

**Fluxys Belgium
Half-yearly financial report 2018**

30 June 2018

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1 Provisional management report

Declaration regarding the first half-year ending 30 June 2018

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 profit/loss of the issuer and the companies included in the consolidation scope;
- the interim management report contains a true and fair view of the information that should be included therein, including the key events and main transactions between related parties that have taken place during the first six months of the financial year and their impact on the condensed financial statements, as well as a description of the main risks and uncertainties for the remaining months of the financial year.

Brussels, 26 September 2018

Paul Tummers
Member of the Executive Board
Chief Financial Officer

Pascal De Buck
Chairman of the Executive Board
Chief Executive Officer

1.1 Key events in the first half of 2018

- Regulated turnover remains constant
- Net profit totals €24.3 million (€22.9 million during the first half of 2017)
- Investments: €52.9 million, mainly relating to the construction of the fifth tank at Zeebrugge LNG terminal
- Fluxys Belgium's infrastructure confirms its role as a crossroads for the natural gas market in North-Western Europe
- Natural gas consumption on the Belgian market remains stable
- Activity increases at Zeebrugge LNG terminal
- First transshipment of LNG directly between two vessels
- Energy transition: innovative gas applications gain ground
- First successful large-scale L/H conversion
- New tariff methodologies applicable from 2020 onwards

1.2 Key financial data

Income statement	(In thousands of €)	30.06.2018	30.06.2017
Operating revenue		250,077	250,708
EBITDA *		135,081	139,810
EBIT*		58,936	59,322
Net profit		24,356	22,898
Balance sheet	(In thousands of €)	30.06.2018	31.12.2017
Investments in property, plant and equipment for the period		52,850	83,354
Total of the property, plant and equipment		2,230,116	2,250,659
Equity		667,007	713,795
Net financial debt*		913,689	950,528
Consolidated balance sheet assets		2,932,271	3,290,873

*See definition of indicators, p. 63-64.

Turnover for the first half of 2018: €250.1 million. The Fluxys Belgium group generated a turnover of €250.1 million in the first half of 2018, in line with the €250.7 million generated over the same period in 2017. The evolution in the regulated turnover is due to the stability of the different components to be covered by the regulated tariffs.

Efficiency efforts in line with the regulated tariff model. The tariff proposal for the 2016-2019 regulatory period sets out a new reference framework for Fluxys Belgium, specifically for authorised manageable costs. By managing its operating costs and continuing its efficiency drive, the Fluxys Belgium group achieved these regulatory objectives and benefitted from incentives.

Continuing low interest rates affecting the group's net profit. The average OLO rate expected for the period totals 0.75% in 2018 compared to 0.77% during the first half of 2017.

€52.9 million in investments. In the first half of 2018, investments in property, plant and equipment amounted to €52.9 million compared to €36.0 million in the same period in 2017. Of this amount, €45.4 million went to LNG infrastructure projects (mainly the construction of the fifth LNG storage tank at Zeebrugge LNG terminal) and €6.9 million went to transmission projects.

Adoption of standards IFRS 9 and 15. The adoption of standards IFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers) has no tangible impact on the group's financial statements as at 30 June 2018. This impact is documented in the condensed half-yearly financial statements (see Note 1.d).

1.3 Key events

Fluxys Belgium's infrastructure confirms its role as a crossroads for the natural gas market in North-Western Europe. With the closure of the UK's largest storage site, large volumes of natural gas must be transported from other storage facilities in North-Western Europe to meet winter demand on the UK market. In this market setting, Fluxys Belgium once again demonstrated its role as a crossroads: during the first six months of 2018, the Belgian grid transmitted around 144 TWh of natural gas from border to border, matching the already high volume seen during the same period in 2017.

Sales of border-to-border transmission capacity: the shift towards a short-term market continues.

The market for border-to-border transmission capacity sales is still shifting towards the short term. Customers wishing to book additional capacity or having long-term contracts coming to their end prefer short-term contracts. An important package of long-term contracts will expire in October 2018 and Fluxys Belgium is ready to swiftly respond to the short-term market dynamics with a proactive commercial approach.

Natural gas consumption on the Belgian market remains stable. The transmitted volumes for the Belgian market (98 TWh) were virtually identical to those for the same period in 2017. Transmission to distribution system operators (54 TWh) rose by 4%, while consumption at industrial sites directly connected to the grid (24 TWh) increased by 10%, largely due to a new connection in the Port of Antwerp established in the second half of 2017. In contrast, transmission for natural gas-fired power plants (20 TWh) fell by 15%: volumes of imported electricity increased considerably and the quantity of electricity generated from renewable sources was also on the rise.

Activity increases at Zeebrugge LNG terminal. Ship traffic for the terminalling of large volumes of LNG at the Zeebrugge terminal rose during the first half of 2018 compared to the same period in 2017. In May, the terminal rolled out its new service of direct LNG transshipments between two vessels. The increase in activity seen during the first half of the year continued in July and especially in August, a record month for the terminal in terms of ship traffic.

In addition to the terminalling of large volumes of LNG, the Zeebrugge terminal also offers a range of services associated with the emerging small-scale LNG market: LNG used as an alternative fuel for vessels and trucks or as fuel for industrial customers not in the vicinity of a natural gas pipeline system. The number of operations involving the loading of small LNG carriers and LNG trailers remained stable compared to the first half of 2017. In order to continue efficiently meeting demand for the loading of LNG trailers in the future, the terminal will commission a second loading bay in autumn. The second loading bay project receives financial support by the European Commission.



