Economic Group Eandis

Consolidated Financial Statements IFRS

Year end 31 December 2016

Content
Consolidated Financial Statements

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Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2016	2015
Operating revenue	**4**	**2.788.767**	**2.677.762**
Revenue		2.454.266	2.315.718
Other operating income		65.576	59.116
Own construction, capitalized		268.925	302.928
Operating expenses		**-2.169.960**	**-2.065.689**
Cost of trade goods	5	-1.039.602	-1.025.983
Cost for services and other consumables	6	-324.824	-488.053
Employee benefit expenses	7	-360.996	-368.472
Depreciation, amortization, impairments and changes in provisions	8	-325.901	-333.272
Other operational expenses	9	-46.881	-55.888
Regulated transfers	10	-71.756	205.979
Result from operations		**618.807**	**612.073**
Finance income	11	15.913	27.011
Finance costs	11	-205.922	-211.874
Profit before tax		**428.798**	**427.210**
Income tax expenses	12	-145.906	-142.767
Profit for the period		**282.892**	**284.443**

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2016	2015
Profit for the period		**282.892**	**284.443**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long term employee benefits	23	-5.311	51.003
Deferred tax gains (losses)	12	15.564	-2.929
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**10.253**	**48.074**
Total comprehensive income for the period		**293.145**	**332.518**

Consolidated statement of financial position

(In thousands of EUR)	Notes	31 December 2016	31 December 2015
Non-current assets		**7.902.818**	**7.908.256**
Intangible assets	13	96.776	105.586
Property, plant and equipment	14	7.804.089	7.800.585
Investments in an associate	15	30	11
Other investments	16	832	919
Long term receivables	17	1.091	1.155
Current assets		**1.715.003**	**1.814.932**
Inventories	18	35.295	45.316
Trade and other receivables	19	1.677.000	1.765.960
Cash and cash equivalents	20	2.708	3.656
TOTAL ASSETS		**9.617.821**	**9.723.188**
EQUITY	**21**	**2.063.972**	**1.977.198**
Total equity attributable to owners of the parent		**2.063.879**	**1.976.119**
Capital		1.262.948	1.278.688
Reserves		811.641	759.548
Other components of equity		-641.178	-651.430
Retained earnings		630.468	589.313
Non-controlling interest		**93**	**1.079**
LIABILITIES		**7.553.849**	**7.745.990**
Non-current liabilities		**5.994.950**	**6.027.245**
Interest bearing loans and borrowings	22	5.244.409	5.197.393
Employee benefit liability	23	259.363	331.250
Derivative financial instruments	24	131.067	145.715
Provisions	25	14.936	18.027
Deferred tax liability	12	343.819	334.860
Government grants	26	1.356	0
Current liabilities		**1.558.899**	**1.718.745**
Interest bearing loans and borrowings	22	766.697	963.796
Trade payables and other current liabilities	27	589.936	647.471
Current tax liabilities	28	202.266	107.478
TOTAL EQUITY AND LIABILITIES		**9.617.821**	**9.723.188**

Consolidated statement of changes in equity

(In thousands of EUR)	Share Capital	Reserves	Other compre-hensive income	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total
Balance at 1 January 2015	**2.056.752**	**679.802**	**-699.505**	**570.241**	**2.607.290**	**1.079**	**2.608.369**
Total comprehensive income for the period	0	0	48.075	284.443	**332.518**	0	**332.518**
Share capital decrease	-895.798	0	0	0	**-895.798**	0	**-895.798**
Share capital increase	117.734	0	0	0	**117.734**	0	**117.734**
Addition/decrease reserves	0	79.746	0	-79.746	**0**	0	**0**
Dividends paid	0	0	0	-185.625	**-185.625**	0	**-185.625**
Balance at 31 December 2015	**1.278.688**	**759.548**	**-651.430**	**589.313**	**1.976.119**	**1.079**	**1.977.198**
Total comprehensive income for the period	0	0	10.252	282.892	**293.144**	0	**293.144**
Share capital decrease	0	0	0	0	**0**	-986	**-986**
Repayment of equity	-15.740	-23.928	0	36	**-39.632**	0	**-39.632**
Addition/decrease reserves	0	76.021	0	-76.021	**0**	0	**0**
Dividends paid	0	0	0	-165.752	**-165.752**	0	**-165.752**
Balance at 31 December 2016	**1.262.948**	**811.641**	**-641.178**	**630.468**	**2.063.879**	**93**	**2.063.972**

The above information is disclosed in the notes 'Equity' and as regard to ‘other comprehensive income’ in the notes ‘Income tax expenses’ and 'Employee benefit liabilities'.

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2016	2015
Profit for the period		282.892	284.443
Amortization of intangible assets	8, 13	45.824	44.264
Depreciation on property, plant and equipment	8, 14	282.676	292.841
Change in provisions (Reversal -; Recognition +)	8, 25	-3.091	-2.450
Impairment current assets (Reversal -; Recognition +)	8	492	-1.383
Gains or losses on realization receivables		6.878	11.690
Net finance costs	11	204.657	208.989
Change in fair value of derivative financial instruments	11	-14.648	-24.125
Gains or losses on sale of property, plant and equipment		28.144	40.308
Movement in government grants	26	-1	0
Income tax expense	12	145.906	142.767
Operating cash flow before change in working capital and provisions for employee benefits		**979.729**	**997.344**
Change in inventories	18	10.021	-11.117
Change in trade and other receivables		83.143	486.697
Change in trade payables and other current liabilities		-54.092	80.447
Change in employee benefits		-77.198	-42.821
Net operating cash flow		**-38.126**	**513.206**
Interest paid		-206.959	-211.917
Interest received		711	2.306
Financial discount on debts		476	673
Income tax paid		-26.596	-19.002
Net cash flow from operating activities		**709.235**	**1.282.610**
Proceeds from sale of property, plant and equipment		21.240	3.091
Purchase of intangible assets	13	-37.014	-43.291
Purchase of property, plant and equipment	14	-335.565	-391.201
Acquisition of companies and other investments		-19	0
Proceeds from sale of other investments	16	167	387
Net investments in long term receivables		-135	9
Net cash flow used in investing activities		**-351.326**	**-431.005**
Proceeds from issue of shares	21	0	117.734
Repayment of share capital	21	-40.618	-895.798
Repayment of borrowings	22	-738.558	-516.126
Proceeds from borrowings	22	400.000	400.000
Change in current liabilities	22	186.071	225.238
Transfer of guarantee for allotments		0	-2.285
Dividends paid	21	-165.752	-185.625
Net cash flow from/used in financing activities		**-358.857**	**-856.862**
Net increase/decrease in cash	**20**	**-948**	**-5.257**
Cash and cash equivalents at the beginning of period		**3.656**	**8.913**
Cash and cash equivalents - at end of period		**2.708**	**3.656**

Notes to the consolidated financial statements

Basis of preparation

1. Reporting entity

The consolidated financial statements of the Economic Group Eandis comprise – beside the accounts of the 7 Flemish Distribution System Operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas – the accounts of the subsidiaries being the operating company Eandis System Operator cvba, and its subsidiaries. The aggregated accounts taken together form the ‘Economic Group’.
The DSOs are being managed centrally by their operating company Eandis System Operator.

The statutory aim of the DSOs is the distribution system operation as understood by the Flemish Energy Decree and their execution resolutions, as well as carrying out each peripheral activity, such as public lighting and generating electricity from cogeneration.
The main activities are subject to the regulation by the Flemish Regulator of Electricity and Gas (VREG). For more information, see chapter ‘Operating in a regulated environment’.
The Group can also carry out other activities such as energy services to local authorities (ESLA). At the request of the local public authorities (municipalities, cities, …) Eandis System Operatoroffers support at cost price aiming at planning and implementing efficient measures and projects for energy saving and energy efficiency.
The activity for the development, construction and operation of district heating grids and the delivery of heat was added to the portfolio of services.

The DSOs are mission charged associations according to the provisions of the Flemish Decree on Intermunicipal Cooperation (6 July 2001, 25 April 2014 and 13 May 2016).

All companies of the Group are registered in Belgium.

In October 2011, Eandis obtained an A1 rating (negative outlook) from the rating agency ‘Moody's Investors Service Ltd.' (Moody's). On 14 December 2016 this rating was downgraded to A3 with a stable outlook as a result of the non-execution of the merger of the seven DSOs in Eandis Assets and the discontinuation of the process to attract a private partner for this merged company. Despite the downgrade, Eandis remains a solid issuer with a rating that aligns with the rating of many of its European peers. See also the press releases of Eandis dated 14 December 2016 and 3 October 2016 on www.eandis.be.
On 18 January 2017, Eandis obtained a second rating. The German credit rating agency Creditreform Rating AG granted Eandis an A+ rating with stable outlook. See also press release on www.eandis.be.

Eandis System Operator cvba operates in 229 cities and municipalities in the Flemish Region (Belgium) but also in 4 municipalities of the Walloon region. The Group employed on average 4.210 persons during 2016.

This financial report for the financial year ended 31 December 2016 has been established by the Management Committee on 13 March 2017 .

2. Summary of significant accounting policies

2.1. Statement of compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB) and endorsed by the European Union. The Group has not early adopted any new IFRS standard that is effective after 2016.

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

2.2 Principles of consolidation

The consolidated financial statements comprise all subsidiaries over which the Group has control. There is control when the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Such a form of control exists when the companies, directly or indirectly, hold more than half of the voting rights in the entity. The existence and impact of potential voting rights that were exercisable or convertible at that time, are being taken into consideration when judging whether the Group has the control to determine the financial and operating policies of another entity.

Subsidiaries have been fully consolidated as of the date on which the Group gained actual control until the date the Group no longer exercises such control.

The financial reporting of the subsidiaries is prepared for the same reporting year as that of the parent companies, using consistent accounting principles. All intercompany transactions, balances and unrealized gains and losses between group companies have been eliminated.

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

A list of the subsidiaries of the Group is set out in note ‘List of group entities included in the consolidation’.

2.3 Significant accounting policies

The applied accounting policies are consistently applied with last year’s accounting principles.

a) Operating income

Goods sold and services rendered

Revenue from sale of goods has been recognized when all of the following conditions have been satisfied: the Group transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither the continuing managerial involvement nor effective control over the goods sold; the amount of revenue can be determined reliably; it is probable that the economic benefits associated with the transaction will flow to the Group; and costs incurred or to be incurred in respect of the transaction can be measured reliably.

On the basis of the previously mentioned principles the sale of goods and the rendering of services have been recognized at the moment of delivery of the goods to the customer, of the customer accepting the goods and of the collectability of the related amounts.

Distribution network remuneration (energy transport) – Social function (energy supply)
The distribution grid revenue (grid fee) is based on the actual billing of the grid fee of the DSOs in the relevant year.
The billing of grid fee to energy suppliers and other DSOs is based on the approved tariffs that are published on the websites of the respective DSOs. The real grid fee invoice contains invoiced advances (for customers whose meter is recorded annually), settlement billing (from annually recorded, manual monthly recorded and remotely read access points) as well as rectification invoices recorded in the calendar year concerned.

Interest income is recorded as soon as acquired and for the period to which it relates (taking into account the asset's actual interest rate), unless there is doubt about its collectability.

Dividends received are recognized in the income statement at the moment they are granted.

Government grants are recognized in the balance sheet as soon as it is reasonably certain that the grant will be received and that all of the conditions attached to it will be complied with.
Grants related to an asset are included in Government grants and will be recognized in the income statement on a systematic basis over the expected useful life of the related asset.
Grants related to expenses are presented in the income statement as Other operating income in the same period in which the costs are included.

b) Expenses

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

The *taxes on profit or loss* for the financial year include the current and deferred taxes. The tax on profit of the year is recorded in the profit and loss accounts unless they relate to transactions that were directly recorded in equity. In this case, the taxes are directly charged to equity.
The current tax expenses are the expected current taxes payable on the taxable income for the year, based on tax rates in effect at the balance sheet date and any adjustment to current taxes payable from previous years. For the calculation of the income tax on the taxable income for the year, the current tax rate (that has been enacted or substantively enacted by the end of the reporting period) is used.
Deferred taxes are recognized for temporary differences between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes.

Until the end of 2014 the DSOs are only subject to legal entity tax on the portion of the dividend granted to the private partner/participant (Electrabel N.V.). As from 2015 onwards, the DSOs will have to pay corporate tax, as well as Eandis System Operator and its subsidiaries.

c) Intangible assets

Intangible assets are measured at cost less any accumulated amortizations and possible impairment losses.

Costs relating to research, which is carried out with the purpose of obtaining new technical knowledge and insights, are recognized in the income statement in the period in which they occur.
Costs relating to the development phase, in which knowledge obtained through research is applied in order to achieve a plan or design for the production of new or significantly improved products and processes, are included in the balance sheet if and only if the product or process was technically and commercially feasible, the entity has the necessary resources to complete the development, it is probable that future economic benefits will flow into the Group and the cost can be measured reliably. The capitalised amount includes all costs that are directly attributable to the creation, production, and the preparation of the asset, so that it could operate in the same manner as intended by the management.

Until 2014, amortization is recognized in profit or loss on a straight-line basis as of the date of bringing the asset into use and over the estimated useful life of each component of an item of intangible assets.
As from 2015 the DSOs are subject to corporate income tax and the amortization is calculated, in accordance with the tax rules, on a pro rata temporis basis during the year in which the asset is brought into use. This means that amortization starts in the month after the month during which the asset is brought into use.
Another amortization method is only used if the expected pattern of consumption of the future economic benefits of the asset is better reflected.
Intangible assets are not revalued.
When the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The following amortization percentages are used in the calculation of depreciation:

Software	20,00 %
Cost for smart projects, clearing house and district heating	20,00 %

d) Property, plant and equipment

Property, plant and equipment are measured at historical cost less third party contributions, the accumulated depreciations and impairment losses. The historical cost comprises the initial purchase price plus other directly attributable costs.
The cost price of assets of own-production comprises the cost of material, direct labour cost and a reasonable part of indirect labour costs. These indirect labour costs comprise that part of general administrative and operational costs that cannot be directly attributed to investment expenses. These costs (for the largest part personnel costs) are added to the cost price of investment projects according to the internal billing system.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item can be depreciated separately.

