

**Fluxys Belgium
Half-yearly financial report 2017**

30 June 2017

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1 Interim report

Declaration for the first half-year ending 30 June 2017

We hereby attest that to our knowledge:

- the condensed financial statements of Fluxys Belgium, drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, financial position and results of the issuer and of the companies included in the consolidation scope;
- the interim directors' report contains a true and fair review of the information that should be included therein, inter alia the key events and principal transactions between related parties that have taken place within the first six months of the financial year and their impact on the condensed financial statements, as well as a description of the principal risks and uncertainties for the remaining months of the financial year.

Brussels, 20 September 2017

Paul Tummers
Member of the Management Committee
Chief Financial Officer

Pascal De Buck
President of the Management Committee
Chief Executive Officer

1.1 Key events in the first half of 2017

- Turnover up, mainly due to the start of contracts for gas transmission between Dunkirk and Zeebrugge
- Slight upturn in interest rates has positive impact on the Group's results
- €36.0 million in investments, mainly in the fifth storage tank and second jetty at the LNG terminal in Zeebrugge
- Fluxys Belgium's infrastructure: key role on the North-Western European market
- Offtake by gas-fired power stations increases by nearly one quarter
- Belgian gas trading places continue to thrive: ZTP up 46%
- Small-scale LNG remains successful and natural gas as a fuel for transport continues to rise

1.2 Key financial figures

Income statement	(in € thousand)	30/06/2017	30/06/2016
Operating income		250,708	237,760
EBITDA*		139,810	128,819
EBIT*		59,322	53,975
Net profit		22,898	19,682
Balance sheet	(in € thousand)	30/06/2017	31/12/2016
Investments in property, plant and equipment		36,008	139,219
Total property, plant and equipment		2,279,179	2,321,123
Equity		638,436	694,352
Total consolidated balance sheet		2,945,443	2,989,171

*EBIT: Earnings Before Interest and Taxes

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

Turnover for the first half of 2017: €250.7 million. The Fluxys Belgium group realised a turnover of €250.7 million in the first half of 2017, up 5.4% on the same period in 2016, when turnover was €237.8 million. This increase is mainly due to the contracts for capacity sales between Dunkirk and Zeebrugge, which started once the Dunkirk LNG terminal went into operation.

Efficiency efforts in line with regulated tariff model. The tariff proposal for the regulatory period 2016-2019 includes a new reference framework for Fluxys Belgium, specifically for allowed manageable costs. By managing its operating costs and pursuing its efficiency efforts, the Fluxys Belgium group met the new regulatory objectives and was able to benefit from stimuli.

Slight upturn in interest rates has a positive impact on the group's net result. The average expected OLO rate for the period is 0.77% compared to 0.41% in the first half of 2016. The increase is having a positive impact on the return authorised by regulation on invested capital. Due to the slight increase in interest rates and the efficiency efforts, the net result for the first half of 2017 (€22.9 million) rose by €3.2 million compared to the same period in 2016 (€19.7 million).

€36.0 million in investments. In the first half of 2017, the Fluxys Belgium group invested €36.0 million of its 2017 investment budget of €103 million. These investments pertained mainly to LNG infrastructure projects at the Zeebrugge terminal, specifically the construction of a fifth LNG storage tank and additional facilities and finalising expenditure for the second jetty. In addition, Fluxys Belgium is making the appropriate modifications in order to prepare for the gradual conversion from L gas from the Netherlands to H gas from other sources. Accordingly, some 15 businesses connected to the distribution grid in Antwerp have been converted to H gas.

1.3 Key events

Offtake by gas-fired power stations increases by nearly one quarter. With part of the other generating units in Belgium and abroad temporarily unavailable in the first few months of the year, gas-fired power stations once again demonstrated their central role in security of supply for electricity. Gas-fired power stations for that matter operated significantly more throughout the first half of 2017 compared to the same period last year: consumption was up 24%.

Natural gas transmission to industry remained at approximately the same level as in the first half of 2016. In the distribution segment grid operators annually connect around 50,000 new consumers. These new connections offset falling average consumption by homes and businesses due to the increasing energy efficiency of homes, offices and commercial spaces. Compared to the first six months of 2016, temperatures in the same period were milder in 2017, resulting in a slight drop in offtake by the distribution segment. For all consumption segments combined, transmitted volumes for the Belgian market rose 4% to 97 TWh.

Fluxys Belgium infrastructure: key role in meeting new flexibility requirements on the UK and North-Western European market. The largest natural gas storage facility in the United Kingdom has been unavailable since last year and this development brings major shifts in flexibility requirements on the greater North-Western European market. Against this backdrop, in comparison with the first half of last year, the volumes transmitted by Fluxys Belgium from border to border rose by more than 30% to 144 TWh. Imports and exports from and to the United Kingdom and Germany rose sharply and exports to the Netherlands also increased significantly. As for storage, the new flexibility requirements also allowed that Fluxys Belgium to sell all short-term capacity still available for the 2017-2018 storage season.