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

Updated tariff proposal Fluxys LNG. On 28 June, the updated tariff proposal of Fluxys LNG has been approved by federal energy regulator CREG. In the updated proposal the tariffs for existing services remain the same and tariffs were added to include the new services for small-scale berthing rights and residual storage. This tariff proposal has no impact on the compensation model of Fluxys LNG. The profile of the regulated return is updated based on the realised or to be realised investments.

Innovative gas applications gain ground. Compared to other fossil fuels, natural gas releases far fewer greenhouse gas emissions (CO₂) and emissions that are detrimental to air quality (fine particles, NO_x and SO_x). As such, replacing petrol, diesel, (heavy) fuel oil or coal with natural gas delivers immediate results. The same goes for green gas, which reduces greenhouse gas emissions even more than natural gas. Green gas is a generic term: it can refer to biogas or biomethane from organic waste and to green hydrogen or synthetic natural gas produced by converting green electricity.

- **Natural gas continues to be a successful alternative fuel in the transport sector.** Natural gas used as an alternative fuel continues to gain ground in the road transport sector. During the first half of the year, the number of CNG vehicles in Belgium rose from 9,000 to over 12,000, while the number of CNG filling stations increased from 90 to more than 100. The number of vessels using LNG as fuel in European waters is also continuing to rise, a trend confirmed by the number of LNG-powered vessels on order.
- **Biomethane in the natural gas infrastructure.** Fluxys Belgium is working together with Belgium's gas sector on solutions to allow local producers of biomethane to sell their green gas anywhere. Anyone wishing to purchase green gas will soon be able to do so as easy as it is to buy green electricity.
- **Power-to-gas industrial project under way.** Parent company Fluxys, Eoly (part of the Colruyt Group) and Parkwind have launched a collaboration project to study the construction of an industrial-scale power-to-gas facility. This type of facility converts green electricity into green hydrogen, which can be transmitted and stored in the existing natural gas infrastructure, thus decarbonising natural gas as energy for heating, transport and industry. The power-to-gas project receives support from the Belgian federal Energy Transition Fund.



First large-scale L/H conversion successful. Between 2024 and 2030, the Netherlands will progressively phase out exports of low-calorific natural gas to Belgium. Fluxys Belgium and the distribution system operators are proactively switching end-users of low-calorific natural gas to high-calorific natural gas. Following on from a number of small conversion projects implemented in recent years, the first large-scale conversion took place in June 2018. Fluxys Belgium modified its grid with a view to converting several directly connected industrial end-users and a section of the distribution systems. Distribution system operators Infrax, Eandis and RESA in the process converted around 53,000 households and SMEs. Fluxys Belgium and the distribution system operators are also ready to continue the conversion as scheduled, with completion planned for 2029.

1.4 Main risks and uncertainties for the second half of 2018

The risks and uncertainties facing the Fluxys Belgium group have not changed significantly since the closing of the 2017 financial year (see Risk Management in the 2017 annual financial report, pages 133-142). 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 2018

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

The recurring dividend will continue to evolve based on the development of these three parameters in particular. The current financial markets do not allow for accurate projections regarding changes to interest rates and, therefore, the return on regulated activities.

New tariff methodologies for the period 2020-2023. In June federal energy regulator CREG set out new tariff methodologies for the transmission and storage of natural gas and LNG terminalling. These methodologies cover the 2020-2023 regulatory period and are based on existing principles that have been refined and supplemented.

- The system ensuring that tariffs cover all reasonable costs (including interest and fair margin) continues to apply.
- The calculation of fair margin has been refined to strengthen stability. As such, the risk-free interest rate is no longer adjusted on an annual basis. It is now set in advance for the entire regulatory period. In addition, the regulatory ratio between equity and borrowed capital is changing from 33%/67% to 40%/60%.
- In addition to incentives to control costs, new incentives have been introduced to monitor a number of company performance criteria. The share of the achieved cost savings to be attributed to the company has been reviewed and as a consequence the potential additional gains will be more limited.

2 Condensed half-yearly financial statements of Fluxys Belgium and its subsidiaries consolidated under IFRS - 30 June 2018

2.1 General information on the company

2.1.1 Corporate name and registered office

The registered office of the parent company, Fluxys Belgium SA, is located at Avenue des Arts 31, B-1040 Brussels, Belgium.

2.1.2 Group activities

The Fluxys Belgium group's main activities comprise the transmission and storage of natural gas as well as terminalling services for liquefied natural gas in Belgium. The Fluxys Belgium group also provides complementary services related to the aforementioned activities.

Please refer to the 2017 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	30.06.2018	31.12.2017
I. Non-current assets		2,381,402	2,392,797
Property, plant and equipment	6	2,230,116	2,250,659
Intangible assets	7	42,154	45,246
Investments in associates and joint ventures		16	16
Other financial assets	8	73,490	81,179
Financial lease receivables		4,505	0
Other non-current assets	10.1	31,121	15,697
II. Current assets		550,869	898,076
Stocks		31,002	27,856
Financial lease receivables		1,002	7,222
Current tax receivable		31	12
Trade and other receivables		76,570	108,598
Cash investments		36,958	415,153
Cash and cash equivalents		394,495	320,573
Other current assets		10,811	18,662
Total assets		2,932,271	3,290,873