The Group recognizes the cost of an expansion or replacement part of such asset when these costs have been incurred if it is probable that the future economic benefits associated to that asset will flow to the Group and the asset’s cost can be measured reliably. All other costs are expensed as incurred.

As from 2015 the costs of the networks not yet completed are classified as ‘Assets under construction’. The investments reported are not depreciated.

Until 2014, depreciation is recognized in profit or loss on a straight-line basis as of the date of bringing into use and over the estimated useful life of each component of an item of property, plant and equipment.

As from 2015 the DSOs are subject to corporate income tax and the depreciation is calculated, in accordance with the tax rules, on a pro rata temporis basis during the year in which the asset is brought into use. This means that depreciation starts in the month after the month during which the asset is brought into use.
Land is not depreciated. The applied depreciation percentages on the basis of the average useful life are as follows.

Construction and administrative buildings *	2,00 %
Networks and lines	2,00 %
Other distribution installations	3,00 %
Service pipes for heating	3,00 %
Technical installations buildings*	4,00 %
Heat stations, cathodic protection (heating)	5,00 %
Issuing station (heating)	6,67 %
Recycled equipment	6,67 %
Optical fibre	10,00 %
Electronic metering equipment	10,00 %
Office furniture and tools	10,00 %
Leasehold improvements*	10,00 %
Leasehold improvements – rented buildings*	11,12 %
Vehicles	20,00 %
Electronics in administrative buildings	20,00 %
Hardware	33,33 %
Test equipment EVA (Electric vehicles in action)	50,00 %

* The depreciation rates indicated with an asterisk were used from fiscal year 2014 for the newly acquired investments

In the opening balance sheet as per 1 January 2007 the Belgian GAAP carrying amount, as accepted by the CREG (Commissie voor de Regulering van de Elektriciteit en het Gas), was taken as the opening value for IFRS.

Repair and maintenance costs that do not increase the future economic benefits, are recognized in the income statement as incurred.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is at its location and in the condition necessary for it to function in the manner intended by management.

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

Leasing
Lease of assets under which all the risks and rewards incidental to ownership are substantially retained by the lessor, are classified as operating lease.
Lease payments based on operating leases are expensed on a straight-line basis, unless another systematic method is more representative of the time pattern of the benefits for the user.

Impairment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset’s recoverable amount.

Impairment has been recognized if an asset's carrying amount exceeds the recoverable value. Impairment is charged directly to the income statement.

e) Investments

All investments are accounted for at trade date.

Investments in equity instruments consist of interests in entities in which the Group does not have significant influence or control. This is the case in companies where the Group has less than 20% of the voting rights. Such investments are designated as financial assets available for sale and are at initial recognition measured at fair value unless the fair value cannot be reliably determined in which case they are measured at cost.

An impairment is recognized if the carrying amount exceeds the expected realizable value.

f) Inventories

Inventories have been measured at purchase cost. Their value has been determined using the moving weighted average method.
An impairment is carried out on inventories if, due to their obsolescence, they are no longer usable or if their carrying amount exceeds the estimated sales price. If items of inventory have not been used for more than one year, an impairment of 100 % is recorded.
This impairment loss is recognized as an expense in the income statement.

g) Trade and other receivables

Trade and other receivables are measured at amortized cost.

An allowance for doubtful debt is recognized if the collection of the receivable becomes doubtful and after comparison with the realizable value.
In the case of a bankruptcy or judicial reorganization the receivable is immediately impaired and the value added tax recovered, on the basis of a certificate obtained from the curator or a publication of the closing of the bankruptcy in the annex to the Belgian Official Gazette.
In the framework of the full liberalization of the energy market in Flanders as per 1 July 2003, an impairment loss was recognized for the total amount including VAT of all receivables as per 31 December 2003, older than 6 months. These provisions have been reversed in view of the collection of these receivables or they have been used whenever these receivables have been written off.
The receivable of the work carried out and delivered services, with the exception of, on the one hand, the damages handled by the legal department and, on the other hand, the receivables from the affiliated municipalities, which are overdue for more than 6 months are recognized as doubtful and therefore impaired at 100% (excluding VAT).
A provision for bad debt related to receivables from energy supplies by the Distribution System Operators is calculated and recorded on the basis of the average collection degree stemming from statistical data of the payment history that was kept since the liberalisation of the energy market for the main client categories.
Receivables are permanently impaired (written off) using the provision for bad debts that was set up for this purpose as soon as certificates, provided by bailiffs, lawyers or debt collection agencies can demonstrate that there is no recoverability possible.
Also when it can be revealed that the revenue associated with a possible recovery does not compensate (i.e. not economically justifies) the costs for this recovery, the receivable is completely impaired using the provision which was set up for this purpose.

h) Cash and cash equivalents

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

i) Share capital

Up to the beginning of 2015, the share capital is represented by certificates C, shares A, C, D without nominal value and F and the shares/certificates E" and E. Together with the shares/certificates C, they are entitled to a dividend.
The shares A, C, D and F had voting rights; the certificates C, the shares/certificates E" and E did not have voting rights.
The profit is paid proportionally to the shares A or C and the certificates C after setting up the necessary reserves and after paying the remuneration for the F shares and the shares/certificates E" and E according to the reimbursement rate stipulated in the articles of association.

During 2015 the shares F and the shares/certificates E" and E were converted to shares A.
The shares A and C are entitled to a dividend.
The shares A and C have voting rights, the certificates C have no voting rights. The shares D have voting rights, but have no representation in the share capital.

Dividends are recognized as a liability in the period in which they have been approved.

If there are components of the results that are the consequence of elements originating in the captive period (before 1 July 2003) and that would have affected the outcome of the relevant period, then this part of the result is assigned to the participants according to the terms as were applicable with respect to the distribution of net profit realized in the years preceding the first effects of liberalization.

j) Loans and borrowings

Interest bearing loans are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost, in which any difference between the proceeds and the reimbursement is charged to the income statement using the effective interest method over the maturity of the loans.

k) Employee benefit liability

Pension plans and other post-employment benefits

The contributions for defined contribution plans have been recognized as an expense at the moment when incurred.
Up to 2015 these kinds of pension plans were valued by using the intrinsic value and any individual difference between the mathematical reserve and the minimum guaranteed amount was recorded as a liability in the financial statements.
The law was amended on 18 December 2015 and from 1 January 2016 the guaranteed yield was changed to a variable yield (see note 'Pensions and other post-employment benefit plans'). Hence, the provision for defined contribution pension plans is valued as from 2016 according to the 'Projected Unit Credit'-method (PUC) without projection of the future premiums. The amount recognized in the balance sheet is the difference between this provision and the fair value of plan assets.

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

Remeasurements comprise actuarial gains and losses, and the return on plan assets (excluding interest) which is reflected in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.
Past service costs are recognized in profit or loss in the period of a plan amendment.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.
The amounts recognized in the income statement comprise service costs (including current service costs, past service costs, gains and losses on other long-term employee benefits as well as curtailments and settlements), net interest expense or income and remeasurement.
The Group presents the first two components of the defined benefit costs in profit or loss on the line item 'Employee benefit expenses' and 'Other financial results'.

Other long-term employee benefits contain provisions for retirement and jubilee bonuses.
These benefits are treated in the same manner as pension plans; however, past service costs and actuarial gains and losses have immediately been recognized in the income statement.

All pension liabilities are annually valued by a qualified actuary.

l) Derivative financial instruments

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

m) Provisions, other

Provisions are recognized in the balance sheet when the Group has a present (legal or constructive) obligation as a result of a past event, and when it is probable that an outflow of financial resources will be required to settle the obligation and the obligation's amount can be reliably estimated.
The amount recognized as provision is the best available estimate on the balance sheet date for the expenses needed to meet the existing liabilities, possibly discounted if the money's time value is relevant.

n) Trade and other liabilities

Trade and other liabilities have been measured at amortized cost.

o) Income tax expense

Current tax assets and liabilities are offset only if the entity has a legally enforceable right to set off the recognized amounts and has the intention to either settle the obligation on a net basis, or to realize the asset and settle the liability simultaneously.

The deferred tax assets and liabilities reflect the deductible or taxable temporary differences between the carrying amounts and the tax values.
The deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the claim will be realized or the obligation will be met, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.
The deferred tax assets are recorded when it is probable that taxable profits will be realized to settle the deferred tax.

2.4 Summary of the new accounting standards applicable as from 2016

The following standards and interpretations are applicable for the accounting period beginning on 1 January 2016. Although these new standards and amendments are applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group.
As required, these standards and changes are detailed below.

- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities*: Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IFRS 11 *Joint Arrangements* – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 1 *Presentation of Financial Statements* – Disclosure Initiative, effective 1 January 2016
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* – Bearer Plants, effective 1 January 2016
- Amendments to IAS 19 *Employee Benefits* – Defined Benefit Plans: Employee Contributions, effective 1 February 2015
- Amendments to IAS 27 *Separate Financial Statements* – Equity Method in Separate Financial Statements, effective 1 January 2016
- Annual Improvements to IFRSs 2010-2012 Cycle (issued December 2013), effective 1 February 2015
- Annual Improvements to IFRSs 2012-2014 Cycle (issued September 2014), effective 1 January 2016

2.5 Use of estimates and judgments

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

Defined benefit plans and other long term employee benefits

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

The major assumptions and a sensitivity analysis are disclosed in the note 'Pensions and other post-employment benefit plans'.

Derivative financial instruments
Information about major items of uncertainty and critical judgment with regard to the recording of the derivative financial instruments is included in the note 'Financial instruments: risks and fair value'.

2.6 Standards issued but not yet effective

The following standards and interpretations were published, but were not yet applicable for the annual period beginning on 1 January 2016.

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

- IFRS 9 *Financial Instruments*, effective 1 January 2018
  This standard was issued in the framework of a wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.
- IFRS 15 *Revenue from Contracts with Customers*, including amendments to IFRS 15: *Effective date of IFRS 15 and Clarifications* to IFRS 15 (the Clarification to IFRS 15 is not yet endorsed by the EU), effective 1 January 2018
  IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS.
  The Group has not yet made a definitive choice on the application methodology and is currently assessing the possible impact on its financial statements resulting from the application of IFRS 15. At the moment the impact cannot reasonably be calculated. Further qualitative disclosures will be included in the 2017 reporting.
- Amendments to IFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018
- Amendments to IFRS 4 *Insurance Contracts* – Applying IFRS 9 *Financial instruments* with IFRS 4, effective 1 January 2018
- IFRS 16 *Lease*, effective 1 January 2019
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize

the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

- Amendments to IAS 7 *Statement of Cash Flows* – Disclosure Initiative, effective 1 January 2017
- Amendments to IAS 12 *Income Taxes* – Recognition of Deferred Tax Assets for Unrealized Losses, effective 1 January 2017
- Amendments to IAS 40 *Investment Property* – Transfers of Investment Property, effective 1 January 2018
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle (issued December 2016), effective 1 January 2017 and 1 January 2018

The Group will apply the new standards and interpretations applicable to its financial statements as soon as they become effective. The Group has not opted for early application of these standards and interpretations.
The adoption of these standards, interpretations and amendments to the standards already issued and their impact on the Group's results are currently being assessed.

Segment information

3. Segment information

The Management Committee, responsible for the day-to-day management and the operational functioning of Eandis System Operator (ESO), its subsidiaries and the seven Flemish Distribution System Operators, reviews the financial data on the basis of a reporting in accordance with Belgian accounting standards.
This reporting is presented for the DSOs per energy component electricity and gas, as this is the best reflection of the nature and the financial profile of the activities. This segmentation also reflects the framework within which should be reported to the regulator VREG and also forms the basis for the calculation of the distribution network tariffs for the electricity and gas activities. As a result, they are distinguished from each other and each has its own cost drivers, specificities and risks. The DSOs also report a segment 'Other' in which the non-regulated activities are included such as the activities which took place before the liberalisation of the energy market (2003); the activities for the energy services for local authorities (ESLA), the district heating activity and other smaller activities.
The seven DSOs are organized by region and each applies separate network tariffs. The information per legal entity can be consulted, for the individual financial statements of the DSOs, at the Central Balance Sheet Office of the National Bank of Belgium.
The activities of the operating company Eandis System Operator and its subsidiaries are reported separately and on a consolidated basis. However, no segmentation per energy component is reported. All costs of these companies are recharged at cost price to mainly the seven DSOs where a breakdown by activity is performed based on an allocation system. Therefore the financial results of the operating companies (ESO group) are always 'null'.

In accordance with IFRS8, the Group reported at 31 December 2016 the following financial segmented information on the basis of the Belgian GAAP.

