	76,957	2
Total financial instruments - liabilities		**2,296,787**	**2,328,017**	

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 €
31-12-2016	**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
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**	

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

Note 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 31-12-2017.

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 31-12-2017.

Other claims

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

Note 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.

Note 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 2017, the guarantees received amounted to €101,233 thousand.

Note 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 €2 thousand as at 31-12-2017.

At 31 December 2017, other guarantees amounted to €137 thousand.

Note 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 2018 and 2112. The amount included in the profit/loss for the financial year appears in Note 4.2.2.

Note 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 October 2018 for an amount of €4,593 thousand. In March 2018, IZT communicated its wish to extend the contract for a duration of 5 years, in accordance with the option provided for in the contract.

As part of this transaction, surface rights have been attributed.

Note 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 941 slots to be available from 2018 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.

Note 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 were fulfilled by the group as at 31-12-2017. Like bonds, these loans also contain a Pari Passu clause.

Note 7.9. Other commitments

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 (admin services, IT and housing services and the management of cash funds and financing), Interconnector (UK) (inspection and repair services), IZT (IZT lease, and facility operation and maintenance services), Dunkerque LNG (IT development and other services), Gaz-Opale (terminalling services), and Balansys (balancing operator).

In 2017, Fluxys SA absorbed Fluxys Finance with effect in terms of tax and accounting of 1 January 2017. Cash flow and group financing operations realised in 2017 with Fluxys SA are therefore included in the 'Parent company' column, whilst those realised in 2016 with Fluxys Finance were included in the 'Other related parties' column.

Related parties

In thousands of €

	31-12-2017				
	Headquarter	Joint ventures	Associates[3]	Other related parties	Total
I. Assets with related parties	**669,999**	**0**	**1,040**	**8,901**	**679,130**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**
1.1. Securities other than shares	0	0	0	0	0
1.2. Loans	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**0**	**0**
2.1. Finance leases	0	0	0	0	0
2.2. Other non-current receivables	0	0	0	0	0
3. Trade and other receivables	**150**	**0**	**1,040**	**8,091**	**9,281**
3.1. Clients	150	0	1,040	869	2,059
3.2. Finance leases	0	0	0	7,222	7,222
3.3. Other receivables	0	0	0	0	0
4. Cash and cash equivalents	**669,849**	**0**	**0**	**0**	**669,849**
5. Other current assets	**0**	**0**	**0**	**0**	**0**
II. Liabilities with related parties	**263,882**	**0**	**627**	**27**	**264,536**
1. Interest-bearing liabilities (current and non-current)	**263,330**	**0**	**0**	**0**	**263,330**
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	263,330	0	0	0	263,330
2. Trade and other payables	**364**	**0**	**627**	**16**	**969**
2.1. Trade payables	326	0	627	16	969
2.2. Other payables	38	0	0	0	38
3. Other current liabilities	**188**	**0**	**0**	**11**	**199**
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	**2,717**	**0**	**2,228**	**2,503**	**7,448**
4. Services received (-)	**-1,449**	**0**	**0**	**-16**	**-1,465**
5. Net financial income	**-7,688**	**0**	**2**	**0**	**-7,686**
6. Directors' and senior executives' remuneration				**2,031**	**2,031**
of which short-term employee benefits				1,783	1,783
of which post-employment benefits				248	248

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

Related parties					In thousands of €
	31-12-2016				
	Headquarter	Joint ventures	Associates [4]	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	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.

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

In March 2018, IZT communicated its wish to extend the leasing contract with Fluxys Belgium for a duration of 5 years, in accordance with the option provided for in the contract. This extension, which comes into effect on 1 October 2018, will have no material effect on the income statement of the group.

14.1.4 Statutory auditor's report to the shareholders' meeting of Fluxys Belgium SA on the consolidated financial statements for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Fluxys Belgium NV/SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 10 May 2016, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Fluxys Belgium NV/SA for 23 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 3 290 873 (000) EUR and the consolidated income statement shows a consolidated net profit for the year then ended of 70 321 (000) EUR.