Condensed consolidated balance sheet		(In thousands of €)	
	Notes	30.06.2018	31.12.2017
I. Equity		667,007	713,795
Equity attributable to the parent company's shareholders		667,007	713,795
<i>Share capital and share premiums</i>		60,310	60,310
<i>Retained earnings and other reserves</i>		606,697	653,485
Non-controlling interests		0	0
II. Non-current liabilities		2,080,320	2,019,777
Interest-bearing liabilities	9	1,818,007	1,752,654
Provisions	10.2	3,943	3,947
Provisions for employee benefits	10.1	56,247	59,346
Other non-current financial liabilities		1,717	0
Deferred tax liabilities		200,406	203,830
III. Current liabilities		184,944	557,301
Interest-bearing liabilities	9	70,569	467,176
Provisions	10.2	202	325
Provisions for employee benefits	10.1	1,717	3,879
Current tax payables		15,119	6,689
Trade and other payables		90,775	76,957
Other current liabilities		6,562	2,275
Total liabilities and equity		2,932,271	3,290,873

B. Condensed consolidated income statement

Condensed consolidated income statement		(In thousands of €)	
	Notes	30.06.2018	30.06.2017
Operating revenue	4	250,077	250,708
Sales of gas related to balancing operations and operational needs		56,962	28,830
Other operating income		6,948	6,156
Consumables, merchandise and supplies used		-1,172	-546
Purchase of gas related to balancing of operations and operational needs		-56,994	-29,339
Miscellaneous goods and services	4	-59,632	-55,441
Employee expenses		-55,336	-54,797
Other operating expenses	4	-5,772	-5,761
Depreciation and amortisation	4	-77,221	-79,736
Net provisions		1,076	383
Impairment losses		0	-1,135
Profit/loss from continuing operations		58,936	59,322
Change in the fair value of financial instruments		0	-1,267
Financial income		406	1,539
Finance costs	4	-23,834	-23,325
Profit/loss from continuing operations after net financial result		35,508	36,269
Income tax expenses		-11,152	-13,371
Net profit/loss for the period	4	24,356	22,898
Fluxys Belgium share		24,356	22,898
Non-controlling interests		0	0
Basic earnings per share in €		0.3466	0.3259
Diluted earnings per share in €		0.3466	0.3259

C. Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income		(In thousands of €)	
	Notes	30.06.2018	30.06.2017
Net profit/loss for the period		24,356	22,898
Items that will not be reclassified subsequently to profit or loss			
Revaluations from employee benefits	10.1	20,290	8,335
Income tax expense on these variances		-5,322	-2,833
Other comprehensive income		14,968	5,502
Comprehensive income for the period		39,324	28,400
Fluxys Belgium share		39,324	28,400
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 31.12.2016	60,272	38	45,729
1. Comprehensive income for the period			
2. Dividends paid			-9,905
II. Closing balance as at 30.06.2017	60,272	38	35,824
III. Closing balance as at 31.12.2017	60,272	38	35,824
1. Adaptation for the previous financial year			
1.1 Changes in accounting methods affecting equity			
VI. Revised closing balance as at 01.01.2018	60,272	38	35,824
1. Comprehensive income for the period			
2. Dividends paid			-9,904
V. Closing balance as at 30.06.2018	60,272	38	25,920

(In thousands of €)					
Retained earnings	Reserves for employee benefits	Other comprehensive income	Equity attributable to the parent company's shareholders	Non-controlling interests	Total equity
595,602	-7,289	0	694,352	0	694,352
22,898	5,502		28,400		28,400
-74,411			-84,316		-84,316
544,089	-1,787	0	638,436	0	638,436
591,512	-11,908	38,057	713,795	0	713,795
312			312		312
591,824	-11,908	38,057	714,107	0	714,107
24,356	14,968		39,324		39,324
-76,520			-86,424		-86,424
539,660	3,060	38,057	667,007	0	667,007

E. Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows (indirect methods)	(In thousands of €)	
	30.06.2018	30.06.2017
I. Cash and cash equivalents, opening balance	320,573	291,727
II. Net cash flows from operating activities	168,513	151,857
1. Cash flows from operating activities	184,987	170,047
1.1. Profit/loss from continuing operations	58,936	59,322
1.2. Non cash adjustments	76,340	79,250
1.2.1. Depreciation	77,221	79,736
1.2.2. Provisions	-1,076	-383
1.2.3. Impairment losses	0	1,135
1.2.4. Non cash adjustments	195	-1,238
1.3. Changes in working capital	49,711	31,475
1.3.1. Inventories	-3,146	-4,078
1.3.2. Current tax receivables	-19	-1
1.3.3. Trade and other receivables	32,028	20,526
1.3.4. Other current assets	7,917	9,771
1.3.5. Current tax payables	5,489	4,083
1.3.6. Trade and other payables	3,154	511
1.3.7. Other current assets	4,287	1,798
1.3.8. Other changes in working capital	1	-1,135
2. Cash flows relating to other operating activities	-16,474	-18,190
2.1. Current tax paid	-17,063	-19,029
2.2. Interests from short-term investments, cash and cash equivalents	643	947
2.3. Other inflows (outflows) relating to other operating activities	-54	-108

Condensed consolidated statement of cash flows (indirect methods)	(In thousands of €)	
	30.06.2018	30.06.2017
III. Net cash flows relating to investment activities	344,902	-47,715
1. Acquisitions	-43,718	-72,298
1.1. Payments to acquire property, plant and equipment, and intangible assets	-43,718	-48,356
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	0	-23,942
2. Disposals	10,425	184
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	1,019	184
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates	0	0
2.3. Proceeds from disposal of other financial assets	9,406	0
3. Dividends received classified as investment activities	0	0
4. Subsidies received	0	1,774
5. Increase (-) / Decrease (+) of cash investments	378,195	22,625
IV. Net cash flows relating to financing activities	-439,493	-81,500
1. Proceeds from cash flows from financing	63,494	49,521
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	1,715	2,119
1.4. Proceeds from other non-current assets	0	0
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities	61,779	47,402

Condensed consolidated statement of cash flows (indirect methods)	(In thousands of €)	
	30.06.2018	30.06.2017
2. Repayments relating to cash flows from financing	-389,465	-20,424
2.1. Repurchase of equity instruments for cancellation/destruction	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	-389,465	-20,424
3. Interests	-27,098	-26,281
3.1. Interest paid classified as financing	-26,816	-26,346
3.2. Interest received classified as financing	-282	65
4. Dividends paid	-86,424	-84,316
V. Net change in cash and cash equivalents	73,922	22,642
VI. Cash and cash equivalents, closing balance	394,495	314,369

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 2018 have been established in accordance with the International Financial Reporting Standards, and in particular 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 2017.