Statement of profit or loss

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Eandis System Operator, consolidated	Aggre-gated total
Turnover	1.907.275	450.033	45.002	1.053.040	3.455.350
Other income	69.099	26.823	-19.055	94.165	171.031
Operating costs	1.640.625	284.085	27.470	1.133.535	3.085.716
Operating profit (loss)	**335.748**	**192.771**	**-1.523**	**13.670**	**540.666**
Financial income	599	148	123	109.107	109.977
Financial costs	131.033	64.412	-13	113.584	309.016
Profit (loss) of the period before taxes	**205.314**	**128.506**	**-1.387**	**9.193**	**341.627**
Income taxes	70.074	42.812	-695	9.193	121.384
Profit for the period	**135.240**	**85.694**	**-692**	**0**	**220.243**

Statement of financial position

(In thousands of EUR) - Belgian GAAP	Electricity	Gas	Other	Eandis System Operator, consolidated	Aggregated total
Tangible fixed assets	4.789.201	3.100.640	7.941	3.083	7.900.865
Financial fixed assets	642	365	0	1.252	2.259
FIXED ASSETS	**4.789.843**	**3.101.005**	**7.941**	**4.336**	**7.903.124**
Amounts receivable after more than one year	0	0	700	3.270.500	3.271.200
Stocks and contracts in progress	40.672	258	8.217	35.295	84.442
Amounts receivable within one year	860.020	64.222	12.316	737.261	1.673.819
Cash at bank and in hand	46	0	0	9.405	9.451
Deferred charges and accrued income	891.050	131.052	5	295.592	1.317.699
CURRENT ASSETS	**1.791.787**	**195.532**	**21.238**	**4.348.053**	**6.356.611**
Total Assets	**6.581.630**	**3.296.537**	**29.179**	**4.352.389**	**14.259.735**
Capital	770.323	492.625	0	915	1.263.863
Equity premium	0	0	0	68	68
Revaluation surplus	481.630	303.482	0	0	785.112
Reserves	480.772	309.911	20.958	4	811.644
Retained earnings and profit of the period	22.950	11.137	33.848	20	67.955
Government grants	0	0	895	0	895
EQUITY	**1.755.674**	**1.117.156**	**55.701**	**1.007**	**2.929.538**
MINORITY INTEREST	**0**	**0**	**0**	**93**	**93**
PROVISIONS FOR LIABILITIES AND CHARGES	**5.633**	**12.035**	**461**	**259.363**	**277.491**
Amounts payable after more than one year	3.582.470	1.685.287	0	3.247.152	8.514.909
Amounts payable within one year	1.002.233	322.446	-32.274	799.473	2.091.878
Accrued charges and deferred income	235.620	159.613	5.292	45.302	445.826
AMOUNS PAYABLE	**4.820.323**	**2.167.346**	**-26.983**	**4.091.926**	**11.052.613**
Total Liabilities	**6.581.630**	**3.296.537**	**29.179**	**4.352.389**	**14.259.735**

The reconciliation of the financial data mentioned above based on Belgian GAAP to IFRS

(In thousands of EUR) - Belgian GAAP	Aggregated total	IFRS	Difference
Turnover	3.455.350	2.454.266	1.001.084
Profit (loss) of the period before taxes	341.627	428.798	-87.171
Total assets	14.259.735	9.617.821	4.641.914
Total liabilities	14.259.735	9.617.821	4.641.914
Equity	2.929.538	2.063.972	-865.566

These differences can be explained as the result of:

- The elimination of all the transactions and balances between the members of the Economic Group Eandis as a result of the consolidation
- Reclassifications and adjustments/netting off
- The employee benefit liability is processed in the IFRS result
- The BE-GAAP deferred pension capitals is fully included in IFRS
- Adjustments for the provisions that do not meet the IFRS criteria are included, as well as adaptations to existing provisions
- The derivative financial instruments are recorded at fair value and an adjustment is recorded for the accrued interest
- Deferred taxes are recorded.

The two largest customers for the segment electricity together represent 60% of the turnover and the three largest customers of the segment for gas together represent 63% of the turnover.

Performance of the year

4. Operating revenue

Revenue

(In thousands of EUR)	2016	2015
Distribution and transport grid revenue	2.319.115	2.182.494
Sale of energy	74.175	72.579
Construction works for third parties	60.976	60.645
Total	**2.454.266**	**2.315.718**

The Group has realized most of its revenue from the remuneration of the distribution and transport of electricity and gas via its networks. This revenue should be evaluated together with the regulatory transfers. The increase in distribution and transmission grid fee is due to the new tariff methodology of the VREG, which was applied as from 1 January 2015 and the additional adjustments to these tariffs during the year (see chapter 'Working in a regulated environment').
The sale of energy consists of the energy supplies to individuals who do not find an energy supplier on the market due to payment problems.
Sale of energy is mainly the delivery of energy to persons who experience payment difficulties and to whom commercial suppliers in the market do not supply energy.
The billing of construction works for third parties comprises the construction works carried out by Eandis System Operator (possibly in synergy with other utilities) for the account of customers.

Other operating income

(In thousands of EUR)	2016	2015
Recuperations	41.648	44.170
Other	23.928	14.946
Other operating income	**65.576**	**59.116**
Own construction, capitalized	**268.925**	**302.928**

The recuperations relate to billings for work performed for customers, the reinvoicing of costs for RUE campaigns and the recovery of general expenses by contractors, insurance and other authorities.
The other operating income mainly comprises allowances for damages and operations, gains on trade receivables (196 k EUR in 2016 and 207 k EUR in 2015) and gains on the sale of property, plant and equipment (9.948 k EUR in 2016 and 2.189 k EUR in 2015).

All costs related to distribution activities have been registered as operational costs. Periodically, a settlement has been recorded and certain costs related to investments have been activated through the item Own construction, capitalized. As a result, this revenue cannot be considered as an operating income.

This item also contains the contributions received from customers (97.618 k EUR for 2016 and 103.275 k EUR for 2015) which are also deducted as own construction, capitalized (-97.618 k EUR for 2016 and -103.275 k EUR for 2015).

5. Cost of trade goods

(In thousands of EUR)	2016	2015
Cost for transportation	475.044	455.715
Purchase of energy	30.316	30.030
Purchase of goods for resale	88.842	79.785
Purchase of grid losses	20.212	16.859
Certificates for green energy	425.188	443.594
Total	**1.039.602**	**1.025.983**

Apart from the transmission cost of electricity invoiced by the Transmission System Operator (TSO – Elia) the cost for transportation contains the costs of the federal contribution for an amount of € 71,067 million in 2016 and € 61,2 million in 2015. This contribution is used to finance certain public service obligations, the obligations for denuclearization, the reduction of emissions of greenhouse gases (Kyoto) and the costs relating to the regulation and control of the energy market. The DSOs recharge these costs in their tariffs to the end users, through the suppliers i.e. in a cascade mechanism (see note 'Operating revenue').

The Group has the obligation to buy certificates for green energy that were offered by producers of renewable energy at a certain price. These certificates can be sold by the DSOs in an active market. The value of the certificates sold is lower than the purchase price. The resulting costs were included under the heading 'Certificates for green energy' but also the revaluation cost to the fair value and the solidarity contribution on the certificates for green energy (see note 'Trade and other receivables ').

6. Cost for services and other consumables

(In thousands of EUR)	2016	2015
Cost of purchase network grids	72.629	71.120
Cost for direct purchases	28.727	30.113
Fee for usage of installations	49.780	45.117
Advertising, information, documentation, receptions a.o.	7.724	9.320
Subsidy for rational use of energy (RUE)	72.595	72.820
Contribution 100 kWh free of charge	-3.340	150.214
Contracts and administration costs	8.121	1.582
Consultancy and other services	42.373	56.394
Other	46.215	51.373
Total	**324.824**	**488.053**

The cost for services and other consumables decreased with 163.229 k EUR compared to 2015.

This decrease is mainly due the contribution for 100 kWh free of charge (- 153.554 k EUR). This measure for free electricity was abolished from 1 January 2016. All related costs to this measurement were included in 2015 and in 2016 the settlement with the energy suppliers was recorded (see note 'Working in a regulated environment ').

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

7. Employee benefit expenses

(In thousands of EUR)	2016	2015
Remunerations	257.575	258.746
Social security contributions	70.644	71.752
Contributions to defined benefit plans and other insurances	14.850	21.666
Other personnel costs	17.927	16.308
Total	**360.996**	**368.472**

The employee benefit expenses amounted to 360.996 k EUR in 2016, a decrease of 7.476 k EUR compared to 2015, mainly as a result of the decrease in the contribution for pension plans and insurances.

The average number of employees amounted to 4.210 persons in 2016 and 4.480 persons in 2015.

8. Amortization, depreciation, impairments and changes in provisions

(In thousands of EUR)	2016	2015
Amortization of intangible assets	45.824	44.264
Depreciation of property, plant and equipment	282.676	292.841
Total amortization and depreciation	**328.500**	**337.105**
Impairment of inventories and trade receivables	492	-1.383
Changes in provisions	-3.091	-2.450
Total	**325.901**	**333.272**

The amortization and depreciation amount to 328.500 k EUR at the end of 2016, a decrease of 8.605 k EUR in comparison to 2015. This decrease is mainly a result of the increase of assets, recorded as in construction, on which no depreciation is calculated.

From 2015 onwards, the calculation of the provision for doubtful debts takes into account the principles of the Belgian fiscal rules and hence it is based on statistical data obtained from the payment pattern of this category of clients (social suppliers) as from the liberalisation of the energy market.

The change in provisions mainly concerns the provision for restoration costs which amounted to 2.752 k EUR in 2016 and 2.192 k EUR in 2015 (see note 'Provisions, other'). The decrease of the provisions was due to the use (restoration and sale of land) and more specific elements which could reduce the provision of the restoration cost.

9. Other operational expenses

(In thousands of EUR)	2016	2015
Loss on disposal/retirement of property, plant and equipment	38.092	42.506
Loss on realization receivables	7.078	11.897
Other	1.711	1.485
Total	**46.881**	**55.888**

10. Regulated balances and transfers

Since 2011 the Group reports the additions, recoveries and regularisation for transfers in this separate section as ‘Operating expenses’, where previously they were reported as ‘Revenue'.
The Group believes that the balance between actual income and expenses and the budgeted income and expenses is not part of revenue, since the recovery through tariffs will occur in a subsequent period.

The regulated balances and transfers for 2016 and 2015 are as follows:

(In thousands of EUR)	2016	2015
Recuperation regulated transfers	134.602	53.726
Addition regulated balances	-62.846	-259.705
Total	**71.756**	**-205.979**

The revenue of the items ‘Addition and recuperation transfers’ relate to the additional revenue registration that is allowed as the difference between the actual income and expenses and the budgeted income and expenses as approved by the regulator. The result thus additionally reported will be recuperated through the tariffs of the following years (see note ‘Operating in a regulated environment’).

The additions of 2016 concern the regulatory balances and consist of 27.058 k EUR exogenous expenses that can be incorporated in the future tariffs, and 35.478 k EUR non-exogenous costs (volume differences) and the federal contribution payable amounting to 7.174 k EUR as well as the balances for the Walloon municipalities (under the supervision of the Walloon regulator CWAPE). The additions of 2015 relate to the regulatory transfers and consist of 218.001 k EUR exogenous expenses that may be charged to future tariffs and 41.704 k EUR non-exogenous costs (volume differences).

11. Financial results

(In thousands of EUR)	2016	2015
Interest income, banks	2	104
Interest income, derivative financial instruments	14.648	24.125
Other financial income	1.263	2.782
Finance income	**15.913**	**27.011**
Interest expenses, non-current loans	-192.876	-200.922
Interest expenses, current loans and other borrowings	-4.596	-2.362
Other financial expenses	-8.450	-8.590
Finance costs	**-205.922**	**-211.874**

Financial income decreases with 11.098 k EUR due to the fair value adjustment of the derivative financial instruments.
The other financial income contains mainly interest received as the capital cost allowance for the unsold stock of green energy certificates, financial discounts received and income from the sale of ‘other investments’.

The interest expenses on non-current and current loans and borrowings decrease with 5.812 k EUR in comparison to 2015 as a result of lower interest rates on the financial markets resulting in refinancing at lower interest rates.
The other financial expenses amount to 8.514 k EUR and contain the interest cost on the defined benefit pension plans incurred issuance costs for loans and various bank costs.

12. Income taxes

(In thousands of EUR)	2016	2015
Current income tax expenses	-124.271	-122.605
Current income tax expenses on previous year result	2.888	-15
Tax increases	0	-739
Deferred income tax benefits (+)/expenses	-24.523	-19.408
Total tax expenses	**-145.906**	**-142.767**

Current income tax expense on the result

Based on the Programme Act of 19 December 2014, the DSOs are subject to the corporate income tax of 33,99 % as from accounting year 2015.

(In thousands of EUR)	**2016**	**2015**
Profit before tax	341.627	336.708
Theoretical tax rate (1)	-116.119	-114.447
Effect non deductable expenses	-13.628	-19.871
Effect deductable expenses	5.476	11.713
Total income tax expenses	**-124.271**	**-122.605**

(1) Subject to the legal Belgian tax rate of 33,99 %

Deferred taxes

Since the aforementioned law was ratified in 2014, deferred taxes for temporary differences were calculated between the tax values of assets and liabilities and the carrying amounts for financial reporting purposes, in accordance with the application of IAS12 income tax.

During 2016 a ruling for the DSOs was requested from the Federal Public Service Finance to obtain its decision on the correct fiscal treatment of, amongst others, the revaluation of fixed assets, the notional interest deduction and the impairment losses of trade receivables.
Concerning the impairment losses of trade receivables, the deduction of the recorded provision for doubtful debts as at 31 December 2014 as deductible costs in the income tax declaration of the tax years 2016 up to 2019 was requested. It is based on the principle, as defined in the aforementioned Programme Act and amended on 10 August, 2015, article 92, 4° that the provision for impairment losses, that are recorded during the period the company was subject to legal entity tax, is deductible as a professional cost to the extent that the conditions laid down in article 49 of the Code of the Income Tax of 1992 are fulfilled.
The total amount of impairment amounted to 77.109 k EUR at 31 December 2014 and was processed for the first time at 25,00 % in the tax assessment of the year 2016.
The ruling will be applicable until the year 2020.

The deferred taxes are a result of the following items and trigger the following movements on the balance sheet, the income statement and equity:

(In thousands of EUR)	**2016**	**2015**
Property, plant & equipment	-544.292	-558.704
Derivative financial instruments	44.384	49.364
Employee benefit liabilities	140.545	170.692
Provisions, restoration	986	1.617
Provisions, other	1.914	2.171
Impairment on trade receivables	13.105	0
Government grants	-461	0
Net deferred tax asset/(liability)	**-343.819**	**-334.860**

(In thousands of EUR)	2016 Movements via P&L	2016 Movements via OCI	2015 Movements via P&L	2015 Movements via OCI
Property, plant & equipment	0	14.412	0	13.753
Derivative financial instruments	-4.980	0	-8.215	0
Employee benefit liabilities	-31.299	1.152	-15.515	-16.682
Provisions, restoration	-631	0	-159	0
Provisions, other	-257	0	4.482	0
Impairment on trade receivables	13.105	0	0	0
Government grants	-461	0	0	0
Deferred tax benefit/(expense)	**-24.523**	**15.564**	**-19.408**	**-2.929**
Net movement during the year	**-8.959**		**-22.337**	

The main temporary differences relate to the revaluation of property, plant & equipment and the provisions for pensions and other post-employment benefits. A deferred tax liability was recorded of 544.292 k EUR (558.704 k EUR in 2015) related to the revaluation of property, plant & equipment since, according to the Belgian tax law, the costs are not deductible. Concerning the pension and other post-employment benefit provision, the costs will be deductible according to the Belgian tax law, and therefore a deferred tax asset was recorded of 140.515 k EUR (170.692 k EUR in 2015).