Belgian gas trading places continue to thrive: ZTP up 46%. Volumes traded on the Belgian gas trading places were up 14% compared to the first half of 2016. Traded volumes on the Zeebrugge Beach gas trading place rose 5% to 370 TWh, while volumes traded on the ZTP gas trading place rose by nearly half to 142 TWh (+46%). Another positive trend is that on ZTP a rising proportion of natural gas is traded in monthly packages. Following on from this, a ZTP monthly index is available since September, allowing suppliers and end-users to link their gas contracts to the ZTP gas price. As it goes, the Belgian ZTP gas

price has been more advantageous than prices on gas trading places in neighbouring countries in 85%-95% of the time.

Small-scale LNG remains successful. In addition to terminalling large LNG volumes, the Zeebrugge LNG Terminal is diversifying its offer with a view to capitalising on the new market for small-scale LNG.

- The number of loading operations involving small LNG vessels increased slightly. A new element consisted of loading operations for the bunker vessel *Engie Zeebrugge* in which parent company Fluxys is a partner and whose home port is Zeebrugge.
- The number of LNG tanker-truck loading operations continued on the same level, despite the launch of similar services at other terminals in North-Western Europe. With a view to making sure it can keep responding to demand in future, a second loading station will be built at the terminal in 2018. The project is receiving financial support from the European Commission.

Natural gas as a transport fuel continues to rise. The commissioning of the second jetty at the Zeebrugge LNG Terminal in late 2016 marked a milestone in the further development of natural gas as a marine fuel. Small vessels such as the LNG bunker ship *Engie Zeebrugge*, can now also berth at the terminal to load LNG and supply LNG-powered ships. In the first few months of 2017 two LNG-powered ships were commissioned in Zeebrugge that are supplied from the LNG terminal with the bunkering vessel.

In road transport, too, natural gas as an alternative fuel continues to trend in a positive direction. Various initiatives taken by Fluxys Belgium, Gas.be (formerly the Royal Association of Belgian Gas Companies), distribution system operators, filling-station operators, automotive manufacturers and the public authorities are paying off: the number of registered natural gas-powered vehicles in the first half rose from 4,500 to 7,100 and the number of filling stations will, according to the current schedule, reach the 100-mark by the end of this year.

Transmission tariffs drop by an average of 7.5% in 2018. On 1 January 2018 tariffs for the transmission of natural gas will decrease for the third time in five years, which will have a positive impact on gas bills for homes, businesses and large enterprises. This tariff reduction is the result of ongoing efficiency efforts by Fluxys Belgium and lower interest rates. These two factors prompted Fluxys Belgium and CREG to agree to start the procedure for lowering natural gas transmission tariffs for the period 2018-2019. The tariff reduction and non-indexation of tariffs on 1 January 2018 jointly result in a transmission cost reduction of approximately 7.5%. The reduction in transmission tariffs effective 1 January 2018 will not have a negative impact on the results of Fluxys Belgium, which depend to a large extent on the regulated authorised return.

Refinancing of the debenture maturing in the first half of 2018. A €350 million debenture will mature in the first half of 2018. Fluxys Belgium is considering refinancing the debenture in the second half of 2017.

1.4 Main risks and uncertainties for the second half of 2017

The risks and uncertainties facing Fluxys Belgium have had no significant evolution since the closing of the 2016 financial year (see the section on Risk Management in the 2016 annual financial report, pages 232-240). Fluxys Belgium continues to monitor developments and takes appropriate action.

1.5 Transactions with related parties

For more information on transactions with related parties, please refer to Note 12 in the condensed half-yearly financial statements.

1.6 Financial outlook for 2017

Net profit from Belgian regulated activities is determined by the various regulatory parameters, including equity invested, financial structure and interest rates (OLOs).

The recurring dividend will continue to evolve depending on these three parameters. The current situation on the financial markets means that it is not possible to make accurate forecasts of the trend in interest rates and thus the profit on regulated activities.

2 Condensed half-yearly financial statements of Fluxys Belgium and its subsidiaries consolidated under IFRS - 30 June 2017

2.1 General information on the company

2.1.1 Corporate name and registered office

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

2.1.2 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 provides complementary services related to these main activities.

Please refer to the specific chapters in the 2016 Annual Report for further information on these activities.

2.2 Condensed IFRS financial statements of the Fluxys Belgium Group

A. Condensed consolidated balance sheet

Condensed consolidated balance sheet		(In thousands of €)	
	Notes	30.06.2017	31.12.2016
I. Non-current assets		2,448,466	2,463,346
Property, plant and equipment	6	2,279,179	2,321,123
Intangible assets	7	48,399	52,250
Investments in associates and joint ventures		16	16
Other financial assets	8	80,964	57,022
Financial lease receivables		7,222	7,222
Other non-current assets	10.1	32,686	25,713
II. Current assets		496,977	525,825
Inventories		25,578	21,500
Financial lease receivables		3,462	5,581
Current tax receivable		114	113
Trade and other receivables		67,783	88,309
Short-term investments		78,584	101,209
Cash and cash equivalents		314,369	291,727
Other current assets		7,087	17,386
Total assets		2,945,443	2,989,171