All amounts are stated in thousands of euro.

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 period.

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 26 September 2018.

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

The adoption on 1 January 2018 of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' did not have a material impact on the group's half-yearly financial statements for 2018.

The accounting principles and policies adopted in the 2018 half-yearly financial statements have been slightly amended as compared with those used in the most recent annual financial statements following the adoption of these norms.

A. IFRS 9 Financial instruments

The IFRS 9 Financial instruments norm introduces amendments on the subject of:

- classification and valuation of financial assets,
- valuation and recognition of expected credit losses and
- hedge accounting.

Classification and valuation of financial assets

Financial assets other than equity instruments

The economic model used by Fluxys Belgium and its subsidiaries to manage financial assets aims to hold financial assets in order to obtain contractual cash flows. The sales of financial assets are rare and the group does not expect to proceed with such sales in the future, except in the case of an increased credit risk for the assets over and above the policy advocated by the group. A sale may also be motivated by an unexpected financing need.

The cash flows of financial assets held as at 1 January 2018 have been analysed. The contractual conditions for these assets give rise to cash flows that correspond only with repayments of the principal and interest payments on the principal that remains due, with the exception of a €5 million structured investment which has been valued at fair value with changes to net profit/loss.

As a conclusion, all the financial assets are accounted for at the amortised cost with the exception of equity investments, structured investment and derivative instruments.

Equity instruments

Fluxys Belgium and its subsidiaries have decided to value the unconsolidated equity instruments at fair value with changes to other comprehensive income. Dividends earned are accounted for in profit/loss.

However, given the materiality of certain instruments and the unavailability of recent market values, certain equity instruments are accounted for at the initial cost.

Expected credit losses

Valuation of expected credit losses on trade receivables

Taking into account the activity of Fluxys Belgium and its subsidiaries, the group applies an individual approach to trade receivables and calculates the amounts of expected credit losses based on the probability of default derived from its clients' external ratings. The portfolio approach is inappropriate for the group because the historical loss statistics may not be applied to a limited number of clients.

The financial guarantees obtained are taken into account to determine the amounts of expected credit losses. As a result, if the balance of the guarantee received to cover the credit risk on a particular financial asset exceeds its amount, the expected credit losses will be equal to zero.

Trade receivables have short-term contractual maturities. Expected credit losses are therefore calculated using a probability of default over 12 months.

Valuation of expected credit losses on other financial assets

Expected credit losses on other financial assets accounted for at amortised cost are equally calculated using an individual approach, based on the credit quality of the counterparty and the maturity of the financial asset.

To determine expected credit losses for these assets, the group uses a simplified model and considers that the financial assets with counterparties that benefit from an 'investment grade' score have a low credit risk. Expected credit losses are therefore calculated using a probability of default over 12 months.

Calendar of accounting of expected credit losses over lifetime

The assessment of the need to account for expected credit losses over lifetime is based on the considerable increases of the probability or the risk of default since initial recognition.

Definition of significant credit risk increases

Where the payments of financial instruments have experienced defaults for more than 30 days, there is a rebuttable presumption of a significant increase in credit risk. The entity may rebut this presumption if it has reasonable and provable information that demonstrates that, even though the contractual payments are experiencing defaults since more than 30 days, the credit risk has not significantly increased since initial recognition.

The credit risk increases significantly if the rating of a counterparty to a financial asset is no longer 'investment grade'.

Definition of default

A financial asset is impaired where one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is impaired includes observable data about the following events:

- payment defaults for more than 90 days,
- significant financial difficulty of the issuer or debtor and
- increasing probability of bankruptcy or financial restructure of the lender.

Write-downs

The entity must straight away write down the gross book value of a financial asset where it reasonably considers that it may not recover all or part of this financial asset.

The financial assets which are unlikely to be recovered are subject to write-downs for the entirety of their value.

Hedge accounting

IFRS 9 more closely aligns hedge accounting and risk management for companies.

The half-yearly financial statements are not affected by the changes in the hedge accounting as the group did not have any hedging instruments in the first half of 2018.

Changes or additions to the accounting principles and policies compared with the 2017 financial statements

2.13. Financial instruments

Cash investments

Cash investments in the form of bonds or commercial paper, having a maturity date exceeding three months, are reported as financial assets valued subsequently at amortised cost. These are shown in the balance sheet under non-current 'other financial assets' and under current 'cash investments'.

Where the conditions required to be qualified as financial assets valued at the amortised cost are not met, the cash investments concerned are valued at fair value with changes to the net profit/loss.

Derivative instruments

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

Derivative instruments designated as hedging instruments

Changes in the fair value of financial instruments designated as cash flow hedges are recognised directly in group equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement. If the planned transaction is no longer likely to take place, gains or losses on the hedging instruments which were recognised directly in equity are 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 and 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 measured subsequently at amortised cost.

Where the conditions required to be qualified as financial assets valued at the amortised cost are not met, the cash and cash equivalents concerned are valued at fair value with changes to the net profit/loss.