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 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
1.Compliance with the regulatory framework	
• As explained in Chapter 12 of the annual report, the group is operating in a heavily regulated environment. In that context, the group's results are mainly driven by the evolution in the risk free rate (OLO 10 years), its Regulated Asset Base (RAB) and its financing structure (equity versus debt). • The applicable regulatory framework determines what can be retained as fair margin and hence the revenue that can be recognized on an annual basis by the group. This allowed revenue may differ from the billed revenue. These differences contributed to a net increase of the year of the regulatory liabilities amounting to 59.7 million EUR for the year ending at 31 December 2017. • Taking into account the complexity of the applicable regulatory framework, a significant part of our audit time is spent on understanding and reviewing the regulatory calculations prepared by management and reconciling these to the underlying accounting records and the decisions from the regulator (CREG). In addition, even though the tariffs are in principle fixed for the regulatory period 2016-2019, it can occur that changes in the way the regulatory assets or liabilities are settled are agreed upon with the regulator (CREG). There is a risk that inaccuracies are made in these complex calculations or not all of the changes in the regulatory framework are timely or accurately reflected in the financial statements.	• We tested the design and implementation of the key controls relevant for the calculation of the regulatory result. • We obtained a deep understanding of the regulatory framework and evaluated all relevant correspondence with the regulator, including the decisions of the CREG on the regulatory accounts of 2016. • We assessed the meeting minutes from the Board of Directors which discusses amongst others all relevant regulatory matters and discussed these with management where appropriate. • We performed a critical evaluation and a detailed verification of the calculations of the regulatory result and the regulatory liabilities, and reconciled these to the underlying accounting records. • This verification was complemented by obtaining an understanding of the major variances between the actual regulatory result and the budget that was the basis for the tariff proposal approved by the regulator in order to critically evaluate the regulatory calculation. • We critically evaluated the judgements and interpretations made by management on the application of the regulatory framework. • We assessed if appropriate disclosures on the regulatory effects and framework were made in the annual report.

Key audit matters	How our audit addressed the key audit matters
• Finally, the calculation of the regulatory result may require management to interpret the regulatory framework, in areas such as the reasonableness of expenses or the regulatory treatment of certain specific investments in property, plant and equipment. Such interpretation may be different from the interpretation by the regulator (CREG), resulting in corrections to be recognized in the subsequent period. Reference to disclosures: • The regulatory liabilities are reported as part of the interest-bearing debt as detailed in Note 5.11 of the consolidated annual report. • A summary of the regulatory framework and the methodology for the fair margin calculation is included in Chapter 12 of the annual report	
2. Determination of the useful lifetime of property, plant and equipment	
• Property, plant and equipment form 68% of the consolidated balance sheet of the group, mainly consisting of the Belgian gas transmission grid, storage and LNG-terminalling installations. The property, plant and equipment forms the basis for the Regulated Asset Base (RAB). • The tariffs approved by the regulator (CREG) are mainly based on the operating expenses including depreciations incurred by the group, increased with a fair margin. One of the critical factors in the depreciations is the economic useful lifetime allowed by the regulator (CREG). • Changes in the gas market (e.g. expiry of	• As property, plant and equipment is a very significant part of the balance sheet, we obtained an understanding of the internal controls and process flows supporting the acquisition, recognition and depreciation. • We performed detailed testing on the changes in property, plant and equipment during the year (tracing additions and disposals to underlying supporting documents such as invoices, recalculating depreciation charges) and reconciled the carrying amount of property, plant and equipment to the Regulated Asset Base.

Key audit matters	How our audit addressed the key audit matters
long term contracts or changes in the energy mix) or in the regulatory framework may require changes in the assessment of this economic useful lifetime. Such changes may not be timely or accurately accounted for, potentially resulting in an inconsistency between the economic lifetime of the property, plant and equipment and the depreciation period agreed with the regulator (CREG). Reference to disclosures • The useful lifetimes of the property, plant and equipment are summarized in the accounting policies (Note 2.8). • An overview of the assets and explanation of significant movements is included in Note 5.1.	• We evaluated and assessed the market situation, correspondence with the regulator and reading of minutes of the Board of Directors to evaluate whether any changes had occurred during the year in the useful lifetime of an asset that should be accounted for.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

Report on other legal, regulatory and professional requirements

Responsibilities of the board of directors
The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report.