Condensed consolidated balance sheet		(In thousands of €)	
	Notes	30.06.2017	31.12.2016
I. Equity		638,436	694,352
Equity attributable to the parent company's shareholders		638,436	694,352
<i>Share capital and share premiums</i>		<i>60,310</i>	<i>60,310</i>
<i>Retained earnings and other reserves</i>		<i>578,126</i>	<i>634,042</i>
Non-controlling interests		0	0
II. Non-current liabilities		1,787,107	2,107,992
Interest-bearing liabilities	9	1,450,150	1,765,025
Provisions	10.2	4,123	2,437
Provisions for employee benefits	10.1	61,933	62,224
Deferred tax liabilities		270,901	278,306
III. Current liabilities		519,900	186,827
Interest-bearing liabilities	9	418,212	79,472
Provisions	10.2	5,119	6,841
Provisions for employee benefits	10.1	1,983	4,472
Current tax payables		15,187	6,524
Trade and other payables		76,025	87,942
Other current liabilities		3,374	1,576
Total liabilities and equity		2,945,443	2,989,171

B. Condensed consolidated income statement

Condensed consolidated income statement	(In thousands of €)		
	Notes	30.06.2017	30.06.2016
Operating revenue	4	250,708	237,760
Sales of gas related to balancing operations and operational needs		28,830	22,981
Other operating income		6,156	6,739
Consumables, merchandise and supplies used		-546	-1,557
Purchase of gas related to balancing of operations and operational needs		-29,339	-22,990
Miscellaneous goods and services	4	-55,441	-52,999
Employee expenses		-54,797	-55,619
Other operating expenses	4	-5,761	-5,496
Net depreciation	4	-79,736	-76,433
Net provisions		383	360
Impairment losses		-1,135	1,229
Profit/loss from continuing operations		59,322	53,975
Change in the fair value of financial instruments		-1,267	-94
Financial income		1,539	989
Finance costs	4	-23,325	-23,655
Profit/loss from continuing operations after net financial result		36,269	31,215
Income tax expenses		-13,371	-11,533
Net profit/loss for the period	4	22,898	19,682
Fluxys Belgium share		22,898	19,682
Non-controlling interests		0	0
Basic earnings per share in €		0.3259	0.2801
Diluted earnings per share in €		0.3259	0.2801

C. Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income		(In thousands of €)	
	Notes	30.06.2017	30.06.2016
Net profit/loss for the period		22,898	19,682
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of employee benefits	10.1	8,335	-22,645
Income tax expense on other comprehensive income		-2,833	7,697
Other comprehensive income		5,502	-14,948
Comprehensive income for the period		28,400	4,734
Fluxys Belgium share		28,400	4,734
Non-controlling interests		0	0

D. Condensed consolidated statement of changes in equity

	Share capital	Share premium	Reserves not available for distribution
I. Closing balance as at 31.12.2015	60,272	38	45,729
1. Comprehensive income for the period			
2. Dividends paid			
3. Changes in the consolidation scope			
4. Other changes			
II. Closing balance as at 30.06.2016	60,272	38	45,729
III. Closing balance as at 31.12.2016	60,272	38	45,729
1. Comprehensive income for the period			
2. Dividends paid			
3. Changes in the consolidation scope			
4. Other changes			-9,905
IV. Closing balance as at 30.06.2017	60,272	38	35,824

(In thousands of €)

Retained earnings	Reserves for employee benefits	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
631,434	-1,251	736,222	0	736,222
19,682	-14,948	4,734	0	4,734
-84,316		-84,316	0	-84,316
566,800	-16,199	656,640	0	656,640
595,602	-7,289	694,352	0	694,352
22,898	5,502	28,400	0	28,400
-84,316		-84,316	0	-84,316
9,905		0		0
544,089	-1,787	638,436	0	638,436

E. Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows (indirect method)	(In thousands of €)	
	30.06.2017	30.06.2016
I. Cash and cash equivalents, opening balance	291,727	327,061
II. Net cash flows from operating activities	151,857	149,475
1. Cash flows from operating activities	170,047	161,667
1.1. Profit (loss) from continuing operations	59,322	53,975
1.2. Non cash adjustments	79,250	74,843
1.2.1. Depreciation	79,736	76,433
1.2.2. Provisions	-383	-360
1.2.3. Impairment losses	1,135	-1,229
1.2.4. Other non cash adjustments	-1,238	-1
1.3. Changes in working capital	31,475	32,849
1.3.1. Inventories	-4,078	-1,598
1.3.2. Tax receivables	-1	-8
1.3.3. Trade and other receivables	20,526	10,274
1.3.4. Other current assets	9,771	6,458
1.3.5. Tax payables	4,083	4,752
1.3.6. Trade and other payables	511	12,062
1.3.7. Other current liabilities	1,798	-321
1.3.8. Other changes in working capital	-1,135	1,230
2. Cash flows relating to other operating activities	-18,190	-12,192
2.1. Current tax paid	-19,029	-13,016
2.2. Interests from investments, cash and cash equivalents	947	882
2.3. Other inflows (outflows) relating to other operating activities	-108	-58