Note 2.20.B. Expected credit losses and write-downs

Expected credit losses on financial assets accounted for at amortised cost are calculated using an individual approach, based on the credit quality of the counterparty and the maturity of the financial asset.

Expected credit losses are calculated using a probability of default over 12 months where the credit risk is low.

A financial asset is impaired where one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is impaired includes observable data about the following events:

- defaults in payments for more than 90 days.
- significant financial difficulty of the issuer or debtor and
- increasing probability of bankruptcy or financial restructure of the lender.

B. 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 revenues are recognised from contracts with customers.

The adoption of the IFRS 15 norm has no impact on the Fluxys Belgium consolidated half-yearly financial statements beyond the additional information to be provided in the explanatory notes (see Note 4).

The contracts entered into by Fluxys Belgium and its subsidiaries with customers allow a relatively easy assignment of the transaction price to the various obligations with regards to performance, perfectly in line with the current principles applied. It should be noted that the revenue from regulated activity is recognised based on reserved capacities.

Changes or additions to the accounting principles and policies compared with the 2017 financial statements

Note 2.20. Revenue recognition

The group accounts for operating revenue as it meets a service obligation by supplying the customer with the promised good or service and as this latter obtains control thereof.

The Fluxys Belgium group uses a five-step approach to determine whether a contract entered into with a customer may be accounted for and the way in which revenue should be recognised:

1. identification of the contract,
2. identification of the service obligations,
3. determination of the transaction price,
4. distribution of the transaction price between the service obligations and
5. recognition of operating revenue where the service obligations are met or where the control of the goods or services is transferred to the customer.

Group revenues mainly come from standard regulated contracts for which both the services to be provided and the price of the service are clearly identified.

Fluxys Belgium and its subsidiaries transfer the control of their regulated services progressively and in doing so progressively meet their service obligation and account for operating revenue. In addition, the Fluxys Belgium group makes gas sales which are necessary for balancing operations and its operational needs. These services, which are fulfilled at a specific time, are accounted for in operating revenue as soon as they are realised.

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).

C. Impact on the financial statements

Given the limited impact of the IFRS 9 norm on its half-yearly financial statements, the group has decided to use the option not to draw up comparative financial statements.

The reclassification and adjustments resulting from the adoption of this norm are accounted for in the opening balance sheet on 1 January 2018. The following table presents the reclassifications and adjustments accounted for on each item in the opening balance sheet.

Table regarding transition to IFRS 9
(In thousands of €)

	Notes	Original classification under IAS 39	New classification under IFRS 9
Other financial assets	5.3		
Shares at cost		Fair value through other comprehensive income	
Investment securities	5.3.1	Fair value through profit or loss	
Investment securities	5.3.1		Amortised cost
Other financial assets		Amortised cost	Amortised cost
Finance lease receivables	5.4	Amortised cost	Amortised cost
Trade and other receivables	5.7		
Trade receivables	5.7.1	Amortised cost	Amortised cost
Other receivables		Amortised cost	Amortised cost
Short term investments, cash and cash equivalents	5.8		
Short term investments		Fair value through profit or loss	
Short term investments			Amortised cost
Short term investments (Fluxys SA)		Amortised cost	Amortised cost
Short term deposits		Amortised cost	Amortised cost
Cash equivalents and cash pooling		Amortised cost	Amortised cost
Bank balances		Amortised cost	Amortised cost
Cash in hand		Amortised cost	Amortised cost

Table regarding transition to IFRS 9					(In thousands of €)
Original carrying amount under IAS 39 at 31/12/17 (A)	Reclassification (B)	Remeasurement impact from reclassifications on Retained Earnings (C)	Impact of expected credit losses on Retained Earnings (D)	New carrying amount under IFRS 9 at 01/01/18 = (A) + (B) + (C) + (D)	
24	0	0	0	24	
81.092	-76.092	0	0	5.000	
	76.092	681	-20	76.753	
63	0	0	0	63	
				0	
7.222	0	0	-5	7.217	
				0	
				0	
106.030	0	0	-41	105.989	
2.568	0	0	0	2.568	
				0	
				0	
65.153	-65.153	0	0	0	
	65.153	-158	-36	64.959	
350.000	0	0	0	350.000	
205	0	0	0	205	
294.849	0	0	0	294.849	
25.502	0	0	0	25.502	
17	0	0	0	17	

* The impact on financial assets is € 421 thousand. The impact on retained earnings is € 312 thousand and the impact on deferred taxes is € 109 thousand.

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 with the pro rata of 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 2017.

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 30-06-2018						(In thousands of €)
	Transmissi on	Storage	Termin alling	Other	Elimination	Total
Operating revenue	183,672	16,267	50,227	9,357	-9,446	250,077
<i>Sales and services to external customers</i>	<i>195,234</i>	<i>14,409</i>	<i>52,520</i>	<i>5,650</i>	<i>0</i>	<i>267,813</i>
<i>Transactions with other sectors</i>	<i>426</i>	<i>4,309</i>	<i>1,004</i>	<i>3,707</i>	<i>-9,446</i>	<i>0</i>
<i>Operating revenue - Movements in regulatory assets and liabilities</i>	<i>-11,988</i>	<i>-2,451</i>	<i>-3,297</i>	<i>0</i>	<i>0</i>	<i>-17,736</i>
Sales of gas related to balancing operations and operational needs	54,626	412	1,924	0	0	56,962
Other operating income	1,375	57	391	5,158	-33	6,948
Consumables, merchandise and supplies used	-331	-83	-8	-750	0	-1,172
Purchase of gas related to balancing of operations and operational needs	-54,655	-412	-1,927	0	0	-56,994
Miscellaneous goods and services	-48,262	-3,226	-13,556	-4,067	9,479	-59,632
Employee expenses	-40,600	-3,664	-8,578	-2,494	0	-55,336
Other operating expenses	-3,131	-293	-2,220	-128	0	-5,772
Depreciation and amortisation	-56,791	-5,378	-14,961	-91	0	-77,221
Provisions for risks and charges	354	21	87	614	0	1,076
Impairment losses	0	0	0	0	0	0
Profit/loss from continuing operations	36,257	3,701	11,379	7,599	0	58,936
Financial income	190	21	7	188	0	406
Finance costs	-17,509	-1,956	-3,133	-1,236	0	-23,834
Profit/loss from continuing operations after net financial result	18,938	1,766	8,253	6,551	0	35,508
Income tax expenses						-11,152
Net profit/loss for the period						24,356