Responsibilities of the statutory auditor
As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed in this report
In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other matters disclosed in this report are free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement. We do not express any kind of assurance on the directors' report on the consolidated financial statements and other matters disclosed in this report.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in the directors' report on the consolidated financial statements. This non-financial information has been established by the company in accordance with the Global Reporting Initiative (GRI) framework. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with this

GRI framework. Furthermore, we do not express any form of assurance conclusion on individual elements that have been disclosed in this non-financial information.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Antwerp, 6 April 2018

The statutory auditor

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

14.2 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

14.2.1 Balance sheet

Assets		In thousands of €
	31-01-2017	**31-12-2016**
Formation expenses	**2,143**	**1,454**
Fixed assets	**1,912,714**	**2,032,136**
Intangible assets	45,121	52,082
Property, plant and equipment	1,782,645	1,895,106
Financial fixed assets	84,948	84,948
Current assets	**707,110**	**255,683**
Stock and contracts in progress	25,657	21,198
Amounts receivable within one year	453,463	85,501
Cash investments	0	0
Cash at bank and in hand	216,710	137,603
Deferred charges and accrued income	11,280	11,381
Total	**2,621,967**	**2,289,273**

Equity and liabilities		In thousands of €
	31-12-2017	**31-12-2016**
Equity	**632,258**	**672,327**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	444,539	486,538
Reserves	31,292	40,932
Accumulated profits (losses)	43,331	33,564
Capital subsidies	52,786	50,983
Provisions and deferred taxes	**23,168**	**37,612**
Provisions for liabilities and charges	3,830	9,878
Deferred taxes	19,338	27,734
Amounts payable	**1,966,541**	**1,579,334**
Amounts payable after more than one year	1,021,030	1,042,148
Amounts payable within one year	544,875	182,941
Accrued charges and deferred income	400,636	354,245
Total	**2,621,967**	**2,289,273**

14.2.2 Income statement

Income statement	In thousands of €	
	31-12-2017	**31-12-2016**
Operating income	516,944	499,422
Operating charges	424,341	416,616
Operating profit	**92,603**	**82,806**
Financial income	27,675	24,817
Finance costs	41,158	40,416
Net financial income	**-13,483**	**-15,599**
Earnings before taxes	**79,120**	**67,207**
Transfer from deferred taxes	**2,150**	**2,333**
Income tax expenses	**-36,568**	**-35,877**
Net profit/loss for the period	**44,702**	**33,663**
Transfer from untaxed reserves	**100**	**100**
Profit for the period available for appropriation	**44,802**	**33,763**

14.2.3 Appropriation account

Appropriation account	In thousands of €	
	31-12-2017	**31-12-2016**
Profit to be appropriated	**78,366**	**64,687**
Profit for the period available for appropriation	44,802	33,763
Profit carried forward from the previous period	33,564	30,924
Transfer from equity	**51,389**	**53,193**
From reserves	51,389	53,193
Transfer to equity	**0**	**0**
To the legal reserve	0	0
To the other reserves	0	0
Result to be carried forward	**43,331**	**33,564**
Profit to be carried forward	43,331	33,564
Profit to be distributed	**86,424**	**84,316**
Dividends	86,424	84,316
If the above proposal is accepted and taking tax requirements into account, the annual dividend, net of withholding tax, will be:	0.861€	0.84€

In 2017, no interim dividend was paid. The gross dividend per share to be paid out for the financial year 2017 is €1.23 per share (€0.861 net). It will be payable from 17 May 2018.

14.2.4 Capital at the end of the period

Capital at the end of the period	
	31-12-2017
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	62,225,809
Dematerialised shares	8,037,692

Shareholder structure				
Declarant	Date of declaration	Share category	Number of voting rights declared	%
Fluxys	13-12-2017	B/D	63,237,240	90.00

The Belgian State holds one specific share.