Condensed consolidated statement of cash flows (indirect method)	(In thousands of €)	
	30.06.2017	30.06.2016
III. Net cash flows relating to investment activities	-47,715	-50,202
1. Acquisitions	-49,673	-50,895
1.1. Payments to acquire property, plant and equipment, and intangible assets	-48,356	-56,565
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	-1,317	5,670
2. Disposals	184	693
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	184	192
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	0	0
4. Subsidies received	1,774	0
5. Other cash flows relating to investment activities	0	0
IV. Net cash flows relating to financing activities	-81,500	-77,489
1. Proceeds from cash flows from financing	49,521	39,281
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	2,119	1,919
1.4. Proceeds from other non-current assets	0	3,466
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	47,402	33,896

Condensed consolidated statement of cash flows (indirect method)	(In thousands of €)	
	30.06.2017	30.06.2016
2. Repayments relating to cash flows from financing	-20,424	-11,625
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	-20,424	-11,625
3. Interests	-26,281	-20,829
3.1. Interest paid classified as financing	-26,346	-20,896
3.2. Interest received classified as financing	65	67
4. Dividends paid	-84,316	-84,316
V. Net change in cash and cash equivalents	22,642	21,784
VI. Cash and cash equivalents, closing balance	314,369	348,845

2.3 Selection of explanatory notes

Note 1. General information

Note 1a. Statement of compliance with IFRS

The condensed financial statements of Fluxys Belgium and its subsidiaries for the first half of 2017 have been established in accordance with the International Financial Reporting Standards, and in particular with the IAS 34 'Interim financial reporting' as adopted by the European Union, and have been subjected to a limited review by the statutory auditor.

They include a selection of explanatory notes and should be read in parallel with the consolidated financial statements of 31 December 2016.

All 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 Fluxys Belgium and its subsidiaries in the preparation of the financial statements relate mainly to the valuation of the recoverable amount of property, plant and equipment, and intangible assets, the valuation of financial instruments, and the valuation of provisions, in particular provisions for litigation and for pension and related liabilities.

Due to the uncertainties inherent to all valuation processes, Fluxys Belgium and its subsidiaries revise their estimates on the basis of regularly updated information. Future results may differ from these estimates.

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

Note 1c. Date of authorisation for issue

The Board of Directors of Fluxys Belgium SA authorised these half-yearly IFRS financial statements of Fluxys Belgium and its subsidiaries for issue on 20 September 2017.

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

The accounting principles and policies adopted in the 2017 half-yearly financial statements are identical to those used in the most recent annual financial statements.

Amendments to the standards and interpretations applicable since 1 January 2017 have had no material impact on the 2017 half-yearly financial statements outside the additional information provided in the explanatory notes.

The standards that apply from 2018 are:

IFRS 15: Revenue from contracts with customers

This new standard sets the accounting principles for revenue relating to contracts with customers, based on a five-step model. It provides the necessary clarifications on whether, for what amount and when revenue from contracts with customers are recognised.

The evaluation of the potential impact of IFRS 15 on the consolidated financial statements of Fluxys Belgium has shown very limited effects on the Group's consolidated results at this stage. This can be explained by the fact that the contracts entered into by the Group with its customers allow a relatively easy allocation of the transaction price to the various obligations as regards performance, which allocation is perfectly in line with the current principles applied. It should be noted that the revenue from regulated activities is recognised on the basis of reserved capacity.

IFRS 9: Financial instruments

This new accounting standard for financial instruments amends the current rules for classifying and evaluating financial assets, as well as the model for impairment of financial assets. It also more closely aligns hedge accounting and risk management for companies.

The evaluation of the potential impact of IFRS 9 on the consolidated financial statements of Fluxys Belgium has principally brought about two changes at this stage, besides the information to be provided in the annexed notes:

- Expected credit losses: Fluxys Belgium estimates at this stage that the impact of this model on the Group's results will be limited given the nature of its business (regulated activities), the average payment terms of its customers observed in the past, and the relatively low amount of receivables due.
- Classification of financial instruments: Investments in the form of bonds or commercial paper, having a maturity date exceeding three months, are currently reported as financial assets at fair value with changes to the income statement. Based on a Fluxys Belgium Group economic model aimed at holding these assets to collect contractual cash flow, these financial assets must be valued at the depreciated cost under IFRS 9. This amendment will have a favourable impact of €500 thousand on the Group's net results and of € 96 thousand on the Group's balance sheet as at 30 June 2017.

Fiscal reform announced in Belgium.

In July 2017, the Belgian Government announced a reform of the corporate tax system. The changes announced aim, inter alia, to progressively reduce the nominal corporate tax rate.

Fluxys Belgium welcomes favourably this fiscal reform, and as soon as the practical details are finalised, will start to analyse in detail the impact it will have on the accounting. At this stage, apart from the deferred tax, it is already evident that the impact on the Group's net results will be limited because for regulated activities, any tax reduction is automatically reflected in the tariffs, to the benefit of the users of the network.

Note 2. Seasonal nature of activities within the interim period

Even though some transport services for example could be of a seasonal nature, the operating income from activities subject to the Gas Act is barely influenced by the seasonal nature of activities.

The operating income from these activities corresponds for the period pro rata with the estimated annual fair profit margin on invested capital.

This margin is reduced or supplemented by manageable cost variances resulting from taking into account an efficiency factor determined ex ante.