Operating revenue for the first half of 2018 amounted to €250,077 thousand, compared with €250,708 thousand for the first half of 2017, a decrease of €631 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 efficiency efforts to be accomplished by the network operator.

Revenue from regulated activities was €244,427 thousand (which is 97.7% of the total). This represents a decrease of €1,309 thousand compared with the same period in 2017. The evolution in the regulated revenue can be explained by the relative stability of the various components to be covered by regulated tariffs.

The evolution of a range of services and goods in the first half of 2018 can be explained by inflation and the increase in costs relating to spare parts, surveillance and IT. 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 realise efficiency gains.

Depreciation charges over the period are slightly decreasing. This can be explained by the declining balance method used for certain assets as well as by other assets which have been completely depreciated.

The change in the fair value of financial instruments showed, in the first half of 2017, the effects of fair value accounting of cash investments with changes to the income statement. These latter are now mainly measured at amortised cost in accordance with IFRS 9 (see Note 1.d).

The net profit/loss for the first half of 2018 totalled €24,356 thousand compared to €22,898 thousand in the first half of 2017. This increase of €1,458 thousand can mainly be explained by the efficiency efforts realised by Fluxys Belgium.

Segment income statement at 30.06.2017						(In thousands of €)	
	Transmissi on	Storage	Termin alling	Other	Elimination	Total	
Operating revenue	187,390	16,232	47,731	8,778	-9,423	250,708	
<i>Sales and services to external customers</i>	<i>202,718</i>	<i>15,321</i>	<i>51,548</i>	<i>4,972</i>	<i>0</i>	<i>274,559</i>	
<i>Transactions with other sectors</i>	<i>419</i>	<i>4,201</i>	<i>997</i>	<i>3,806</i>	<i>-9,423</i>	<i>0</i>	
<i>Operating revenue - Movements in regulatory assets and liabilities</i>	<i>-15,747</i>	<i>-3,290</i>	<i>-4,814</i>	<i>0</i>	<i>0</i>	<i>-23,851</i>	
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	

Note 5. Segment balance sheet

Segment balance sheet at 30.06.2018	(In thousands of €)					
	Transmission	Storage	Termin- alling	Other	Unallocat- ed	Total
Property, plant and equipment	1,489,430	163,085	572,692	4,909	0	2,230,116
Intangible assets	41,428	9	100	617	0	42,154
Other non-current financial assets	85	0	0	73,405	0	73,490
Stocks	26,774	2,917	1,142	169	0	31,002
Financial lease receivables	0	0	0	5,507	0	5,507
Net trade receivables	62,919	1,717	2,548	7,704	0	74,888
Other assets					475,114	475,114
						2,932,271
Interest-bearing liabilities	1,138,182	126,436	433,063	190,895	0	1,888,576
Other financial liabilities	0	0	7	1,710	0	1,717
Other liabilities					374,971	374,971
						2,265,264
Equity						667,007
						2,932,271
Investments in property, plant and equipment for the period	6,912	532	45,389	17	0	52,850
Investments in intangible assets for the period	1,522	10	0	0	0	1,532

Segment balance sheet at 31.12.2017						(In thousands of €)	
	Transmission	Storage	Termin- -alling	Other	Unalloc ated	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 non-current financial assets	87	0	0	81,092	0	81,179	
Stocks	22,592	2,916	2,199	149	0	27,856	
Financial 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	

Note 6. Property, plant and equipment

Movements in property, plant and equipment				
	Land	Buildings	Natural gas transmission networks*	Natural gas storage*
Gross book value				
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
Disposals and retirements	-43	-38	-3,911	0
Internal transfers	0	96	1,595	852
Changes in the consolidation scope and assets for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31.12.2017	47,530	160,700	3,423,165	381,061
Investments	100	86	3,520	519
Subsidies	0	0	0	0
Disposals and retirements	-57	0	-629	0
Internal transfers	0	0	537	0
Changes in the consolidation scope and assets for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 30.06.2018	47,573	160,786	3,426,593	381,580

**Installations subject to the Gas Act.*

- In the first half of 2018, Fluxys Belgium and its subsidiaries proceeded with investments for €52,850 thousand, of which €45,389 thousand were allocated to LNG infrastructure projects (mainly the construction of the fifth tank at the Zeebrugge LNG Terminal) and €6,860 thousand to projects associated with the transmission activity.