14.2.5 Income taxes

Income taxes	In thousands of €
	31-12-2017
Breakdown of heading 670/3*	
Income taxes on the result of the current period	**37,447**
Taxes and withholding taxes due or paid	37,000
Excess of income tax prepayments	0
Estimated additional taxes	447
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	**79,120**
Permanent differences:	**31,051**
Definitively taxed income	-22,192
Non-deductible expenses	5,000
Notional interest	0
Taxable reserves	45,993
Depreciation of financial fixed assets	0
Transfer from untaxed reserves	100
Transfer from deferred taxes	2,150
Total	**110,171**

** The regularisation of taxes (accounts 77) for an amount of -€879 thousand in 2017 is not registered in this item.*

14.2.6 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	754.8	653.3	101.5
Part-time	122.7	59.9	62.8
Total in full-time equivalents (FTE)*	847.3	698.9	148.4
Numbers of hours actually worked			
Full-time	1,114,475	970,653	143,822
Part-time	139,952	69,718	70,234
Total	1,254,427	1,040,371	214,056
Employee expenses			
Full-time	90,887,198	80,959,189	9,928,009
Part-time	11,441,968	6,429,919	5,012,049
Total	102,329,166	87,389,108	14,940,058
Advantages in addition to wages	1,869,798	1,596,807	272,991

1b. During the previous period	Total	Men	Women
Average number of employees (FTE)*	875.2	717.0	158.2
Numbers of hours actually worked	1,304,770	1,074,536	230,234
Employee expenses	107,279,159	88,290,748	18,988,411
Advantages in addition to wages	1,531,647	1,260,545	271,102

** 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	750	118	838.5
b. By nature of the employment contract			
Contract for an indefinite period	716	118	804.5
Contract for a definite period	34	0	34.0
Contract for execution of a specifically assigned work	0	0	0
Replacement contract	0	0	0
c. According to gender and study level			
Men	652	54	693.2
Primary education	0	0	0
Secondary education	286	25	305.1
Higher non-university education	165	12	174.6
University education	201	17	213.5
Women	98	64	145.3
Primary education	0	0	0
Secondary education	22	20	36.0
Higher non-university education	40	32	64.7
University education	36	12	44.6
d. By professional category			
Manager staff	245	25	263.5
Employees	505	93	575.0
Workers	0	0	0
Others	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	3.2	0
Numbers of hours actually worked	6,250	0
Costs for the enterprise	226,026	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	35	0	35.0
b. By nature of the employment contract			
Contract for an indefinite period	21	0	21.0
Contract for a definite period	14	0	14.0
Contract for execution of a specifically assigned work	0	0	0
Replacement contract			
Departures			
a. Number of employees whose date of leaving is recorded in the personnel register in this financial year	50	10	57.1
b. By nature of the employment contract			
Contract for an indefinite period	36	10	43.1
Contract for a definite period	14	0	14.0
Contract for execution of a specifically assigned work	0	0	0
Replacement contract	0	0	0
c. By reason of termination of contract			
Retirement	15	3	16.8
Early retirement	0	0	0
Dismissal	3	0	3.0
Other reason	32	7	37.3
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	689	153
Numbers of actual training hours	28,386	3,684
Net costs for the enterprise	3,500,125	436,423
Of which gross costs directly linked to training	3,500,125	436,423
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	351	82
Numbers of actual training hours	6,813	1,653
Net costs for the enterprise	632,405	106,544
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

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Fluxys Belgium is a member of the European Network of Transmission System Operators for Gas (ENTSOG), Gas Infrastructure Europe (GIE), the Belgian Welding Institute, Buisleiding Industrie Gilde (BIG), Cedigaz, Centre Français de l'Anticorrosion (Cefracor), the European Committee for Standardisation (CEN), Centre on Regulation in Europe (Cerre), COGEN Vlaanderen, EASEE-gas, European Pipeline Research Group, European Power-to-gas Platform, the Belgian federation of pipeline transmission companies (Fetrapi), gas.be, the European Gas Research Group (GERG), International Group of Liquefied Natural Gas Importers (GIIGNL), Green Gas Initiative, International Gas Union (IGU), International Organisation for Standardisation (ISO), Marcogaz, NGVA Europe, Pipeline Operators Forum, Syndergrid, and WaterstofNet.