Note 3. Acquisitions, disposals and restructures

Consolidation scope

The consolidation scope and percentage of interests in consolidated entities remained identical to those of 31 December 2016.

Note 4. Income statement and operating segments

Fluxys Belgium and its subsidiaries carry 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 in Belgium.

Storage activities comprise all operations subject to the Gas Act related to storage 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 and its subsidiaries such as participating in the IZT and ZPT¹ terminals in Belgium and work for third parties.

¹ *Interconnector Zeebrugge Terminal (IZT) and Zeepipe Terminal (ZPT)*

Segment income statement at 30-06-2017						(In thousands of €)	
	Transmission	Storage	Termin alling	Other	Inter- segment transfers	Total	
Operating revenue							
Sales and services to external customers	186,971	12,031	46,734	4,972	0	250,708	
Transactions with other sectors	419	4,201	997	3,806	-9,423	0	
Sales of gas related to balancing operations and operational needs	28,157	279	394	0	0	28,830	
Other operating income	1,023	102	460	4,571	0	6,156	
Consumables, merchandise and supplies used	24	-2	-25	-543	0	-546	
Purchase of gas related to balancing of operations and operational needs	-28,662	-279	-398	0	0	-29,339	
Miscellaneous goods and services	-47,868	-3,225	-10,352	-3,419	9,423	-55,441	
Employee expenses	-40,462	-3,560	-8,773	-2,002	0	-54,797	
Other operating expenses	-3,166	-273	-2,212	-110	0	-5,761	
Depreciation and amortisation	-59,320	-5,396	-14,918	-102	0	-79,736	
Provisions for risks and charges	-162	-15	-23	583	0	383	
Impairment losses	-1,003	0	-130	-2	0	-1,135	
Profit/loss from continuing operations	35,951	3,863	11,754	7,754	0	59,322	
Changes in the fair value of financial instruments				-1,267		-1,267	
Financial income	21	2	0	1,516	0	1,539	
Finance costs	-17,095	-1,908	-3,576	-746	0	-23,325	
Profit/loss from continuing operations after net financial result	18,877	1,957	8,178	7,257	0	36,269	
Income tax expenses						-13,371	
Net profit/loss for the period						22,898	

Operating revenue for the first half of 2017 amounted to €250,708 thousand, compared with €237,760 thousand for the first half of 2016, an increase of €12,948 thousand.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act. Revenue from these services aims to ensure an authorised return on capital invested and to cover permitted depreciation and the operating expenses related to these services, while integrating the productivity efforts to be accomplished by the network operator.

Revenue from regulated activities was €245,736 thousand (which is 98.0% of the total). This represents an increase of €12,796 thousand compared with the same period in 2016. This increase is largely explained by the entry into force of the contracts for the capacity sold between Dunkirk and Zeebrugge, which were set to start running once Dunkirk LNG terminal was operational.

The cost of miscellaneous goods and services includes, in the first half of 2017, the royalties due for the French portion of the line between Dunkirk and Zeebrugge, which explains the increase in this item. The efficiency efforts realised by the Group have allowed Fluxys Belgium to be in line with the new terms of reference set for the regulatory period 2016-2019 and even to make efficiency gains.

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

The impairment losses for the first half of 2017 mainly concern gas inventory, the market value of which at balance sheet date is lower than their average price in the accounts.

In the first half of 2017, financial income was favourably influenced by the effects of the discounts for employee benefits.

Net profit/loss for the first half of 2017 is positively impacted by the evolution of OLO rates, the projected average for which is 0.77% in 2017 compared with 0.41% in the first half of 2016. Thanks to the slight increase in interest rates, to efficiency efforts and to the works for third parties, the net profit/loss for the first half of 2017 totalled €22,898 thousand, up €3,216 thousand compared to the €19,682 thousand in the first half of 2016.

Segment income statement at 30-06-2016						(In thousands of €)
	Transmission	Storage	Terminalling	Other	Inter-segment transfers	Total
Operating revenue						
Sales and services to external customers	175,175	11,526	46,239	4,820	0	237,760
Transactions with other sectors	412	4,148	988	3,939	-9,487	0
Sales of gas related to balancing operations and operational needs	22,320	303	960	158	-760	22,981
Other operating income	3,160	47	355	4,049	-872	6,739
Consumables, merchandise and supplies used	-622	-2	-9	-924	0	-1,557
Purchase of gas related to balancing of operations and operational needs	-22,320	-303	-962	-165	760	-22,990
Miscellaneous goods and services	-43,417	-2,898	-12,419	-4,624	10,359	-52,999
Employee expenses	-41,256	-3,570	-8,717	-2,076	0	-55,619
Other operating expenses	-2,899	-310	-2,153	-134	0	-5,496
Depreciation and amortisation	-58,134	-5,584	-12,616	-99	0	-76,433
Provisions for risks and charges	19	-5	-3	349	0	360
Impairment losses	1,204	0	28	-3	0	1,229
Profit/loss from continuing operations	33,642	3,352	11,691	5,290	0	53,975
Changes in the fair value of financial instruments	0	0	0	-94	0	-94
Financial income	26	3	0	960	0	989
Finance costs	-17,758	-2,023	-3,337	-537	0	-23,655
Profit/loss from continuing operations after net financial result	15,910	1,332	8,354	5,619	0	31,215
Income tax expenses						-11,533
Net profit/loss for the period						19,682