(In thousands of €)				
LNG terminal*	Other installations and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
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
-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
1,604	14	1,956	45,051	52,850
0	0	0	0	0
-10	0	-178	0	-874
2,435	0	0	-2,972	0
0	0	0	0	0
0	0	0	0	0
1,148,709	43,489	60,618	219,720	5,489,068

Movements in property, plant and equipment				
	Land	Buildings	Natural gas transmission networks*	Natural gas storage*
Depreciation and impairment losses				
As at 31.12.2016	0	-84,432	-1,906,448	-209,190
Depreciation	0	-3,004	-101,885	-10,768
Disposals and retirements	0	2	2,873	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31.12.2017	0	-87,434	-2,005,460	-219,958
Depreciation	0	-1,552	-48,744	-5,285
Disposals and retirements	0	0	62	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 30.06.2018	0	-88,986	-2,054,142	-225,243
Net book values as at 30-06-2018	47,573	71,800	1,372,451	156,337
Net book values as at 31-12-2017	47,530	73,266	1,417,705	161,103
Of which net book values as at 30-06-2018 of assets temporarily retired from active use	110	0	0	0

* Installations subject to the Gas Act.

The depreciation charge for the period amounts to €72,597 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
-757,871	-43,055	-39,610	0	-3,040,606
-28,862	-84	-5,022	0	-149,625
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
-14,445	-32	-2,539	0	-72,597
6	0	10	0	78
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-801,171	-43,171	-46,239	0	-3,258,952
347,538	318	14,379	219,720	2,230,116
357,948	336	15,130	177,641	2,250,659
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 31.12.2016	32,240	52,800	0	85,040	
Investments	3,452	0	0	3,452	
Disposals and retirements	-5,205	0	0	-5,205	
As at 31.12.2017	30,487	52,800	0	83,287	
Investments	1,532	0	0	1,532	
Disposals and retirements	0	0	0	0	
As at 30.06.2018	32,019	52,800	0	84,819	
Depreciation and impairment losses					
As at 31.12.2016	-25,143	-7,647	0	-32,790	
Depreciation	-4,006	-6,450	0	-10,456	
Disposals and retirements	5,205	0	0	5,205	
As at 31.12.2017	-23,944	-14,097	0	-38,041	
Depreciation	-1,399	-3,225		-4,624	
Disposals and retirements	0	0	0	0	
As at 30.06.2018	-25,343	-17,322	0	-42,665	
Net book values as at 30.06.2018	6,676	35,478	0	42,154	
Net book values as at 31.12.2017	6,543	38,703	0	45,246	

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

These include mainly 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 date of these investments is between 2019 and 2027.

The decrease in this item can be explained by the matured investments which have not immediately been replaced in the medium term.

Note 9. Interest-bearing liabilities

Non-current interest-bearing liabilities	(In thousands of €)		
	30.06.2018	31.12.2017	Change
Bonds	695,024	694,812	212
Other borrowings	557,000	563,000	-6,000
Other financing	176,624	157,538	19,086
Other liabilities	389,359	337,304	52,055
Total	1,818,007	1,752,654	65,353

Current interest-bearing liabilities	(In thousands of €)		
	30.06.2018	31.12.2017	Change
Bonds	10,736	362,336	-351,600
Other borrowings	28,285	30,494	-2,209
Other financing	7,043	20,361	-13,318
Other liabilities	24,505	53,985	-29,480
Total	70,569	467,176	-396,607

The decrease in interest-bearing current liabilities can be explained by the reimbursement of the €350 million bond that matured in May 2018.

	Changes in liabilities based on financing activities					(In thousands of €)
	31.12.2017	Cash flow	Other movements		30.06.2018	
			Reclassifications between non-current and current	Variation in accrued interests		Total
Non-current interest-bearing liabilities	1,752,654	71,353	-6,000	0		1,818,007
Bonds	694,812	212	0	0		695,024
Other borrowings	563,000	0	-6,000	0		557,000
Other financing	157,538	19,086	0	0		176,624
Other liabilities	337,304	52,055	0	0		389,359
Current interest-bearing liabilities	467,176	-399,039	6,000	-3,568		70,569
Bonds	362,336	-349,951	0	-1,649		10,736
Other borrowings	30,494	-6,290	6,000	-1,919		28,285
Other financing	20,361	-13,318	0	0		7,043
Other liabilities	53,985	-29,480	0	0		24,505
Total	2,219,830	-327,686	0	-3,568		1,888,576

Cash flows for non-current interest-bearing liabilities are included in points IV.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 (€23,248 thousand).

Note 10. Provisions

10.1. Provisions for employee benefits

Provisions for employee benefits	(In thousands of €)
Provisions at 31-12-2017	63,225
Additions	4,005
Use	-4,974
Surpluses	0
Charges associated with the discounts	1,409
Actuarial gains/losses recognised in the results	135
Expected return	-1,037
Actuarial gains/losses recognised in equity	-20,290
Reclassification to assets	15,491
Provisions as at 30-06-2018 of which:	57,964
Non-current provisions	56,247
Current provisions	1,717

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 30.06.2018. The amount is therefore transferred to the assets in the balance sheet under 'other non-current assets' (€26.9 million compared to €11.5 million as at 31.12.2017) and 'other current assets' (€3.0 million compared to €2.9 million as at 31.12.2017). These surpluses are recovered over the duration of the pension plans. By way of reminder, the group had capped recognised assets at €14,398 thousand at the end of 2017 pending any changes to the financing policy. This change made at the end of the first half year allowed the cap of recognised plan assets to be removed as at 30 June 2018.

10.2. Other provisions

Provisions (excluding provisions for employee benefits)	(In thousands of €)		
	Litigation and claims	Environment and site restoration	Total
Provisions at 31-12-2017	2,463	1,809	4,272
Additions	13	0	13
Use	0	-120	-120
Surpluses	0	0	0
Charges associated with the discounts	0	-20	-20
Provisions as at 30-06-2018 of which:	2,476	1,669	4,145
Non-current provisions	2,476	1,467	3,943
Current provisions	0	202	202

The provisions as at 30.06.2018 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 2017 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 (admin services, IT and housing services and the management of cash funds and financing), Interconnector (UK) (inspection and repair services), IZT (IZT lease and installation operation and maintenance services), Dunkirk LNG (IT development and other services), Gaz-Opale (terminalling services), and Balansys (balancing operator).