(In thousands of EUR)	2016	2015
Deferred tax asset	200.934	223.844
Deferred tax liability	-544.753	-558.704
Deferred tax liability, net	**-343.819**	**-334.860**

The movements in the item deferred tax liability are as follows:

(In thousands of EUR)	2016	2015
Total at 1 January	**-334.860**	**-312.523**
Tax income/(expense) recognized in profit or loss	-24.523	-19.408
Tax income/(expense) recognized in OCI of the previous periods	15.564	-2.929
Total at 31 December	**-343.819**	**-334.860**

Assets

13. Intangible assets

(In thousands of EUR)	Licences and similar rights	Research costs	Total
Acquisition value at 1 January 2016	4.745	273.485	278.230
Acquisitions	4	37.010	37.014
Acquisition value at 31 December 2016	**4.749**	**310.495**	**315.244**
Amortization and impairment at 1 January 201	3.540	169.104	172.644
Amortization	428	45.396	45.824
Amortization and impairment at 31 December 2016	**3.968**	**214.500**	**218.468**
Net book value at 31 December 2016	**781**	**95.995**	**96.776**

(In thousands of EUR)	Licences and similar rights	Research costs	Total
Acquisition value at 1 January 2015	19.958	230.527	250.485
Acquisitions	333	42.958	43.291
Other	-15.546	0	-15.546
Acquisition value at 31 December 2015	**4.745**	**273.485**	**278.230**
Amortization and impairment at 1 January 2015	18.608	125.318	143.926
Amortization	478	43.786	44.264
Other	-15.546	0	-15.546
Amortization and impairment at 31 December 2015	**3.540**	**169.104**	**172.644**
Net book value at 31 December 2015	**1.205**	**104.381**	**105.586**

The investments for the projects smart metering, smart grids, smart users (as from 2012) and district heating (as from 2014) are recorded as ‘Development costs’. The acquisitions for the project smart metering amounted to 5.780 k EUR for 2016 and 9.97 k EUR for 2015.
No research costs are included in the income statement for 2016 and 2015.
There were no intangible assets with an indefinite useful life.

14. Property, plant and equipment

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Assets under construc-tion	Total
Acquisition value at 1 January, 2016	270.961	12.861.877	185.232	19.085	161.044	13.498.199
Acquisitions	5.791	23.392	7.655	822	301.570	339.230
Sales and disposals	-1.105	-175.332	-5.640	-790	-3.765	-186.632
Transfer to others	596	186.705	0	-324	-186.983	-6
Acquisition value at 31 December, 2016	**276.243**	**12.896.642**	**187.247**	**18.793**	**271.866**	**13.650.791**
Depreciation and impairment at 1 January, 2016	94.454	5.422.764	161.968	18.428	0	5.697.614
Depreciation	4.394	268.385	9.720	177	0	282.676
Sales and disposals	-881	-126.354	-5.601	-753	0	-133.589
Transfer to others	0	327	0	-327	0	0
Depreciation and impairment at 31 December, 2016	**97.967**	**5.565.122**	**166.087**	**17.525**	**0**	**5.846.701**
Net book value at 31 December, 2016	**178.276**	**7.331.520**	**21.160**	**1.268**	**271.866**	**7.804.090**

(In thousands of EUR)	Land and buildings	Installation, machinery and equipment	Furniture and vehicles	Others	Assets under construc-tion	Total
Acquisition value at 1 January, 2015	260.992	12.657.106	397.202	19.062	3.738	13.338.100
Acquisitions	7.249	213.522	10.554	23	160.880	392.228
Sales and disposals	-1.847	-177.776	-52.506	0	0	-232.129
Transfer to others	4.567	169.025	-170.018	0	-3.574	0
Acquisition value at 31 December, 2015	**270.961**	**12.861.877**	**185.232**	**19.085**	**161.044**	**13.498.199**
Depreciation and impairment at 1 January, 2015	90.749	5.141.245	343.864	16.618	0	5.592.476
Depreciation	3.948	278.106	8.977	1.810	0	292.841
Acquisitions from third parties	680	2	345	0	0	1.027
Sales and disposals	-1.335	-135.142	-52.253	0	0	-188.730
Transfer to others	412	138.553	-138.965	0	0	0
Depreciation and impairment at 31 December, 2015	**94.454**	**5.422.764**	**161.968**	**18.428**	**0**	**5.697.614**
Net book value at 31 December, 2015	**176.507**	**7.439.113**	**23.264**	**657**	**161.044**	**7.800.585**

The acquisitions reported in the item ‘Installations, machinery and equipment’ mainly relate to the investments in mid and low voltage electricity networks for a total value of 136.637 k EUR in 2016 and 167.615 k EUR in 2015 and investments in gas pipe lines and gas connections for a value of 87.015 k EUR in 2016 and 111.582 k EUR in 2015.

The commitments for the acquisition of property, plant and equipment at the end of 2016 amounted to 4.698 k EUR and 3.570 k EUR at the end of 2015. A commitment to sell property, plant and equipment existed at the end of 2016 for 8.442 k EUR and 500 k EUR at the end of 2015.

The net book value includes the assets paid by clients (third party intervention) and corresponds to the fair value of the Group’s network.

As per 31 December 2016 and 2015, there are no restrictions on title and property, plant and equipment serving as pledge for liabilities.

15. Investment in other companies

The investments in other companies amount to 30 k EUR at the end of 2016 and 11 k EUR at the end of 2015. These investments are held in Atrias cvba, Synductis cvba and the newly created companies Warmte@Vlaanderen cvba and Fluvius cvba.

On 9 May 2011 Atrias cvba was established as a joint initiative of Belgium's five largest distribution system operators Eandis, Infrax, Ores, Sibelga and RESA.
Atrias is a central clearing house for the Distribution System Operators and charged with the development of a Message Implementation Guide (MIG), the development of a clearing house application, and the management and maintenance of this application. MIG describes how the communication flow between the various players of the energy market should happen.
The Group has acquired 25 % of the shares representing an amount of 5 k EUR.
Atrias is an unlisted company and has no official price quotation.

Synductis cvba was founded on 21 December 2012 and aims to coordinate the infrastructure works by various utility companies in the Flemish cities and municipalities and so reduce nuisance of the works.
The various utility companies participating for coordination of the works in synergy are: Eandis System Operator (distribution of gas and electricity), Farys/TMVW (Tussengemeentelijke Maatschappij der Vlaanderen voor Watervoorziening), I.W.V.A. (Intercommunale Waterleidingsmaatschappij van Veurne-Ambacht), I.W.V.B. (Intercommunale voor Waterbedeling in Vlaams-Brabant) and Proximus (telecommunication). Other companies are preparing an affiliation.
The Group holds an investment of 6 k EUR or 33,24 % of the shares.
Synductis is an unlisted company and has no official price quotation.

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

During 2016, the Group participates for 50,00 % in the newly formed company Warmte@Vlaanderen cvba (amounting to 9 k EUR) and also for 50,00 % in the company Fluvius cvba (amounting to 9 k EUR). The latter is a common company of Eandis System Operator and Infrax (distribution operator for natural gas, electricity, cable television and sewerage in the Flemish region) so that closer cooperation is enhanced. A first activity that will be carried out in this company comprises the development of the 'smart end-to-end' chain (smart meters, data communication). Other activities and synergy opportunities are under further investigation.

16. Other investments

The other investments comprise the participations still held by the Group in the business centres situated in the distribution area of Gaselwest (business centres Kortrijk, Roeselare, Flemish Ardennes and Waregem) and Imewo (business centres Bruges, Ghent, Meetjesland and Ostend). The other investments amount to 832 k EUR at the end of December 2016 (2015: 919 k EUR). This decrease is due to the sale of the business centre Kempen (see note 'Financial results'-financial income).

17. Long term receivables

This category consists almost exclusively of loans to local authorities at market conditions and amounted to 1.091 k EUR at the end of 2016 and 1.155 k EUR at the end of 2015.

18. Inventories

(In thousands of EUR)	2016	2015
Raw materials and consumables	41.206	46.081
Write down on inventories	-5.912	-765
Total	**35.295**	**45.316**

The impairment losses amounted to 5.147 k EUR in 2016 (2015: 272 k EUR).
These amounts were reported in the income statement.

19. Trade and other receivables

(In thousands of EUR)	2016	2015
Trade receivables - gross	503.356	427.015
Impairment	-76.054	-75.763
Total trade receivables - net	427.302	351.252
Other receivables	570.196	643.882
Other receivables - Transfers	679.502	770.826
Total other receivables	1.249.698	1.414.708
Total trade and other receivables	**1.677.000**	**1.765.960**

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

The detail of the **trade receivables – net** is as follows.

(In thousands of EUR)	2016	2015
Trade receivables from distribution grid activities		
Outstanding debt	252.842	235.425
Impairment	0	0
Trade receivables social customers		
Outstanding debt	101.770	101.429
Impairment	-62.115	-62.556
Other trade receivables		
Outstanding debt	117.366	51.743
Construction works for third parties	25.756	29.041
Impairment	-13.938	-13.207
Trade receivables public authorities, state and country	2.206	4.211
Other	3.415	5.166
Total trade receivable - net	**427.302**	**351.252**

The trade receivables from distribution grid activities increase further with 17.417 k EUR and amount to 252.742 k EUR at the end of 2016.
The net amount of trade receivables from social customers remain at the same level and amount to 39.655 k EUR in 2016 and 38.873 k EUR in 2015.
The 'Other trade receivables' include an amount of 437 k EUR for 2016 and 566 k EUR for 2015 related to bad debts from the period before the energy market's liberalization, as well as receivables related to finished construction works and services rendered and costs still to be

billed related to works for third parties. In 2016, an amount of 48.400 k EUR was recorded as ‘Other trade receivables, outstanding debts' for the debt relating to the sale of green certificates.

The trade receivables from distribution grid activities are payable within 18 calendar days following the dispatch of the invoice as provided in the Access Code.

The detail of the **other receivables** is as follows.

(In thousands of EUR)	**2016**	**2015**
VAT receivable	10	88
Receivables municipalities	8	93
Green energy and cogeneration certificates	546.107	627.085
Receivables options	6.743	3.506
Others	17.328	13.110
Other receivables	570.196	643.882
Transfer tariff	587.234	658.965
Complement to annual energy sales	56.673	57.807
Financial reconciliation	0	0
Solidarity receivables related to the certificates for green energy	16.892	16.993
Deferred charges	5.395	11.249
Accrued income	13.308	25.812
Other receivables - Transfers	679.502	770.826
Total other receivables	**1.249.698**	**1.414.708**

The decrease in other receivables with 165.010 k EUR to 1.249.698 k EUR was mainly due to the decrease of the items ‘Green energy and cogeneration certificates (REC & CHPC)’ with 80.978 k EUR and the item ‘Transfer tariff’ with 71.731 k EUR compared to the end of December 2015.

The RECs and CHPCs amount to 546.107 k EUR at the end of December 2016 compared to 627.085 k EUR at the end of December 2015.
The DSOs are required to buy renewable energy certificates, which are offered by the owners of solar panels and combined heat and power plants, at a certain amount (minimum support for solar panels between 450 euros and 90 euros; for cogeneration 27 euros and 31 euros). The electricity suppliers need to deliver a certain quantity of green electricity and combined heat and power certificates to the regulator which is in relation to a certain percentage of the delivered amount of energy. Hence, the DSOs can offer these certificates to the energy suppliers.
The sales price in this market, however, is significantly lower than the minimum paid out by the DSOs for the certificates. The value of the unsold certificates of the DSOs was 88 euros per certificate for the not guaranteed green energy certificates and to 20 euros per certificate for the not guaranteed combined heat and power certificates. The resulting cost is included in the post 'Cost of trade goods'.
During 2016 and 2015, the certificates were offered for sale on a quarterly basis. A total amount of 219.116 k EUR of RECs were sold in 2016 (2015: 22.540 k EUR) and for 1 k EUR CHPCs

(2015: 44.022 k EUR). The result from the sale (cost) amounts to 2.137 k EUR (profit in 2015: 87 k EUR) and has been included in the item ‘Cost of trade goods’.

In 2016, a DAEB (‘dienst van algemeen economisch belang’) arrangement was entered into to decrease the large stock of green energy certificates with the DSOs. As a result, the RECs, submitted by the solar panels owned by families, could be sold by the DSOs for a maximum amount of 15.000 k EUR per DSO to VEA (Flemish Energy Agency). These certificates are then destroyed. This arrangement is valid for a period of 10 years until 2026. In total this transaction had a positive effect of 104.506 k EUR in 2016. Since already interest was levied on the outstanding amount of certificates, this financial income was deducted from the total receivable of 105.000 k EUR.

Transfer tariff amount to 587.234 k EUR at the end of December 2016 and relate to the revenue correction that is eligible for inclusion in the following tariff period (see note ‘Working in a regulated environment – The billing mechanism’).

The **complement to the annual energy sales** concerns the estimate of the energy supplied to social customers but not yet invoiced.

Solidarity contribution for RECs
The cost of green power differs greatly for each distribution area in Flanders. In the Energy Decree, the distribution system operators are committed to a mutual settlement of the costs since 2010. The principles and procedures are initiated by the VREG (Flemish Regulator for Electricity and Gas).
Since the settlement can be both a receivable or a liability, this item must be read together with the item reported in the notes ‘Trade and other payables’.

The **deferred charges and accrued income** mainly concern the amounts to be settled on the purchase of energy.

20. Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash. At the end of 2016 an amount of 2.708 k EUR was available and 3.656 k EUR at the end of 2015.
All resources are reported in euro.

Liabilities

21. Issued capital and reserves

The various components of equity and the movements from 1 January 2015 to 31 December 2016 were reflected in the 'Statement of changes in equity'.

The **share capital** amounted to 1.262.948 k EUR at the end of 2016 and 1.278.688 k EUR at the end of December 2015. The capital was fully subscribed and paid up. It represents the sum of the capitals of the DSOs.

Date	Transaction	Amount in k EUR
1 January 2015		**2.056.752**
2 January 2015	Capital decrease – exit Electrabel	-885.798
9 January 2015	Capital increase - public shareholders	61.589
1 April 2015	Capital increase - public shareholders	26.998
29 June 2015	Capital increase - public shareholders	29.147
29 December 2015	Capital decrease - public shareholders	-10.000
31 December 2015		**1.278.688**
1 January 2016	Capital decrease - exit Frasnes-lez-Anvaing	-565
30 June 2016	Capital decrease - exit province East-Flanders and province Antwerp	-15.175
31 December 2016		**1.262.948**

In 2015, the funding of the exit at 29 December 2014 of the private partner Electrabel was concluded and resulted in a capital decrease of 885.798 k EUR on 2 January 2015.
On 9 January 2015 certain municipalities from the DSOs Gaselwest, Imewo, Intergem, Iveka and Iverlek subscribed to a capital increase for a total amount of 61.589.310,01 euro. This capital increase was organized to optimize the capital-cost structure (fair remuneration) of the equity of the shareholders. The proposed capital increase represented a total amount of 236,3 million euro which was only partially subscribed.
In the second quarter of 2015 the enrollment period of the previous capital increase was re-opened, with the same terms as the initial capital increase. In June 2015, 29.146.555,36 euro was subscribed to.
In April 2015, Sibelgas also subscribed for an amount of 26.998.441,32 euro in the capital.
Finally, Sibelgas reduced its capital on 29 December 2015 for 10.000.000,00 euro to balance the capital ratio with the other DSOs. The amount was recorded as a liability and is disclosed in the note 'Trade and other payables'.

On 1 January 2016, one of the Walloon municipalities (Frasnes-lez-Anvaing) decided to exit the DSO Gaselwest and to switch to Ores, the Walloon network operator.
The final settlement is subject to the approval of the regulatory balances by the regulator.

(In thousands of EUR)	Frasnes-Lez-Anvaing
Property, plant & equipment	7.426
Current assets	45
Total assets	**7.471**
Equity	1.240
Current liabilities: trade payables	6.231
Total equity and liabilities	**7.471**

On 27 April 2016, the Flemish Parliament approved an adjustment to the Decree on Intermunicipal Cooperation whereby the provinces, shareholders of the DSOs, must exit no later than the end of 2018. The provinces of Oost-Vlaanderen/East Flanders and Antwerp decided to exit on 30 June 2016 and the province of West-Vlaanderen/West-Flanders will withdraw by the end of 2018. The exit led to a decrease in equity of 38.429 k euro and the shares, previously held by these two provinces, were destroyed.

The table below shows the movements in the number of shares and profit certificates per category in the capital of each DSO at the end of 2016.

	Shares A		Profit certificates C		Total	
DSO	Number	Share Capital (in €)	Number	Share Capital (in €)	Number	Share Capital (in €)
Gaselwest	23.380.013	271.033.935,03	116	0,00	23.380.129	271.033.935,03
IMEA	13.397.899	126.070.700,07	12	0,00	13.397.911	126.070.700,07
Imewo	21.585.912	257.170.000,11	85	0,00	21.585.997	257.170.000,11
Intergem	11.120.262	97.527.148,81	46	0,00	11.120.308	97.527.148,81
Iveka	17.003.557	186.138.498,91	86	0,00	17.003.643	186.138.498,91
Iverlek	29.444.704	254.083.895,51	103	0,00	29.444.807	254.083.895,51
Sibelgas(1)(2)	3.264.382	70.924.041,47	0	0,00	3.264.382	70.924.041,47
Total	**119.196.729**	**1.262.948.219,91**	**448**	**0,00**	**119.197.177**	**1.262.948.219,91**

(1) Shares C
(2) In Sibelgas, 10.000 shares D are issued without representation in the share capital.

The table below shows the movements in the number of shares and profit certificates per category in the capital of each DSO at the end of 2015.

	Shares A and C		Profit certificates C		Total	
DSO	Number	Capital (In €)	Number	Capital (In €)	Number	Capital (In €)
Gaselwest	23.516.814	272.550.409,97	119	0,00	23.516.933	272.550.409,97
IMEA	13.397.899	126.070.700,07	12	0,00	13.397.911	126.070.700,07
Imewo	21.661.488	257.867.873,74	87	0,00	21.661.575	257.867.873,74
Intergem	11.178.550	97.961.020,49	48	0,00	11.178.598	97.961.020,49
Iveka	18.442.017	199.230.489,93	93	0,00	18.442.110	199.230.489,93
Iverlek	29.444.704	254.083.895,51	103	0,00	29.444.807	254.083.895,51
Sibelgas (1) (2)	3.264.382	70.924.041,47	0	0,00	3.264.382	70.924.041,47
Total	**120.905.854**	**1.278.688.431,18**	**462**	**0,00**	**120.906.316**	**1.278.688.431,18**

(1) Shares C
(2) In Sibelgas, 10.000 shares D are issued without representation in the share capital and 3 shares C.

The overview of the **reserves** is as follows:

(In thousands of EUR)	Legal reserves	Unavailable reserves	Available reserves	Total
Total at 1 January 2015	1.052	0	678.750	679.802
Transfers to reserves	0	39.288	40.458	79.746
Total at 31 December 2015	**1.052**	**39.288**	**719.208**	**759.548**
Repayment of equity	0	0	-23.928	-23.928
Transfers to reserves	0	40.874	35.359	76.233
Transfers from reserves	0	0	-212	-212
Total at 31 December 2016	**1.052**	**80.162**	**730.427**	**811.641**

A *legal reserve* has been formed amounting to 1.052.134,94 EUR.

Since 2008 amounts were included as *unavailable reserve* equal to the depreciation of the (RAB-added value) revaluation surplus value in accordance with the settlement with the CREG. From 2010 onwards, the costs of the surplus value of land, buildings and installations sold during the accounting year were taken into account. The addition to the reserves for 2016 amounted to 40.874 k EUR and 39.288 k EUR for 2015.
Furthermore, it was decided to transfer during 2014 the total of the unavailable reserves of 380.801 k EUR to the available reserves (see below) in order to balance the account at 1 January 2015.

The total *available reserves* at the end of 2016 amounted to 730.427 k EUR (2015: 719.208 k EUR). The increase in 2016 amounting to 35.359 k EUR (2015: 40.458 k EUR) stems from the result of the year.
The repayment of euro 23.928 k EUR refers to the exit of the various shareholders during 2016.

The other components of equity i.e. **other comprehensive income** for 2016 amounted to 641.178 k EUR (2015: 651.430 k EUR) and contain the accumulated actuarial losses relating to pensions and other post-employment employee benefits amounting to 146.775 k EUR and since 2014 also the effect of the recording of deferred taxes for an amount of 494.403 k EUR.
The movement of the actuarial differences for employee benefits is for 2016 a loss and amounts to 5.311 k EUR (2015: a profit of 51.003 k EUR) - see note 'Pensions and other post-employment employee benefit plans'.
The movement of the deferred taxes was explained in the note 'Income tax expenses'.

The other comprehensive income is composed of the following:

(In thousands of EUR)	2016	2015
Long term employee benefits	-146.775	-141.464
Deferred tax	-494.403	-509.967
Total	**-641.178**	**-651.431**

A **non-controlling interest** decreases from 1.079 k EUR in December 2015 to 93 k EUR in December 2016 as a result of the merger by acquisition of Indexis by Eandis System Operator.
The non-controlling interest at the end of December 2016 includes the interest held by third parties in De Stroomlijn.

Dividend

During the accounting year 2016 dividends were paid for a total value of 165.752 k EUR and 185.625 k EUR in 2015.
Below is an overview of the dividends paid per DSO for 2016 and 2015.

DSO (In thousands of EUR)	2016	2015
Gaselwest	37.816	42.155
IMEA	15.453	16.525
Imewo	35.732	40.683
Intergem	16.289	17.926
Iveka	22.335	26.839
Iverlek	33.629	36.764
Sibelgas	4.498	4.733
Total	**165.752**	**185.625**

After the balance sheet date the Board of Directors of each of the DSOs has formulated a dividend proposal. At their DSO's General Assembly, the shareholders have approved the payment of these dividend balances. According to IFRS these dividends are only reported in the year in which the dividends have been approved. The dividend balance for 2016 amounted to 21.397 k EUR and will be included in the 2017 accounts, the dividend balance for 2015 amounted to 1.758 k EUR and was included in the 2016 accounts.

The amounts mentioned are the net dividends before withholding tax.

The Group's **profit** comprises the capital cost remuneration (fair remuneration), as described in the chapter 'Operating in a regulated environment'.

22. Interest bearing loans and borrowings

(In thousands of EUR)	2016	2015
Long term loans	**5.244.409**	**5.197.393**
Current portion of long term loans	355.388	738.558
Short term loans	411.309	225.238
Short term loans	**766.696**	**963.795**
Total	**6.011.105**	**6.161.189**

At the balance sheet date of 2016, the total amount of loans and borrowings decreases with 150.083 k EUR compared to 2015.
All loans are expressed in euro.

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

(In thousands of EUR)	2016		2015	
	Cash	Non-cash	Cash	Non-cash
Total at 1 January	6.161.189		6.049.680	
Movements on non-current loans (LT)				
Proceeds of non-current loans	400.000	0	400.000	0
Change in non-current loans	0	2.404	0	2.397
Transfer of ST portion of LT loans to ST	0	-355.388	0	-738.558
Movements on current loans (ST)				
Proceeds of current loans	411.309	0	225.238	0
Transfer of ST portion from LT loans to ST	0	355.388	0	738.558
Repayment of short term portion of LT loan	-738.558	0	-516.126	0
Repayment current loans	-225.238	0	0	0
Total movements	**-152.487**	**2.404**	**109.112**	**2.397**
Total at 31 December	**6.011.105**		**6.161.189**	

Long term loans

Overview of the long term loans by category

At the end of 2016

(In thousands of EUR)	2016	Initial amount	Current interest rate %	Maturity
Bond issue - retail	319.958	320.000	4,00 - 4,25	2017-2020
Bond issue - EMTN*	2.642.164	2.660.500	1,75 - 4,50	2021-2033
Bond issue - private**	435.042	440.000	2,60 - 3,55	2027-2044
Bank loans - fixed interest rate	1.494.381	1.950.000	0,92 - 4,76	2019-2036
Bank loans - with derivative instrument	708.252	1.270.000	2,97 - 4,56	2023-2027
Total	**5.599.797**	**6.640.500**		
Current portion of long term debt	-355.388			
Total long term loans	**5.244.409**			

At the end of 2015

(In thousands of EUR)	2015	Initial amount	Current interest rate %	Maturity
Bond issue - retail	319.970	320.000	4,00 - 4,25	2017-2020
Bond issue - EMTN*	2.639.987	2.660.500	1,75 - 4,50	2021-2033
Bond issue - private**	434.803	440.000	2,60 - 3,55	2027-2044
Bank loans - fixed interest rate	1.761.385	2.350.000	1,24 - 4,76	2016-2035
Bank loans - variable interest rate	34	53.153	0,88 - 2,68	2016
Bank loans - with derivative instrument	779.771	1.270.000	2,97 - 4,56	2023-2027
Total	**5.935.951**	**7.093.653**		
Current portion of long term debt	-738.558			
Total long term loans	**5.197.393**			

* EMTN: Euro Medium Term Note (is a programme to provide to the Group the flexibility to issue bond loans with different maturities).

** Private: bond issues according to German law: Schuldschein and Namensschuldverschreibung as well as private issues to institutionals (stand alone).

For bank loans – with derivative instrument the Group subscribed to interest rate swaps in order to swap the variable interest rate to a fixed interest rate or some forward interest swaps were concluded (see note ‘Derivative financial instruments’).

For the bond loans issued by Eandis System Operator, each of the DSOs is guarantor on a non-joint and non-inclusive basis but limited to its proportional share in the capital of Eandis System Operator cvba.

Overview of the long term loans issued and borrowings during 2016 and 2015

(In thousands of EUR)	2016	2015	Initial amount	Interest rate %	Maturity
Bank loans (fixed interest rate)	150.000	0	150.000	0,92	2026
Bank loans (fixed interest rate)	100.000	0	100.000	1,57	2036
Bank loans (fixed interest rate)	150.000	0	150.000	1,38	2036
Total 2016	**400.000**	**0**	**400.000**		
Bank loans (fixed interest rate)	382.759	400.000	400.000	1,52	2035
Total 2015	**382.759**	**400.000**	**400.000**		

Short term loans

The loans on short-term contain the portion of the long-term loans which are repayable within one year (355.388 k EUR on year end 2016, 738.558 k EUR on year end 2015) and the loans drawn with financial institutions as reported below:

(In thousands of EUR)	Maturity	Available amounts	Amounts used	Amounts not used	Average interest rate % (3)
Commercial paper	(1)	522.000	355.000	167.000	0,06
Fixed advances		200.000	0	200.000	Nvt
Fixed loans/Bank overdraft (3)	Daily	200.000	56.309	143.691	0,50
Fixed loans		100.000	0	100.000	Nvt
Total at 31 December 2016		**1.022.000**	**411.309**	**610.691**	
Commercial paper	(2)	522.000	166.800	355.200	0,09
Fixed advances		200.000	0	200.000	Nvt
Fixed loans/Bank overdraft (3)	Daily	200.000	58.438	141.562	0,70
Fixed loans		100.000	0	100.000	Nvt
Total at 31 December 2015		**1.022.000**	**225.238**	**796.762**	

(1) 50.000 k€ at 13/1/2017, 50.000 k€ at 31/1/2017, 155.000 k€ at 7/2/2017 and 100.000 k€ at 13/2/2017
(2) 65.000 k€ at 18/1/2016 and 101.800 k€ at 29/1/2016
(3) The average interest rate of the used amounts at the end of the period

All short-term loans are subscribed by Eandis System Operator in the name and on behalf of the Distribution System Operators that stand surety for their part and act as joint co-debtor except for the bank overdrafts.