Note 5. Segment balance sheet

Segment balance sheet at 30-06-2017						(In thousands of €)	
	Trans- mission	Storage	Termi- nalling	Other	Un- allocated	Total	
Property, plant and equipment	1,579,781	172,714	521,785	4,899	0	2,279,179	
Intangible assets	47,657	0	149	593	0	48,399	
Other non-current financial assets	87	0	0	80,877	0	80,964	
Inventories	21,305	2,765	1,216	292	0	25,578	
Financial lease receivables	0	0	0	10,684	0	10,684	
Net trade receivables	47,291	2,335	724	15,114	0	65,464	
Other assets					435,175	435,175	
						2,945,443	
Interest-bearing liabilities	1,149,820	128,330	430,673	159,539	0	1,868,362	
Other liabilities					438,645	438,645	
						2,307,007	
Equity						638,436	
						2,945,443	
Investments in property, plant and equipment for the period	6,047	836	29,082	43	0	36,008	
Investments in intangible assets for the period	1,149	0	6	0	0	1,155	

Segment balance sheet at 31-12-2016						(In thousands of €)	
	Trans- mission	Storage	Termi- nalling	Other	Un- allocated	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 non-current financial assets	87	0	0	56,935	0	57,022	
Inventories	18,258	2,837	301	104	0	21,500	
Financial 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 6. Property, plant and equipment

Movements in property, plant and equipment				
	Land	Buildings	Natural gas transmission networks*	Gas storage*
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
Disposals and retirements	-33	-5	-7,107	-3
Internal transfers	0	4,022	24,614	502
Changes in the consolidation scope and assets held for sale	0	0	0	0
As at 31-12-2016	47,344	160,218	3,414,641	378,561
Investments	78	43	2,506	282
Subsidies	0	0	0	0
Disposals and retirements	-1	-38	-919	0
Internal transfers	0	0	545	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
As at 30-06-2017	47,421	160,223	3,416,773	378,843

**subject to the Gas Act.*

As at 30 June 2017, Fluxys Belgium and its subsidiaries made investments of €36,008 thousand, €27,994 thousand of which were allocated to the following LNG infrastructure projects:

- Construction of a fifth LNG storage tank and associated facilities at the Zeebrugge LNG Terminal. The investment stems from the long-term 20-year contract entered into with Yamal Trade last year for the provision of transshipment services from 2018 onwards.
- The finalisation of the costs associated with the second jetty at the Zeebrugge LNG Terminal, which is able to receive even the smallest LNG vessels. The jetty was commissioned at the end of 2016.

(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
-7	-58	-832	-14	-8,059
77,949	0	0	-107,087	0
0	0	0	0	0
1,145,793	43,418	54,337	117,417	5,361,729
4,017	41	1,528	27,513	36,008
-4,353	0	0	2,579	-1,774
-785	0	-70	-124	-1,937
0	0	0	-545	0
0	0	0	0	0
1,144,672	43,459	55,795	146,840	5,394,026

Movements in property, plant and equipment				
	Land	Buildings	Natural gas transmission networks*	Natural gas storage*
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
Disposals and retirements	0	0	5,878	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
As at 31-12-2016	0	-84,432	-1,906,448	-209,190
Depreciation	0	-1,582	-50,968	-5,282
Disposals and retirements	0	2	462	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
As at 30-06-2017	0	-86,012	-1,956,954	-214,472
Net book values as at 30-06-2017	47,421	74,211	1,459,819	164,371
Net book values as at 31-12-2016	47,344	75,786	1,508,193	169,371
Of which net carrying amount of assets temporarily retired from active use as at 30.06.2017	110	0	0	0

* Installations subject to the Gas Act.

The depreciation charge for the period amounts to €74,730 thousand and reflects the rate at which Fluxys Belgium and its subsidiaries expect to consume the economic benefits of the property, plant and equipment.

(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	832	0	6,710
0	0	0	0	0
0	0	0	0	0
-757,871	-43,055	-39,610	0	-3,040,606
-14,428	-44	-2,426	0	-74,730
7	0	18	0	489
0	0	0	0	0
0	0	0	0	0
-772,292	-43,099	-42,018	0	-3,114,847
372,380	360	13,777	146,840	2,279,179
387,922	363	14,727	117,417	2,321,123
0	0	0	0	110

On the balance sheet date, Fluxys Belgium and its subsidiaries have not identified any indication or event that could lead to the consideration that any item of property, plant and equipment may have been impaired.