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In 2017 the European Commission gave Fluxys LNG financial support totalling €2.12 million for the construction of the second jetty at Zeebrugge LNG terminal (Channel LNG – TEN-T project) and the study for the construction of a second loading station for LNG trucks (Go4Synergy project) at Zeebrugge LNG terminal. In addition, Fluxys Belgium and Fluxys LNG received a reduction in income tax of respectively €620,558.44 and €370,555.73. This partial exemption of income tax is made up of the structural exemption for all employee categories, for shift work, both night and continuous, for a certain number of hours of overtime and for research and development (certain diplomas).	
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103-2: The management approach and its components	123-128
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103-2: The management approach and its components	129-132
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205-1: Operations assessed for risks related to corruption	129
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415-1: Political contributions	Fluxys Belgium does not make political contributions

GRI standards applied
GRI 102: General content 2016
GRI 103: Management approach 2016
GRI 201: Economic performance 2016
GRI 205: Anti-corruption 2016
GRI 206: Anti-competitive behaviour 2016
GRI 302: Energy 2016
GRI 305: Emissions 2016
GRI 401: Employment 2016
GRI 403: Occupational health and safety 2016
GRI 404: Training and education 2016
GRI 405: Diversity and equal opportunity 2016
GRI 412: Human rights assessment 2016
GRI 413: Local communities 2016
GRI 415: Public policy 2016

16 GLOSSARY

Pertinence of published financial ratios (see point 4.1 of the annual report)

The Fluxys Belgium group continually evaluates its financial solidity, in particular using the following financial ratios:

- Solvency: The ratio between net financial debt and the sum of equity and net financial debt indicates the solidity of Fluxys Belgium's financial structure.
- Interest coverage: The ratio between FFO before interest expenses and interest expenses represents the Group's capacity to cover its interest expenses with its operating activities.
- Net financial debt/Extended RAB: This ratio expresses the share of the extended RAB financed by external debt.
- FFO/Net financial debt: This ratio is used to determine the Group's capacity to pay off its debts based on cash generated by its operating activities.
- RCF/Net financial debt: This ratio is used to determine the Group's capacity to pay off its debts based on cash generated by its operating activities after payment of dividends.

Definition of indicators

Some indicators have been amended or added this year in order to align the financial ratios with the expectations of external investors. The calculation method has also been adapted to these expectations (EBIT and EBITDA).

Other tangible investments outside RAB
Average combined investments in property, plant and equipment related to the extensions of the Zeebrugge LNG terminal and non-regulated activities.

Net financial expenses
Interest expenses net of finance income on leases, interest income on investments and cash equivalents and other interest income, excluding interest on regulatory assets.

Interest expenses
Borrowing interest costs net of interest on regulatory liabilities.

EBIT
Earnings Before Interests and Taxes or profit/loss from continuing operations, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

EBITDA
Earnings Before Interests, Taxes, Depreciation and Amortization or profit/loss from continuing operations, before depreciation, amortization, impairment and provisions, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

Net financial debt
Interest-bearing liabilities net of regulatory liabilities, non-current debt-related loans, cash from early refinancing operations and 75% of the balance of cash, cash equivalents and non-current and current cash investments.

FFO
Funds from Operations or profit/loss from continuing operations, excluding changes in regulatory assets and liabilities, before depreciation, amortization, impairment and provisions, to which dividends received from associates and joint ventures and unconsolidated entities are added, and from which net financial expenses and current tax are deducted.

RAB
Average Regulated Asset Base or average value of the regulated asset base for the year.

Extended RAB
Total RAB and other tangible investments outside RAB.

RCF
Retained Cash-Flow or FFO net of dividends paid.

WACC
Weighted Average Cost of Capital.