23. Pensions and other post-employment employee benefit plans

Defined contribution plans

Employees hired after 1 January 2002 and the executive staff hired after 1 May 1999 are entitled to defined contribution plans: these pension plans provide in a lump sum on retirement resulting from the contributions paid and the return granted by the pension institutions, as well as a lump sum and orphan interests in case of decease before retirement.

The financing is carried out by employee contributions and employer contributions that are deposited in pension funds (Powerbel and Enerbel) and group insurances.

The assets are managed within a Luxembourg Fund (Esperides), divided in 4 investment zones, each representing a different risk profile (low risk, medium risk, high risk and dynamic asset allocation). The risk level also has to be managed taking into account the age of the members. This is why the trustees of Powerbel have proposed to the members a new option (2015) to manage their assets. This option, called 'Life-Cycle', offers an evolution of the risk exposure from growth to more defensive throughout the member's career.

Investment risk

Due to the declining level of the interest rates of the bonds, pension institutions, managing the DC-plans, faced the challenge to continue to cover the level of the guaranteed interest rates. A reform was imposed and was announced with the publication on 24 December 2015 of the Act of 18 December 2015 guaranteeing the sustainability and the social character of supplementary pensions and strengthening the complementary nature with respect to the retirement pension plans. This law entered into force on 1 January 2016.

The amendment implies that the DC pension plans are to be valued as from 1 January 2016 according to the Projected Unit Credit (PUC) method without projection of future contributions. Until 2015 the intrinsic valuation method was applied.

The guaranteed interest will now be variable and each year will be aligned to the average return over the last 24 months of linear bonds of the Belgian State (OLOs) with a duration of 10 years (at least 1,75 % and maximum 3,75 %).

The new interest rate for 2016 is 1,75 % and is applied, according to the vertical method, for all contributions paid to the pension funds and in the insurance company (products of TAK 21 with interest guarantee).

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

Defined benefit plans

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

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

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

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

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

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

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

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

Longevity risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan’s liability.
From 2015 onwards, new prospective mortality tables are used as proposed by the Institute of Actuaries in Belgium (IA|BE).

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

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

	2016	2015
Discount rate - pensions	1,28%	1,96%
Discount rate - others	1,77%	1,96%
Expected average salary increase (excluding inflation)	0,85%	0,85%
Expected inflation	1,65%	1,65%
Expected increase of health benefits (including inflation)	2,65%	2,65%
Expected increase of tariff advantages	0,25%	0,25%
Average assumed retirement age	63	62
Mortality table used	IA|BE Prospective Tables	IA|BE Prospective Tables
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	20	20
- Female	24	24
For a Person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

Amounts recognized in comprehensive income

(In thousands of EUR)	2016	2015
Service cost		
Current service cost	-34.741	-16.592
Cost of early retirement	-26	1.075
Past service cost	0	-5.672
Actuarial (gains)/losses on other long-term benefits	-8.069	3.444
Net interest on the net defined benefit liability/(asset)		
Interest cost on defined benefit obligation	-16.851	-13.124
Interest income on plan assets	11.229	7.360
Defined benefit costs recognized in profit or loss	**-48.457**	**-23.509**
Actuarial gains/(losses) on defined benefit obligation arising from		
i) changes in demographic assumptions	26.827	1.414
ii) changes in financial assumptions	-81.571	40.584
iii) changes from experience adjustments	-40.669	24.599
Return on plan assets (excluding interest income)	90.102	-15.595
Remeasurements of net defined benefit liability/(asset) recognized in Other Comprehensive Income (OCI)	**-5.311**	**51.003**
Total	**-53.769**	**27.494**

Amounts recognized in the balance sheet

(In thousands of EUR)	Present value of funded defined benefit obligation	Fair value of plan assets	Funded status
Pensions - funded status	670.981	-657.662	**13.319**
Pensions - unfunded status	25.134	0	**25.134**
Healthcare costs, tariff benefits - unfunded status	165.464	0	**165.464**
Other long-term employee benefits - funded status	69.304	-13.858	**55.446**
Total defined benefit obligation and long-term employee benefits at 31 December 2016	**930.883**	**-671.520**	**259.363**
Pensions - funded status	436.719	-508.159	**-71.440**
Pensions - unfunded status	174.132	0	**174.132**
Healthcare costs, tariff benefits - unfunded status	168.562	0	**168.562**
Other long-term employee benefits - funded status	63.378	-3.382	**59.995**
Total defined benefit obligation and long-term employee benefits at 31 December 2015	**842.792**	**-511.541**	**331.250**

Changes in the present value of the obligation

(In thousands of EUR)	2016	2015
Total at 1 January	842.791	951.033
Current service cost	30.960	15.822
Interest cost	16.851	13.124
Contributions from plan participants	3.781	770
Cost of early retirement	26	-1.075
Remeasurement (gains)/losses in Other Comprehensive Income (OCI) arising from		
i) changes in demographic assumptions	-23.827	-1.250
ii) changes in financial assumptions	87.769	-43.086
iii) changes from experience adjustments	39.391	-25.932
Taxes on contributions paid	-2.087	-2.824
Past service cost	0	5.672
Payments from the plan	-64.772	-69.464
Total at 31 December	**930.883**	**842.792**

Changes in the fair value of the plan assets

(In thousands of EUR)	2016	2015
Total at 1 January	-511.541	-525.959
Interest income	-11.229	-7.360
Remeasurement gains/(losses) in Other Comprehensive Income (OCI) arising from return on plan assets (excluding amounts included in net interest expense)	-89.953	15.822
Contributions from employer	-119.787	-60.260
Contributions from plan participants	-3.781	-770
Benefit payments	64.771	66.987
Total at 31 December	**-671.520**	**-511.541**
Actual return on plan assets	**-101.182**	**8.462**

Classification of the plan investments on the balance sheet date

The classification of the plan investments in function of the major category at the end of 2016

Category	Currency	Elgabel %	Pensiobel %	Insurance companies %	Powerbel and Enerbel %	Total %
Investments quoted in an active market		**88,80**	**88,80**	**74,88**	**88,80**	**87,99**
Shares	Eurozone	21,52	21,52	4,34	21,52	**20,52**
Shares	Outside Eurozone	26,68	26,68	2,71	26,68	**25,29**
Government bonds	Eurozone	0,00	0,00	23,74	0,00	**1,38**
Other bonds	Eurozone	20,30	20,30	44,09	20,30	**21,68**
Other bonds	Outside Eurozone	20,30	20,30	0,00	20,30	**19,12**
Unquoted investments		**11,20**	**11,20**	**25,12**	**11,20**	**12,01**
Property		4,70	4,70	4,57	4,70	**4,69**
Qualifying insurance contracts		0,00	0,00	3,11	0,00	**0,18**
Cash and cash equivalents		0,00	0,00	1,94	0,00	**0,11**
Other		6,50	6,50	15,50	6,50	**7,03**
Total in %		**100,00**	**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)		**380.111**	**177.779**	**38.988**	**74.642**	**671.520**

The classification of the plan investments in function of the major category at the end of 2015

Category	Currency	Elgabel %	Pensiobel %	Insurance companies %	Total %
Investments quoted in an active market		**79,66**	**80,30**	**76,73**	**78,88**
Shares	Eurozone	19,88	22,37	3,09	**15,21**
Shares	Outside Eurozone	16,59	16,08	3,08	**12,40**
Government bonds	Eurozone	2,83	2,74	14,57	**6,38**
Other bonds	Eurozone	28,47	27,59	55,99	**36,68**
Other bonds	Outside Eurozone	11,89	11,52	0,00	**8,22**
Unquoted investments		**20,34**	**19,70**	**23,27**	**21,12**
Property		3,92	3,79	4,28	**4,01**
Qualifying insurance contracts		0,00	0,00	5,47	**1,66**
Cash and cash equivalents		2,65	2,55	2,03	**2,44**
Other		13,77	13,35	11,50	**13,01**
Total in %		**100,00**	**100,00**	**100,00**	**100,00**
Total (In thousands of EUR)		**269.272**	**86.988**	**155.281**	**511.541**

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

(In thousands of EUR)	2016	2015
Breakdown of defined benefit obligation by type of plan participants	**930.883**	**842.791**
Active plan participants	640.459	557.949
Terminated plan participants with deferred benefit entitlements	53.219	24.498
Retired plan participants and beneficiaries	237.205	260.344
Breakdown of defined benefit obligation by type of benefits	**930.883**	**842.791**
Retirement and death benefits	696.115	610.851
Other post-employment benefits (medical and tariff reductions)	165.464	168.562
Jubilee bonuses (Seniority payments)	69.304	63.378

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

(In thousands of EUR)	Effect: increase (+) / decrease (-)
Increase of discount rate (0,5%)	-76.972
Average salary increase - excluding inflation (0,5 %)	40.307
Increase of inflation (0,25% movement)	37.422
Increase of healthcare care benefits (1,0%)	21.876
Increase of tariff advantages (0,5 % movement)	4.748
Increase of life expectancy of male pensioners (1 year)	5.120
Increase of life expectancy of female pensioners (1 year)	10.333

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

The **average duration** of the defined benefit obligation at 31 December 2016 is 9 years (2015: 8 years).

The Group estimates to contribute 42.831 k EUR to the defined benefit pension plans in 2017 and 18.409 k EUR to the defined contribution plans.

24. Derivative financial instruments

The Group has entered into interest rate swaps in order to convert the variable interest rate on long term loans into a fixed interest rate. The derivative financial instruments have been measured at fair value for 131.067 k EUR in 2016 and 145.715 k EUR in 2015.

The changes in the fair value are recognized in the income statement (see note 'Financial results').

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

Overview of the derivative financial instruments
A Linear Constant Maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 years concluded in June 2003 entered into force in June 2013.

A Linear Constant Maturity swap within the framework of the original 220 million EUR loan with a maturity of 20 years concluded in December 2004 entered into force in December 2014.
A Linear Constant Maturity swap within the framework of the original 200 million EUR loan with a maturity of 20 year concluded in December 2004 entered into force in December 2009.
A Bonus Range Accrual within the framework of the original 250 million EUR loan with a maturity of 20 year loan concluded in December 2006 entered into force in December 2011.
A Varifix within the framework of the original 250 million EUR loan with a maturity of 20 year concluded in December 2007 entered into force in October 2010.
A forward fixing IRS swap was concluded in July 2013 within the framework of a loan subscribed to in December 2013 for an amount of EUR 150 million over 10 years.

25. Provisions, other

(In thousands of EUR)	Site restoration	Other	Total
Total 1 January 2015	19.880	596	20.476
Used	-2.192	-257	-2.449
Total at 31 December 2015	**17.688**	**339**	**18.027**
Used	-2.752	-339	-3.091
Total at 31 December 2016	**14.936**	**0**	**14.936**

The provisions comprise the obligations recognized for the restoration of the former gas factories' grounds. The DSOs own several gas factory grounds on which soil and groundwater have been polluted in the past. Tackling this pollution has already started on a voluntary basis and a framework agreement with OVAM was concluded in 2001. Meanwhile, the number of such grounds has been reduced. In a new agreement with OVAM, it will be determined what the spread in time, the budget, the order of priority and the modalities of execution of the works for rehabilitating the soil, and possibly other measures, will be.
In 2016 an amount of 11.349 k EUR was pledged to OVAM and in 2015 a bank guarantee was given to OVAM for an amount of 10.764 k EUR.

The Group is working on possible sales of certain contaminated sites. In this context, several grounds were already sold and letters of intent were entered into with potential buyers.
On certain grounds already sold, restoration duties still remain for an amount of 860 k EUR in 2016 and 910 k EUR in 2015 (see note 'Contingencies').

The decrease to the provision for site restoration was due to the use of (remediation) and more concrete elements for the estimation of the clean-up costs. No amounts were reversed nor were any amounts added to the provisions during 2016 and 2015.

The provision 'Other' relates to expenses for litigations with third parties and other provisions based upon the management's best possible estimate of the expenses that the Group might incur. During 2016 arrangements were entered into to settle these costs.

26. Government grants

(In thousands of EUR)	2016	2015
Total at 1 January	**0**	**0**
Received during the year	1.357	0
Released to the income statement	-1	0
Total at 31 December	**1.356**	**0**

The Flemish region (Vlaamse Gewest) and the Flemish Energy Agency (Vlaams Energieagentschap) granted capital subsidies to the DSOs for various projects that need to be implemented. These support measures are part of the projects ' green energy '.

27. Trade payables and other liabilities

(In thousands of EUR)	2016	2015
Trade debts	213.868	268.099
VAT and other taxes payable	26.571	2.958
Remuneration and social security	76.483	62.756
Advances Soclev clients and other	35.205	34.211
Solidarity payables related to the certificates for green energy	71.416	71.935
Other current liabilities	166.393	207.512
Total	**589.936**	**647.471**

The items related to trade payables and other liabilities decrease with 57.535 k EUR in comparison to 2015. The decrease is the result of on the one hand, the decrease in trade payables of 54.231 k EUR and other current liabilities of 41.119 k EUR and on the other hand, the increase of the VAT and other taxes payable and liability for remuneration and social security.

The decrease in trade payables mainly relates to the payment of the debts for the contribution of 100 kWh free of charge (46.645 k EUR).

The major items related to the ‘Other current liabilities’ comprise a debt to shareholders amounting to 16 k EUR (2015: 10.015 k EUR), the reserved amounts concerning the Bonus 2014 and 2013 amounting to 64.244 k EUR (2015: 64.267 k EUR). This section also contains charges to be allocated related to among others the interest expenses and costs on bond loans for an amount of 40.502 k EUR (2015: 43.854 k EUR). Furthermore, it was decided to use in 2016 the accumulated funds from allotments built up until 2014 (2015: 25.652 k EUR). The funds from allotments of 2015 are still recorded as deferred income and amount to 6.405 k EUR (2015: 7.161 k EUR).