Significant transactions with related parties as at 30-06-2018					(In thousands of €)
	Parent company	Joint ventures	Associates	Other related parties	Total
I. Assets with related parties	330,943	0	719	6,199	337,861
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	4,505	4,505
2.1. Finance leases	0	0	0	4,505	4,505
3. Trade and other receivables	89	0	719	1,694	2,502
3.1. Clients	89	0	719	692	1,500
3.2. Finance leases	0	0	0	1,002	1,002
3.3. Other receivables	0	0	0	0	0
4. Net variation in cash and cash equivalents	330,854	0	0		330,854
5. Other current assets	0	0	0	0	0
II. Liabilities with related parties	260,017	0	731	59	260,807
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	457	0	731	16	1,204
2.1. Suppliers	392	0	731	16	1,139
2.2. Other payables	65	0	0	0	65
3. Other current liabilities	435	0	0	43	478
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	2,705	0	1,547	1,642	5,894
4. Services received (-)	-619	0	0	0	-619
5. Net financial income	-3,958	0	2	0	-3,956

Significant transactions with related parties as at 31-12-2017					(In thousands of €)
	Parent company	Joint ventures	Associates	Other related parties	Total
I. Assets with related parties	669,999	0	1,040	8,091	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. Net variation in 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
1.4. Other borrowings	263,330	0	0	0	263,330
2. Trade and other payables	364	0	627	16	1,007
2.1. Suppliers	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

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 2018:

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	73,490	73,490	1 & 2
Financial lease receivables	1	4,505	4,505	2
II. Current assets				
Financial lease receivables	1	1,002	1,002	2
Trade and other receivables	1	76,570	76,570	2
Cash investments	1	36,958	36,958	2
Cash and cash equivalents	1	394,495	394,495	2
Total financial instruments – assets		587,020	587,020	
I. Non-current liabilities				
Interest-bearing liabilities	1	1,818,007	1,847,158	2
Other financial liabilities	2	1,717	1,717	2
II. Current liabilities				
Interest-bearing liabilities	1	70,569	70,569	2
Other financial liabilities	2	0	0	2
Trade and other payables	1	90,775	90,775	2
Total financial instruments - liabilities		1,981,068	2,010,219	

The categories correspond to the following financial instruments:

1. Financial assets or financial liabilities at amortised cost.
2. Assets or liabilities at fair value with changes to net results.

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
Fluxys Belgium SA for the half-year ended on 30 June 2018

To the Board of Directors

As part of our mandate as statutory auditor, we report to you on the consolidated interim financial reporting. This consolidated interim financial reporting comprises the consolidated condensed balance sheet as at 30 June 2018, the consolidated condensed income statement, the consolidated condensed summary of comprehensive income, the consolidated condensed statement of changes in equity, and the consolidated condensed statement of cash flows for the half-year then ended, as well as selective Notes 1 to 14.

Report on the consolidated interim financial reporting

We have reviewed the consolidated interim financial reporting of Fluxys Belgium 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 €2,932,271 (000) and the consolidated profit (group share) for the period amounts to €24,356 (000).

The Board of Directors is responsible for the preparation and fair presentation of this consolidated interim financial reporting as per IAS 34 (Interim Financial Reporting) as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial reporting based on our review.

Scope of the review

We conducted our review in accordance with the international standard ISRE 2410 (Review of Interim Financial Information Performed by the Independent Auditor of the Entity). Such a review consists of requesting information, primarily from those responsible for financial and accounting matters, and implementing analytical and other review procedures. It has a considerably smaller scope than an audit performed in accordance with International Standards on Auditing and as such does not allow us to obtain assurance that we have become aware of all significant matters that may be identified in an audit. As a result, we do not express an audit opinion on the consolidated interim financial reporting.

Conclusion

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

Antwerp, 26 September 2018
The statutory auditor

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

3 Definition of indicators

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.

Fluxys Belgium consolidated income statement in thousands of €	30.06.2018	30.06.2017	Notes
Profit/loss from continuing operations	58.936	59.322	2.2
Net depreciation	77.221	79.736	2.2
Net provisions	-1.076	-383	2.2
Impairment losses	0	1.135	2.2
Earnings from associates and joint ventures	0	0	2.2
Dividends from unconsolidated entities	0	0	2.2
EBITDA in thousands of €	135.081	139.810	

Fluxys Belgium consolidated income statement in thousands of €	30.06.2018	30.06.2017	Notes
Profit/loss from continuing operations	58.936	59.322	2.2
Earnings from associates and joint ventures	0	0	2.2
Dividends from unconsolidated entities	0	0	2.2
EBIT in thousands of €	58.936	59.322	

Fluxys Belgium consolidated balance sheet in thousands of €	30.06.2018	31.12.2017	Notes
Non-current interest-bearing liabilities	1.818.007	1.752.654	9
Current interest-bearing liabilities	70.569	467.176	9
Other financing (current)	-7.043	-20.361	9
Other financing (non-current)	-176.624	-157.538	9
Other liabilities (current)	-24.505	-53.985	9
Other liabilities (non-current)	-389.359	-337.304	9
Cash investments (100%)	0	-350.000	2.2
Cash investments (75%)	-27.719	-48.865	2.2
Cash and cash equivalents (75%)	-295.871	-240.430	2.2
Other financial assets (75%)	-53.766	-60.819	2.2
Net financial debt in thousands of €	913.689	950.528	

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

TVA BE 0402.954.628 **RPM** Bruxelles – D/2018/9484/22