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PRESS RELEASE

Melle, 28 April 2017

FINANCIAL REPORT OF THE EANDIS GROUP[1] AS PER 31 DECEMBER 2016

PROFILE OF THE REPORTING ENTITY
Eandis System Operator cvba and its subsidiaries De Stroomlijn cvba, Atrias cvba, Synductis cvba, Warmte@Vlaanderen cvba and Fluvius cvba (together the 'Eandis Group' or the 'Group') is the independent company that carries out operational tasks and public service obligations for electricity and gas at cost price for the Flemish distribution system operators (DSOs) Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas. The Group's result is therefore without any profit or loss.

2016 HIGHLIGHTS[2]

- Since 1 January 2016 the company's name is **Eandis System Operator**, highlighting its basic objective of operating distribution grids for electricity and gas on behalf of licensed distribution system operators.

- Eandis System Operator has founded two new subsidiaries, both joint ventures with its peer Infrax. **Warmte@Vlaanderen**, founded in May 2016, will concentrate on district heating projects[3]. **Fluvius**, founded in December 2016, will initially take care of the end-to-end smart metering chain. The former subsidiary **Indexis** was fully integrated into Eandis System Operator as of 1 January 2016.

1 The Eandis Group comprises Eandis System Operator cvba, its consolidated subsidiaries De Stroomlijn cvba, Atrias cvba and Synductis cvba and its non-consolidated subsidiaries Warmte@Vlaanderen cvba and Fluvius cvba. The Eandis Economic Group also assembles 7 Flemish DSOs for electricity and gas.

2 All comparisons are with the figures reported as per 31 December 2015, unless stated otherwise.

3 Under the Condition Precedent of a decision by the Belgian Competition Authorities on the notification of Warmte@Vlaanderen.

- **Eandis System Operator and Infrax** are working on the integration of the two companies, an initiative which is endorsed by the Flemish government. Concrete decisions are expected in 2017.

- The planned merger of the 7 DSOs belonging to the Eandis Economic Group into one single entity **'Eandis Assets'**, could not be realised due to the non-fulfilment of two conditions precedent. As a consequence, the **selected private partner** State Grid Europe could not enter into the share capital of Eandis Assets.

- Eandis System Operator's corporate rating was downgraded by **Moody's** to A3 (stable outlook) on 14 December 2016. On 18 January 2017, rating agency **Creditreform Rating** assigned an A+ (stable outlook) rating to Eandis System Operator.

- The **tariff methodology 2017-2020**, as established by the regulator VREG, lays the foundation for the DSOs' financial revenue for the years ahead.

- The 2016 **consolidated balance sheet** totals 4.352,4 million EUR (+3,5 per cent). **Operating revenue** amounted to 998,1 million EUR (-4,4 per cent) *[IFRS figures].*

- The average **headcount** at the Eandis Group has decreased by 6,0 per cent: 4.210 employees for 2016 compared to 4.480 for the year 2015.

- An independent **customer satisfaction** survey showed a slight improvement in the overall satisfaction rate: 94,5 per cent in 2016 (up from 94,3 per cent in 2015).

- Eandis System Operator pursues its strategic **sustainability policy** with the focus on the municipalities attaining their climate objectives (energy efficiency, support for renewable energy, mobility, smart cities etc.).

- Our 2016 **safety results** were below expectations. The frequency index of industrial accidents was up from 3,16 to 5,96; the gravity index scored 0,13 in 2016 (up from 0,09 in 2015). An Eandis employee lost his life in a fatal industrial accident. Another employee was fatally wounded in a bike accident on his way to work.

- **Electricity grid reliability** remained at top level in 2016. An average outage of 19 minutes 47 seconds (down from 20 minutes 36 seconds in 2015) is Eandis's best ever result.

MANAGEMENT REPORT

In 2016 Eandis put a lot of effort into a major transformation of the Eandis Economic Group, consisting of (i) a merger of the 7 DSOs into one single entity, called Eandis Assets, and (ii) the selection process for a private partner for Eandis Assets. The DSOs' merger into Eandis Assets had been approved in December 2015 under a number of conditions precedent. In parallel, it was decided that a private partner could become shareholder of Eandis Assets with a 14 per cent stake in its capital. An amendment to the Flemish Decree on Intermunicipal Cooperation was approved by the Flemish Parliament in April 2016 which allowed for such a limited participation of a private shareholder in the intermunicipal DSO company Eandis Assets. The selection process for a private partner kicked off with formal contacts with almost seventy potential candidates, of which around twenty showed their interest. After a first selection round a group of five candidates was still in the running. Early June 2016 Eandis System Operator formally announced that its Board of Directors had appointed State Grid Europe Ltd., a subsidiary of State Grid Corporation of China, as the selected bidder. At the end of June 2016, the ensuing negotiations resulted in a formal Shareholders' and Subscription Agreement between Eandis Assets and State Grid Europe. State Grid Europe would pay 830 million EUR for its 14 per cent stake in Eandis Assets.