Since the settlement of the solidarity related to the certificates for green energy can be both a receivable or a liability, this item must be read together with the item reported in the notes ‘Trade and other receivables’.

The terms and the conditions for the debts are as follows:
For the standard trade debts the average payment term amounted to 39 days and for contractors 30 days after invoice date.
Debts for VAT and withholding tax are paid respectively 20 and 15 days after the end of the month. All debts are paid by the maturity date.

28. Current tax liabilities

(In thousands of EUR)	**2016**	**2015**
Tax expenses on current year result	124.271	122.605
Tax increase	0	739
Advances paid	-26.555	-16.020
Deductable witholding tax	-14	-114
Tax expense current year	**97.702**	**107.210**
Tax expenses on previous years	**104.564**	**268**
Total tax expenses	**202.266**	**107.478**

In January 2017, all taxes related to 2015 have been paid.

Financial instruments

29. Financial instruments: policy

Risks

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

Equity structure

The Group's equity structure consists of equity and the financial liabilities.

Apart from the legally (Belgian) required minimum levels for equity that are applicable, the mission charged associations are also subject to the Flemish Decree on Intermunicipal Cooperation. This decree stipulates that by the end of 2018 at the latest no Private Partner / shareholder can participate in the share capital of mission charged associations (the principle of mixed mission charged associations companies will disappear). As from the amendment during 2016, this is again allowed for the sectors of energy and waste, provided that certain conditions are met. For the ex IGAO municipalities (in IMEA, Intergem and Iveka), Iveka and Intergem this date is earlier, being 31 December 2014, 31 December 2016 and 14 September 2018 respectively.

On 29 December 2014 the share of the private partner/participant Electrabel N.V. in equity (Belgian GAAP) was purchased by the public participants.

The purpose of the Group is to maintain a strong balance sheet structure and to ensure that the Group can retain a 'good' credit rating from the credit rating offices. Hence, the Group was preparing the participation of a private partner during 2016. The statutory structure required amendments to enable a merger of the seven DSOs in Eandis Assets. As not all conditions precedent of the transaction had been completed, the merger-company Eandis Assets could not be founded. Consequently, the private partner could not participate.

As the Group works within a regulated environment with a guaranteed remuneration (fair remuneration/profit and a guaranteed return/dividend), the risk is rather limited.

During 2016 and 2015 the Group fulfilled all 'expected' obligations.

The Group has called upon long and short term funding to support its capital structure.

The Group monitors its solvency. Solvency means the degree to which the Group, in case of liquidation, can meet its financial obligations towards the providers of debt capital.

Credit risk

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

The Group pursues a credit policy whereby the credit risk is scrutinized and diversification of counterparties is necessary.

The maximum credit risk is each financial asset's balance sheet value.

Trade debtors
Ageing analysis of trade receivables past due, but not impaired

(In thousands of EUR)	2016	2015
1 - 60 days	7.939	12.285
61 - 90 days	3.804	2.877
91 - 180 days	10.423	7.368
181 - 365 days	16.094	15.203
>365 days	18.817	20.101
Total trade receivable - net	**57.077**	**57.834**

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2016	2015
Balance at 1 January	**-75.761**	**-77.145**
Charge of impaired receivables	-7.643	-5.541
Write back of impaired receivables	7.350	6.925
Total at 31 December	**-76.054**	**-75.761**

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

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

The Group can call upon several banks to attract resources on short term. It has the possibility to issue commercial paper within the framework of a treasury bill programme, to draw upon fixed advances with a maturity of one week up to twelve months and to take up straight loans with a maturity between one day up to one year. All loans have fixed interest rates except for the bank overdraft that has a variable interest rate.

The Group borrows on a long term basis mainly to finance its ongoing investments in the distribution grid for electricity and gas, and to refinance loans and pay interest.
During 2014 the collected cash of these debentures was also used to pay the exit fee relating to Electrabel's exit from the DSOs' equity.

During 2010, the Group issued for the first time bond loans aimed at private investors in Belgium and the Grand Duchy of Luxembourg.

To diversify and broaden its funding resources, so that a safe, reliable, efficient, and innovative distribution of energy to the customers can be assured, Eandis has requested a rating from Moody's Investors Service ('Moody 's').
In October 2011, Moody's granted Eandis System Operator an 'A1' credit rating with a 'negative outlook.' This rating was confirmed by Moody's on 5 July 2016. On 14 December 2016, however, Moody's reviewed the rating to A3 (stable outlook) as the merger of the seven DSOs in Eandis Assets was not accomplished and so attracting a private partner for this merged company had to be stopped.

Eandis System Operator successfully issued bonds in the framework of its € 5 billion Euro Medium Term Note (EMTN) programme. There has always been a large interest from European investors for the bond issuances and also interest from private investors to whom several bond loans were issued.
In the framework of the € 5 billion EMTN programme an amount of € 2.660 million or 53,21 % was issued. As from 2014 onwards, no issues have taken place under this programme.

An overview of the loans is included in the note 'Interest bearing loans and borrowings'.

The following schedule shows the maturity schedule of the different loans.
At the end of 2016

(In thousands of EUR)	**2016**	**1 year or less**	**2-3 year**	**4-5 year**	**More than 5 year**
Bond issue - retail	319.958	150.012	0	169.946	0
Bond issue - EMTN	2.642.164	0	0	498.821	2.143.343
Bond issue - private	435.042	0	0	0	435.042
Bank loans - fixed interest rate	1.494.381	131.521	273.457	218.749	870.654
Bank loans - variable interest rate	0	0	0	0	0
Bank loans - with derivative instrument	708.252	73.855	154.895	164.829	314.673
Total	**5.599.797**	**355.388**	**428.353**	**1.052.345**	**3.763.711**
Total bullet payment	**3.397.164**	**150.012**	**0**	**668.767**	**2.578.385**
Total bullet payment excluded	**2.202.633**	**205.376**	**428.353**	**383.578**	**1.185.327**

At the end of 2015

(In thousands of EUR)	2015	1 year or less	2-3 year	4-5 year	More than 5 year
Bond issue - retail	319.970	0	150.038	169.932	0
Bond issue - EMTN	2.639.987	0	0	0	2.639.987
Bond issue - private	434.803	0	0	0	434.803
Bank loans - fixed interest rate	1.761.385	667.004	215.675	197.763	680.944
Bank loans - variable interest rate	34	34	0	0	0
Bank loans - with derivative instrument	779.771	71.519	150.087	159.796	398.369
Total	**5.935.951**	**738.558**	**515.799**	**527.491**	**4.154.103**
Total bullet payment	**3.894.760**	**500.000**	**150.038**	**169.932**	**3.074.790**
Total bullet payment excluded	**2.041.191**	**238.558**	**365.762**	**357.559**	**1.079.313**

Interest rate risk
The Group has entered into long-term loans with a fixed and variable interest rate.
Loans with variable interest were swapped to a fixed interest rate (see note 'Derivative financial instruments'). For certain loans, forward swap contract were concluded. All other loans were initially at a fixed interest rate.

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

(In thousands of EUR)	2016	2015
In 2016	0	192.817
In 2017	161.412	156.404
In 2018	163.583	158.865
In 2019	149.726	145.301
In 2020	142.913	138.785
In 2021	129.907	126.079
In 2022 and beyond	662.662	637.221
Total	**1.410.204**	**1.555.472**

Other
More information about the risks of the Group and its shareholders is included in the prospectus of the Eandis System Operator group (Eandis System Operator cvba and its subsidiaries) dated 25 November 2014 concerning the guaranteed Euro Medium Term Note Programme and the investor presentation of January 2017. These documents can be consulted on the website www.eandis.be.

Fair value

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

(In thousands of EUR)	Level 1	Level 2
Other investments	987	0
Green energy and cogeneration certificates (GEC & CGC)	546.107	0
Trade and other receivables excluding GEC and CGC	1.130.893	0
Cash and cash equivalents	2.708	0
Total	**1.680.695**	**0**
Loans on short term	411.309	0
Bond loans (included short term portion)	3.880.975	0
Loans on long term (included short term portion)	2.202.633	0
Derivative financial instruments	0	131.067
Total	**6.494.917**	**131.067**

Fair value hierarchy

The Group uses the following fair value hierarchy classification to determine and classify the fair value of the financial instruments by a valuation technique:

Level 1: valuation is based on quoted (unadjusted) prices in an active market for identical assets or liabilities

Level 2: other techniques for which all input with a significant impact on the recorded fair value can be observed either directly or indirectly

Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, trade receivables (net of impairment), trade payables and other current liabilities approximate the carrying amounts as to the short term maturity of these instruments.

The fair value of the unquoted other investments is based on the latest available financial information.

The fair value of the certificates for green energy and cogeneration certificates are the guaranteed amount, as stipulated in the decision of the Flemish Government amending the Energy Decree. The fair value of the quoted bond loans is based on the price quotations at the reporting date.

The derivative financial instruments are interest rate swaps. The valuation techniques are swap models that use value calculations. The models include various kinds of input including forward prices, yield curves that are obtained on the basis of market interest rates and derivatives from market prices of various financial products that are requested with various market participants.

The fair value was obtained on the basis of the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. On the reporting date it delivers world economic news, quotes for stock futures, stocks and other).

The fair value of the quoted bonds, issued for a total amount of 2.980,5 million EUR varies according to the market interest rate. The fair value at 31 December 2016 amounts to 3.441,0 million EUR and differs from the amount that will be reimbursed and the carrying value.

Other information

30. Related parties

Transactions between the DSOs and their subsidiaries (the associated parties) have been eliminated in the consolidation process and are therefore not included in this note.

The remunerations paid to the directors are attendance fees and transport fees for an amount of 460.718,98 EUR in 2016 and 635.792.42 EUR in 2015.
The remunerations paid to the management committee and the directors amounted to 3.318.971,97 EUR for 2016 and 3.562.056,96 EUR for 2015. The post-employment benefits included in the total remuneration mentioned amounted for 2016 to 624.971,32 EUR and for 2015 to 786.435,55 EUR. There are no other benefits in kind, share options, credits or advances granted to the directors.

Transactions of the Group with companies with a non-controlling interest (Farys/TMVW during 2016 and 2015 and Ores Assets/Ores during 2015) were as follows:

(In thousands of EUR)	2016	2015
Amount of the transactions		
Recharge of costs to the non-controlling interests	4.804	10.220
Recharge of costs from the non-controlling interests	116	2.723
Amount of outstanding balances		
Trade receivables	605	1.460
Trade payables	3	250

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

(In thousands of EUR)	2016	2015
Amount of the transactions		
Recharge of costs to other companies	2.330	2.323
Recharge of costs from other companies	7.654	5.823
Amount of outstanding balances		
Trade receivables (including financing)	16.478	11.270
Trade payables	2.745	1.251

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

During 2016 the parent companies, DSOs, paid fees of 58 k EUR to the statutory auditor and an amount of 20 k EUR for other assignments.
The fee for other assignments was approved by the Audit Committee.

31. Contingencies

(In thousands of EUR)	2016	2015
Rent deposits, buildings	1.463	1.374
Other bank guarantees	484	11.114
Pledge trade receivables	11.349	0
Guarantees given	**13.297**	**12.488**
Guarantees obtained from contractors and suppliers	51.562	43.848
Goods held by third parties in their own name but at risk for the Group	49	45
Obligation to purchase property, plant and equipment	4.698	3.570
Obligation to sell property, plant and equipment	8.442	500
Obligation to rehabilitation	860	910

Outstanding orders in 2016 amounted to 21.132 k EUR (2015: 20.786 k EUR).

The Group has rented several buildings and adjoining parking lots for a total value of 6.016 k EUR in 2016 and 6.055k EUR in 2015, as well as cars for a total value of 4.798 k EUR in 2016 and 4.883 k EUR in 2015.
The future rent obligations (operational rent obligations) concern buildings, vehicles and other materials.
The contracts relating to buildings contain renewal clauses and have an average term of two years.

The future minimum lease payments under non-cancellable finance leases are as follows.

(In thousands of EUR)	2016
In 2017	8.768
In 2018 and 2019	10.462
In 2020 and 2021	3.655
In 2022 and beyond	918
Total	**23.803**

The Group's budgeted investments for 2017 were estimated at 446.481 k EUR (532.096 k EUR in 2016).

Furthermore, there is also a legal dispute pending between the DSOs and Essent concerning free distribution of green electricity (3.533 k EUR for 2016 and 2015), with Infrabel and the Flemish Region on grid displacements (5.526 k EUR in 2016 and 5.594 k EUR in 2015) and disputes with various parties (for a total of 9.281 k EUR in 2016 and 11.693 k EUR in 2015).

The Group is involved in legal disputes for which the risk of loss is possible but not likely and for which, as a result, no provisions have been set up. Currently, the possible timing of the settlements cannot be estimated reliably.

32. Events after the reporting date

On 18 January 2017 the credit rating agency Creditreform Rating AG has granted Eandis System Operator a rating A+ with stable outlook.
Creditreform is a European rating agency of German origin and is recognized by the ESMA (European Security and Market Authority) since 2011. See press release on www.eandis.be.

Eandis System Operator and Infrax will roll out digital meters together.
On 3 February 2017, the Flemish Government approved the introduction of digital meters on the grid. From 2019 onwards, these new, digital meters will be installed in various phases, initially in new constructions or at major renovation, or with specific customer groups, such as owners of solar panels and customers with a budget meter. Eandis System Operator and Infrax, the two Flemish network operators, are satisfied with this decision. They will actively participate in the stakeholder consultation planned by the Flemish Government to update the cost-benefit analysis of these digital meters. Afterwards, Eandis System Operator and Infrax will realize the harmonized roll out of the digital meters in Flanders in their joint venture company Fluvius.