Fluxys Belgium consolidated income statement in thousands of €	31.12.2017	31.12.2016	Notes
Profit/loss from continuing operations	129,312	118,607	4
Net depreciation	160,081	159,141	4.2.5
Net provisions	-5,399	964	4.2.6
Impairment losses	-831	-2,007	4.2
Earnings from associates and joint ventures	0	0	4
Dividends from unconsolidated entities	8	8	4.3
EBITDA in thousands of €	**283.171**	**276.713**	

Fluxys Belgium consolidated income statement in thousands of €	31.12.2017	31.12.2016	Notes
Profit/loss from continuing operations	129,312	118,607	4
Earnings from associates and joint ventures	0	0	4
Dividends from unconsolidated entities	8	8	4.3
EBIT in thousands of €	**129,320**	**118,615**	

Fluxys Belgium consolidated income statement in thousands of €	31.12.2017	31.12.2016	Notes
Financial income from lease contracts	130	133	4.3.1
Interest income on investments, cash and cash equivalents at fair value through profit and loss	1,356	169	4.3.2
Other interest income	144	1,734	4.3.2
Borrowing interest costs	-48,103	-47,501	4.4.1
Interest on regulatory assets and liabilities	643	445	
Net financial expenses in thousands of €	**-45,830**	**-45,020**	

Fluxys Belgium consolidated income statement in thousands of €	31.12.2017	31.12.2016	Notes
Borrowing interest costs	-48,103	-47,501	4.4.1
Interest on regulatory liabilities	643	445	
Interest expenses in thousands of €	**-47,460**	**-47,056**	

Fluxys Belgium consolidated income statement in thousands of €	31.12.2017	31.12.2016	Notes
Profit/loss from continuing operations	129,312	118,607	4
Operating revenue - Movements in regulatory assets and liabilities	66,010	36,343	
Net depreciation	160,081	159,141	4.2.5
Net provisions	-5,399	964	4.2.6
Impairment losses	-831	-2,007	4.2
Inflows related to associates and joint ventures	0	0	4
Dividends from unconsolidated entities	8	8	4.3
Net financial expenses	-45,830	-45,020	4
Current tax	-48,447	-46,909	4.5.1
FFO in thousands of €	**254,904**	**221,127**	

Fluxys Belgium consolidated income statement in thousands of €	31.12.2017	31.12.2016	Notes
FFO	254,904	221,127	
Dividends paid	-84,316	-84,316	
RCF	**170,588**	**136,811**	

Fluxys Belgium consolidated balance sheet in thousands of €	31.12.2017	31.12.2016	Notes
Non-current interest-bearing liabilities	1,752,654	1,765,025	5.11/6
Current interest-bearing liabilities	467,176	79,472	5.11/6
Other financing (current)	-20,361	-4,423	5.11.3/6
Other financing (non-current)	-157,538	-102,953	5.11.3/6
Other liabilities (current)	-53,985	-25,138	5.11.4/6
Other liabilities (non-current)	-337,304	-382,503	5.11.4/6
Non-current loan	-350,000	0	5.8/6
Cash investments (75%)	-48,865	-75,907	5.8/6
Cash and cash equivalents (75%)	-240,430	-218,795	5.8/6
Other financial assets (75%)	-60,819	-42,701	5.3.1/6
Net financial debt in thousands of €	**950,528**	**992,077**	

17 SHAREHOLDER GUIDE

Shareholder calendar

08.05.2018	Annual General Meeting
17.05.2018	Payment of dividend
26.09.2018	Press release from the Board of Directors on the half-yearly results in accordance with IFRS

Payment of dividend

The gross dividend to be paid out per share amounts to €1.23 for the 2017 financial year (€0.861 net) compared to €1.20 for the 2016 financial year (€0.84 net). The recurring dividend is primarily determined on the basis of equity invested, the financial structure, and interest rates (OLO). The average OLO interest rate totalled 0.74% in 2017 compared to 0.49% in 2016

Questions about accounting data
Geert Hermans
32 2 282 75 66
geert.hermans@fluxys.com

Press contacts
Rudy Van Beurden
32 2 282 72 30
rudy.vanbeurden@fluxys.com

Laurent Remy
32 2 282 74 50
laurent.remy@fluxys.com

Photography
Dries Van den Brande
David Samyn
Christophe Vander Eecken

This report is also available in Dutch and French. For a copy in these languages, please contact the Communication Department:
32 2 282 77 32
communication@fluxys.com

Fluxys Belgium SA

Registered Office – Avenue des Arts 31 – B-1040 Brussels
Tel 32 2 282 72 11 – **Fax** 32 2 230 02 39 – www.fluxys.com/belgium
VAT BE 0402.954.628 **RPM** Brussels – D/2018/9484/16