Note 7. Intangible assets

Movements in the book value of intangible assets				(In thousands of €)
	Software	Client portfolios	CO2, 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
Disposals and retirements	-7,742	0	0	-7,742
As at 31.12.2016	32,240	52,800	0	85,040
Investments	1,155	0	0	1,155
Disposals and retirements	0	0	0	0
As at 30-06-2017	33,395	52,800	0	86,195
Depreciation and impairment losses				
As at 31-12-2015	-27,470	-1,196	0	-28,666
Depreciation	-5,401	-6,451	0	-11,852
Disposals and retirements	7,728	0	0	7,728
As at 31.12.2016	-25,143	-7,647	0	-32,790
Depreciation	-1,781	-3,225	0	-5,006
Disposals and retirements	0	0	0	0
As at 30-06-2017	-26,924	-10,872	0	-37,796
Net book values as at 30-06-2017	6,471	41,928	0	48,399
Net book values as at 31-12-2016	7,097	45,153	0	52,250

Intangible assets comprise the net carrying amount of software developed or acquired by Fluxys Belgium and its subsidiaries and which can be considered investments. This software is depreciated over 5 years on a straight-line basis. Major investments during the period concern software developed in relation to gas flow, assets and related administrative tools.

They also include the hub sector of activity and client portfolios. This intangible asset will be fully depreciated in 2023.

On the balance sheet date, Fluxys Belgium and its subsidiaries have not identified any indication or event that could lead to the consideration that any intangible asset may have been impaired.

Note 8. Other financial assets

This item mainly records investment securities at fair value through income statement. These include cash investments in bonds or commercial paper with a maturity longer than one year. They are mainly from Flux Re, the cash of which is destined to cover the risk of the entity in the scope of its reinsurance business. The maturity of these investments is between 2019 and 2027. An amount of €25.0 million is placed at Fluxys SA, the parent company in which the management of Fluxys group's cash funds and financing is centralised.

The increase in this item can be explained by the fact that Flux Re is making more mid-term investments as a result of the current level of short-term interest rates.

Note 9. Interest-bearing liabilities

Non-current interest-bearing liabilities	(In thousands of €)		
	30.06.2017	31.12.2016	Change
Bonds	346,880	696,569	-349,689
Other borrowings	583,000	583,000	0
Other financing	103,350	102,953	397
Other liabilities	416,920	382,503	34,417
Total	1,450,150	1,765,025	-314,875

Current interest-bearing liabilities	(In thousands of €)		
	30.06.2017	31.12.2016	Change
Bonds	358,245	10,833	347,412
Other borrowings	31,902	39,078	-7,176
Other financing	1,997	4,423	-2,426
Other liabilities	26,068	25,138	930
Total	418,212	79,472	338,740

As at 30 June 2017, financial liabilities are at a similar level as they were at the end of 2016, as expected repayments are for the most part made in the second half of 2017.

A €350 million bond matures in the first half of 2018. Fluxys Belgium envisages refinancing this loan over the course of the 2nd half of 2017.

Changes in liabilities based on financing activities	(In thousands of €)				
	31.12.2016	Cash flow	Other movements	30.06.2017	
			Reclassifications between non-current and current	Variation in accrued interests	Total
Non-current interest-bearing liabilities	1,765,025	47,402	-362,805	528	1,450,150
Finance leases	0	0	0		0
Bonds	696,569	0	-349,877	188	346,880
Other borrowings	583,000	0	0		583,000
Other financing	102,953	0	397		103,350
Other liabilities	382,503	47,402	-13,325	340	416,920
Current interest-bearing liabilities	79,472	-20,424	362,805	-3,641	418,212
Finance leases	0	0	0		0
Bonds	10,833	0	349,877	-2,465	358,245
Other borrowings	39,078	-6,000	0	-1,176	31,902
Other financing	4,423	-2,029	-397		1,997
Other liabilities	25,138	-12,395	13,325		26,068
Total	1,844,497	26,978	0	-3,113	1,868,362

The cash flow from non-current interest-bearing liabilities is shown in points IV.1.6 and 2.5 of the condensed consolidated cash flow table.

The variation of interests to be paid corresponds to the difference between interests paid (see point IV.3.1 of the condensed consolidated cash flow table) and interest charges on debts (€23,233 thousand).

Note 10. Provisions

10.1. Provisions for employee benefits

Provisions for employee benefits	(In thousands of €)
Provisions at 31-12-2016	66,696
Additions	4,145
Use	-4,527
Release	0
Unwinding of the discount	1,310
Actuarial gains/losses recognised in the profit/loss (seniority bonuses)	-824
Expected return on plan assets	-994
Actuarial gains/losses recognised in equity	-8,335
Reclassification to assets	6,445
Provisions as at 30-06-2017 of which:	63,916
Non-current provisions	61,933
Current provisions	1,983

The cost of services rendered during the period is accounted for as employee expenses and in the net provisions.

Expenses relating to the effects of discounts are presented as an offset against the expected return on plan assets. The expected return on plan assets is in line with the discount rate used to determine actuarial debt.

Defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated commitments for these plans as at 30.06.2017. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (€26.8 million compared with €19.8 million as at 31.12.2016) and 'Other current assets' (€1.1 million compared with €1.6 million as at 31.12.2016). These surpluses are recovered over the duration of the pension plans.

10.2. Other provisions

Provisions (excluding provisions for employee benefits)	(In thousands of €)		
	Litigation and claims	Environment and site restoration	Total
Provisions at 31-12-2016	2,437	6,841	9,278
Additions	13	0	13
Use	0	-14	-14
Release	0	0	0
Unwinding of the discount	0	-35	-35
Provisions as at 30-06-2017 of which:	2,450	6,792	9,242
Non-current provisions	2,450	1,673	4,123
Current provisions	0	5,119	5,119

The provisions as at 30.06.2017 essentially concern the estimated expenditure for litigation relating to the construction of the Zeebrugge LNG Terminal, as well as expenses for protection, clean-up and restoration of sites subject to closure.