On 27 March 2017 the press reported on some policy initiatives launched by the Flemish Energy Minister Tommelein on the future structure of the Flemish energy distribution sector and Eandis System Operator, and more in particular on an integration of the operating companies Eandis System Operator and Infrax. The Board of Directors of Eandis System Operator has taken notice of this and concludes that the ideas put forward by the minister are in line with Eandis' vision and the measures the company had already taken in the creation of Fluvius as a joint affiliate of Eandis System Operator and Infrax. Eandis System Operator is therefore looking forward to working together with the Flemish government on the future of the sector.

33. List of group entities included in the consolidation

Subsidiary	Registered office	Number of shares owned (%)	Voting rights (%)
Distribution System Operators *			
Gaselwest	President Kennedypark 12, B-8500 Kortrijk		
IMEA	Merksemsesteenweg 233, B-2100 Deurne		
Imewo	Brusselsesteenweg 199, B-9090 Melle		
Intergem	Administratief Centrum (AC), Franz Courtensstraat 11, B-9200 Dendermonde		
Iveka	Koningin Elisabethlei 38, B-2300 Turnhout		
Iverlek	Aarschotsesteenweg 58, B-3012 Wilsele-Leuven		
Sibelgas	Gemeentehuis St. Joost-Ten-Node, Sterrenkundelaan 12, B-1210 Brussels		
Subsidiaries			
Eandis System Operator cvba	Brusselsesteenweg 199, B-9090 Melle	100,00	100,00
De Stroomlijn cvba	Brusselsesteenweg 199, B-9090 Melle	64,03	64,03
Atrias cvba	Ravensteingalerij 4 bus 2, B-1000 Brussels	25,00	25,00
Synductis cvba	Brusselsesteenweg 199, B-9090 Melle	33,24	32,47
Warmte@Vlaanderen cvba	Boombekelaan 14, B-2660 Hoboken	50,00	50,00
Fluvius cvba	Koning Albert II laan 37, B-1030 Brussels	50,00	50,00

* Address of contact: Brusselsesteenweg 199, B-9090 Melle

The subsidiaries Warmte@Vlaanderen and Fluvius were established during 2016 but do not contain any activity yetat the end of December 2016. They were registered in the consolidation as 'Investments in other companies'.

The company Eandis System Operator cvba together with its subsidiaries De Stroomlijn, Atrias, Synductis, Warmte@Vlaanderen and Fluvius form the (legal) 'Eandis System Operator group'. This group reports its IFRS results, which can be consulted on the website www.eandis.be.

Operating in a regulated environment

34. Operating in a regulated environment

Renewal of permission to call on the operating company
The Flemish energy regulator VREG has by its decision of 24 February 2015 granted the permission to the DSOs to call on the services of Eandis System Operator cvba as operating company for electricity. This authorisation applies as from 5 September 2014 and is valid for a period of twelve years.

Recognition of the distribution system operators
The Flemish energy regulator VREG reported, by letter of 6 February 2015, its decision of 3 February 2015 to renew the recognition of the 7 DSOs as electricity distribution system operators. This designation is valid for a period of 12 years starting from 5 September 2014.
On 29 September 2015 the VREG decided to renew the term for the 7 DSOs for gas distribution for a period of 12 years beginning on 14 October 2015. At the same time, the permission to operate with Eandis System Operator cvba as operating company for gas was granted.

Regulated tariff methodology
The Group operates in a regulated environment and hence revenue is based on tariff rates that were approved by the regulator.
As a result of the Sixth State Reform the VREG – Flemish Regulator of the electricity and gas markets - has as from **1 July 2014,** retrieved the competence of the federal regulator CREG to determine the tariff methodology for distribution in the Flemish region.

- **<u>Tariff methodology 2015-2016</u>**

On 30 September 2014 the VREG determined a new tariff rate methodology for electricity and gas for the DSOs active in the Flemish region for the regulatory period 2015-2016.
In building the new tariff method the following elements were taken into account: promoting efficient operations, information asymmetry, stability, transparency, administrative efficiency and avoiding rate volatility. This method should be an incentive for the DSOs to work in a cost-efficient and sustainable manner.

The costs are divided into three categories that also have another determination of its related income: The exogenous costs are the costs over which the DSO has no control because they are imposed: the cost of GEC, cogeneration certificates, premiums for RUE and social public service obligations; the non-exogenous costs include the cost of depreciation, the operational costs and the compensation for the cost of capital; and other costs include the fines.
The allowable income will be determined as follows: the income related to the exogenous costs is tailored to the exogenous costs; the income for the non-exogenous costs follows a stimulating revenue regulation to support efficient operations and the remaining costs are borne by the distribution system operator.
The capital remuneration is referred to by the VREG as the total of the average regulated assets at a stipulated cost of capital (4,8 % - gross 6,20 % as a result of the application of the corporate income tax) and the accepted net operating capital at a determined level (4,1 %) and an additional increase for the compensation for the cost of capital related to the exogenous costs at the legal interest rate of 2.25 %.

The recording of the exogenous costs at their actual value will give rise to differences between the rates and accounting costs. These balances should be booked on specific accounts and are named 'regulatory balance' in contrast to the differences from previous tariff methodologies that are named 'regulatory assets/liabilities'.

There are two regulatory balances allowed: a regulatory balance for exogenous costs and a regulatory balance for the volume differences regarding the revenue for non-exogenous costs.

Regulatory assets/liabilities of the past
The CREG has fixed the amounts of the regulatory assets/liabilities from the financial years 2008 and 2009. These may be recuperated in accordance with the amounts that were agreed upon by the VREG, being half of the amount in 2015 and the other half in 2016.
On 30 June 2015, the Brussels Court of Appeal ruled that the VREG is competent to determine the regulatory balances of the period 2010 to 2014 as well as their destination.
In its decision of 5 October 2015 the VREG ruled that for the time being 20% of the deficits of this period can be recharged in the tariffs of 2016.

Eligible income 2015-2016
The eligible income (fair remuneration) for the period 2015-2016 is made up of a portion related to the allowed income for exogenous costs and a portion for non-exogenous costs. There is a budget proposal submitted by the DSOs based on a reporting model.
The income related to the non-exogenous cost is determined on the basis of the evolution of the non-exogenous sector costs for a historical period of four years (2010-2013) which, according to a linear regression technique will determine the future income. Inflation is taken into account by discounting the costs to their current value. Also an annual adjustment for inflation is taken into account, based on the consumer price index (CPI) of August.
The data and information provided by the DSO in the reporting model regarding prior financial years, need to be controlled by the Auditor who needs to submit a report of factual findings (assurance report) to the VREG.

Tariffs for 2015
On 18 December 2014, the VREG approved the tariffs for the DSOs for 2015.
Eandis has asked for an adjustment on the proposed tariffs, because the federal contribution (decrease) and the Elia-tariff (increase) were changed after the submission. The VREG changed the tariffs accordingly as from 1 March 2015.
There was also a request for an adjustment to the tariffs following the transition from the legal entity tax to the **corporate income tax** of the DSOs. The adjustment of the rates will start from **1 August 2015** onwards. The amount not yet recovered of corporate income tax for the tax year 2015 was be settled in 2016 on top of the corporation tax for the tax year 2016.
A further change concerns the increase of the VAT rate for electricity as from 1 September 2015.

Approved tariffs for 2016
On 14 December 2015 the VREG published the distribution tariffs for electricity and gas.
The main changes concern the **provisional recharge of 20 %** of the accumulated deficit (regulatory transfer) from the period 2010-2014, the abolishment of the **100 kWh free electricity** and the full globalization in Flanders of the cost of green energy by also removing the ceiling that was used in the past for the settlement.

The accumulated balances related to the **Federal contribution** - charges to finance funds held by the CREG - must be recorded on the balance sheet and will be settled as soon as a decision is taken by the CREG (federal matter).

Adjustments to the tariff methodology of 2016
On **28 June 2016** the VREG reviewed the existing tariff methodology 2015-2016 as a result of the introduction of the public service obligation of the distribution system operators to stimulate the **infrastructure for electric vehicles**. This tariff methodology does not affect the distribution tariffs. The costs and benefits of the operation will be followed up during 10 years and then settled.

- **Tariff methodology 2017-2020**

On 24 August 2016, the VREG published the tariff methodology for the Flemish electricity and natural gas distribution system operators for the period 2017-2020.
The tariff methodology includes among others

- Adjustments to the parameters for the remuneration for cost of capital: net working capital is compensated to the corrected WACC before corporate income tax (5,00%), equity to 5,24%, the cost of debt capital to 3,04%
- Further recuperation of the regulatory assets/liabilities for the period 2010-2014 over 5 years (until 2020)
- the new regulatory balances can be recuperated according to an annual percentage of cumulated balance: exogenous costs (60%), volume differences 75 % (electricity) and 40% (gas), corporate income tax (for the part via endogenous costs), indexing of endogenous cost 50 %
- There will be reports on the quality of service (Q-factor): for example power cuts and intervention time for connectivity. The financial settlement will take place via a bonus or malus starting from the next regulatory period. During this tariff period the DSOs only need to report to the regulator.

Eligible income 2017

On 7 October 2016, the VREG established the permitted income for the natural gas and electricity distribution system operators for 2017. The distribution rates were determined on the basis of the tariff methodology 2017-2020. For both gas and electricity, there is an increase compared to 2016 mainly due to the increasing costs for the GEC (electricity) and the processing of the regulatory balances.

Tariffs for 2017

On 20 December 2016, the VREG approved the distribution tariffs for electricity and gas for the year 2017. The rates for electricity rise because of the increased costs on which the distribution system operator does have any impact (GEC and RUE contributions).

Accounting treatment

Overview of the assets and liabilities of the settlement mechanism (see note 'Trade and other receivables' and 'Trade and other short-term liabilities').

(In thousands of EUR)	**2016**	**2015**
Transfers 2008 - 2009	-2.006	53.888
Transfers 2010 - 2014	266.551	345.372
Total regulatory assets*	**264.545**	**399.260**
Regulatory balances		
Balances from 2015	268.275	259.705
Balances from 2016	54.414	0
Total regulatory balances	**322.689**	**259.705**
Total amount recoverable	**587.234**	**658.965**
of which reported as Current assets	587.234	658.965

* Transfers were grouped according to their recuperation in the tariffs with 50,00 % take back of the transfers recorded in 2008 and 2009 to recuperate during 2015 and 2016 (with the exception of the transfer for the Walloon municipalities) and 20 % take back of the transfers recorded in 2010 up to and including 2014 to recuperate during 2016 (with the exception of the scheme for the Walloon municipalities and separate treatment of the federal contribution amounting to 63.417 k EUR).

Reconciliation of the settlement mechanism.

(In thousands of EUR)	**2016**	**2015**
Regulatory assets at 1 January	658.965	452.986
Recovered transfers from 2008 - 2009	-55.894	-53.726
Recovered transfers from 2010 - 2014	-78.821	0
Transfer to third parties	113	0
Total movements regulatory assets*	**-134.602**	**-53.726**
Additional transfer from 2015	8.432	259.705
Additional transfer from 2016	54.414	0
Total movements regulatory balances	**62.846**	**259.705**
Total movements	**-71.756**	**205.979**
Movement through the income statement	-71.756	205.979
Transfer to third parties	25	0
Regulatory assets at 31 December	**587.234**	**658.965**

With regard to the transfers, being the differences between the actual and the budgeted costs and revenues and the settlement mechanism, the regulatory assets and the related calculations still need to obtain approval by the CREG/VREG, notwithstanding the control of the reporting for the year 2014. This uncertainty comprises that the control by the regulator can give rise to additional differences that need to be processed as an adjustment to the regulatory assets/liabilities or via the result in the following financial year.
Up till now, Eandis has not yet received a final decision from the regulator on the reporting of the results of 2010 up to 2015. The VREG has meanwhile started the control on the balances of 2010-2014 (which, in principle, will be completed by the end of 2017). In the meantime, already 20% of the regulatory transfers in relation to the period 2010-2014 was recovered in 2016 for the first time.

At the moment there are no specific IFRS guidelines as to the accounting treatment of the settlement mechanism in a regulated environment.
On 30 January 2014 the IASB published a new standard IFRS14 Regulatory Deferral Accounts. This new standard is applicable for "first time adopters" and allows the recording of regulated assets and liabilities as separate items of the balance sheet and profit and loss account. This standard was not endorsed by the EU and is awaiting the final standard.

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Free translation from the Dutch original

Statutory auditor's report to the shareholders of the Flemish distribution net owners on the consolidated financial statements of the Economical Group Eandis as of and for the year ended 31 December 2016

We report to you on the performance of our mandate which was assigned to us by the Management Committee of Eandis System Operator CVBA. This report includes our opinion of the financial position as at 31 December 2016, the consolidated statement of the realized and non-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year for the year ended 31 December 2016 and the notes (all elements together " the Consolidated Financial Statements"). The consolidated financial statements of the Economical Group Eandis consists of seven Flemish Distribution System Operators (DSOs): Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas who have joint control over Eandis System Operator CVBA and its subsidiaries (De Stroomlijn CVBA, Synductis CVBA, Atrias CVBA, Fluvius CVBA and Warmte@Vlaanderen CVBA).

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of the Economical Group Eandis (together "the Group") as of and for the year ended 31 December 2016, prepared in accordance with the *International Financial Reporting Standards* as adopted by the European Union, which show a consolidated balance sheet total of € 9.617.821 thousand and of which the consolidated income statement shows a profit for the year of € 282.892 thousand.

Responsibility of the Management Committee of Eandis System Operator CVBA for the preparation of the Consolidated Financial Statements

The Management Committee of Eandis System Operator CVBA is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the *International Financial Reporting Standards* as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Management Committee, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Management Committee and the Company's officials the explanations and information necessary for performing our audit procedure and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2016 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter paragraph

Without qualifying our opinion, we wish to draw the attention to the information, included in note 34 of the Consolidated Financial Statements related to operating in a regulated environment, which clarifies the specificities of the regulatory framework, tariffs and related accounting treatment. The information also clarifies the uncertainties related to the financial balances resulting from tariff settlement mechanisms which are still to be approved by the VREG.

Ghent, 29 March 2017

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by

Paul Eelen
Partner

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