Note 11. Contingent assets and liabilities – rights and commitments of Fluxys Belgium and its subsidiaries

There is no significant evolution to report in terms of contingent assets and liabilities & rights and commitments. Please refer to Note 7 'Contingent assets and liabilities – rights and commitments of the group' in the IFRS financial statements of the 2016 annual report.

Note 12. Significant transactions with related parties

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

The consolidated financial statements include transactions performed by Fluxys Belgium and its subsidiaries in the normal course of their activities with unconsolidated related companies or associates. These transactions take place under market conditions and mainly involve transactions realised with Fluxys (IT and housing services, and centralised management of the Group's cash funds and financing since 1 January 2017), Interconnector (UK) (inspection and repair services), IZT (IZT lease and installation operation and maintenance services), Dunkerque LNG (IT development and other services), Gaz-Opale (terminalling services), Balansys (balancing operator) and Fluxys Finance, the entity in which the management of Fluxys group's cash funds and financing was previously centralised and which was absorbed by Fluxys SA with effect on 1 January 2017.

Significant transactions with related parties as at 30-06-2017					(In thousands of €)	
	Parent company	Joint arrangements	Associates	Other related parties	Total	
I. Assets with related parties	327,609	0	524	11,023	339,156	
1. Other financial assets	25,000	0	0	0	25,000	
1.1. Securities other than shares	25,000	0	0	0	25,000	
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	
3. Trade and other receivables	112	0	524	3,801	4,437	
3.1. Clients	109	0	524	339	972	
3.2. Finance leases	0	0	0	3,462	3,462	
3.3. Other receivables	3	0	0	0	3	
4. Cash and cash equivalents	302,497	0	0	0	302,497	
5. Other current assets	0	0	0	0	0	
II. Liabilities with related parties	259,607	0	942	43	260,592	
1. Interest-bearing liabilities (current and non-current)	259,125	0	0	0	259,125	
1.4. Other borrowings	259,125	0	0	0	259,125	
2. Trade and other payables	44	0	449	0	493	
2.1. Suppliers	0	0	449	0	449	
2.2. Other payables	44	0	0	0	44	
3. Other current liabilities	438	0	493	43	974	
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	2,065	0	968	1,256	4,289	
4. Services received (-)	-787	0	0	0	-787	
5. Financial profit/loss	0	0	1	-3,612	-3,611	

Significant transactions with related parties as at 31-12-2016					(In thousands of €)	
	Parent company	Joint arrangements	Associates	Other related parties	Total	
I. Assets with related parties	1,420	0	1,958	315,950	319,328	
1. Other financial assets	0	0	0	26,118	26,118	
1.1. Securities other than shares	0	0	0	26,118	26,118	
1.2. Loans	0	0	0	0	0	
2. Other non-current assets	0	0	0	7,222	7,222	
2.1. Finance leases	0	0	0	7,222	7,222	
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	
1.4. Other borrowings	0	0	0	257,000	257,000	
2. Trade and other payables	135	0	584	0	719	
2.1. Suppliers	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. Financial profit/loss	0	0	0	-6,734	-6,734	

Note 13. Financial instruments

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

The following table gives an overview of financial instruments as at 30 June 2017:

Summary of financial instruments at balance sheet date			(In thousands of €)		
	Category	Book value	Fair value	Level	
I. Non-current assets					
Other financial assets	1 & 2	80,964	80,964	1 & 2	
Financial lease receivables	1	7,222	7,222	2	
II. Current assets					
Financial lease receivables	1	3,462	3,462	2	
Trade and other receivables	1	67,783	67,783	2	
Short-term investments	1 & 2	78,584	78,584	1 & 2	
Cash and cash equivalents	1 & 2	314,369	314,369	1 & 2	
Total financial instruments – assets		552,384	552,384		
I. Non-current liabilities					
Interest-bearing liabilities	1	1,450,150	1,479,438	2	
II. Current liabilities					
Interest-bearing liabilities	1	418,212	421,601	2	
Trade and other payables	1	76,025	76,025	2	
Total financial instruments - liabilities		1,944,387	1,977,064		

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

All of the group's financial instruments 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 short-term 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, 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 closing date of the financial statements.

Note 14. Events after the balance sheet date

No events with a material impact on the financial statements submitted occurred after the balance sheet date.

2.4 Statutory auditor's report

Report of review of consolidated interim financial reporting
for the half-year ended on 30 June 2017

To the Board of Directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated condensed balance sheet as at 30 June 2017, the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the period of six months then ended, as well as selective notes 1 to 14.

Report on the consolidated interim financial reporting

We have reviewed the consolidated interim financial information of Fluxys Belgium NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The consolidated balance sheet shows total assets of 2,945,443 (000) EUR and the consolidated condensed income statement shows a consolidated profit (group share) for the period then ended of 22,898 (000) EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of the review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Fluxys Belgium NV/SA has not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Antwerp, 20 September 2017

The statutory auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
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