On 1 July 2016, 7 financing associations[4] also became a shareholder of Eandis Assets (under the condition precedent of the formal establishment of Eandis Assets) with a global participation of 100 million EUR.

The formal realisation of the merger into Eandis Assets and the entry of State Grid Europe and the financing associations in Eandis Assets' share capital was on the agenda of an Extraordinary General Assembly on 3 October 2016. However, between August and early October the possible association of Eandis Assets' municipal shareholders with State Grid Europe (and thus indirectly with State Grid Corporation of China) was discussed in detail on the public forum. On 29 September 2016, the Flemish energy regulator VREG issued a press release in which it stated that it would not allow the continuation of separate grid tariffs per ex-DSO beyond 2017, but such a continuation beyond 2017, i.e. until all regulatory balances from the past had been recovered by the ex-DSOs separately, was precisely one of the conditions precedent set by the shareholders for the realisation of Eandis Assets. Another condition precedent, on the exit of four Walloon municipalities out of DSO Gaselwest, was not yet fulfilled at the beginning of October 2016. Therefore, on 3 October, both the Board of Directors and the General Assembly had to conclude that the conditions precedent set for the realisation of the merger and the entry of the selected private bidder and the financing associations had not and would not be fulfilled. The result was that (i) the previous structure of the Eandis Economic Group with 7 separate DSOs was reinstated, (ii) that State Grid Europe could not become a shareholder and (iii) that the financing associations could not become shareholders either. Eandis System Operator clearly regrets the outcome of the events described above.

On the back of the events leading up to the non-realisation of the Eandis Assets merger as well as the non-entry of State Grid Europe and the financing associations into Eandis Assets' share capital, the rating agency **Moody's** put Eandis System Operator under 'review for downgrade' (6 October 2016) and finally decided to downgrade its corporate A1 rating (negative outlook) to A3 with a stable outlook (14 December 2016).

Investments in distribution grid infrastructure by the seven DSOs for 2016 totalled 427,6 million EUR, which is 13,3 per cent below the 2015 level. Investments in electricity grid infrastructure amounted to 291,6 million EUR (down 12,1 per cent) and in gas to 136,0 million EUR (minus 15,8 per cent). This general decrease in investments is due to reduced investments by local authorities (i.e. mainly less road works triggering investments in energy distribution grids), a decrease in the number of new allotments and the end of the investment programmes aimed at the gas grid extension and the replacement of outdated infrastructure dating back to the sixties and seventies of the previous century.

[4] These financing associations are: Figga, Finea, Fingem, Finiwo, Finilek, IKA and IBG. They are all financing entities for and by the municipalities.

Parallel to the development in the investment activities highlighted above, the Group's IFRS **consolidated operating revenue** has decreased by 4,4 per cent to 998,1 million EUR.

The subsidy mechanism for **Rational Use of Energy (RUE)** – which is an essential part of Eandis System Operator's public service obligations – underwent a fundamental change in 2016. The number of subsidies granted decreased by 5,2 percent to 98.547, while at the same time the total amount paid out increased by 4,0 percent to 73,9 million EUR. Near year end 2016 we noticed a sharp uptick in the demand for RUE subsidies.

At the end of 2016, the number of **social customers** for both electricity and gas has once again increased, albeit slightly. In electricity, we recorded 62.717 social customers (up from 60.655 in 2015), in gas 48.461 (2015: 47.138). Revenue from Social Public Service Obligations customers rose by 10,3 per cent to 85,1 million EUR. The budget meter remains an indispensable weapon in the battle against energy poverty: there are now 56.749 operational budget meters for electricity and gas combined (2015: 56.231 meters).

The Flemish energy regulator VREG established the **2017-2020 tariff methodology for electricity and gas distribution**. The actual tariffs to be invoiced by the DSOs in the year 2017 are based entirely on this methodology. Tariffs are based on the allowable income principle. The parameters used to determine the allowed remuneration for the DSOs' shareholders are now lower than in the 2015-2016 methodology, partly due to the lower interest rate environment. The methodology also includes a mechanism which allows the DSOs to recover over a time span of five years (2016-2020) all of their outstanding regulatory balances dating from the 2010-2014 period. All in all, Eandis System Operator feels that the new methodology will provide more stability and predictability to the energy market and energy consumers.

Sustainability is at the heart of everything that Eandis System Operator does. Our role is primarily to assist our shareholders, more than 200 Flemish local authorities, in their efforts to achieve their climate objectives. Our focus is on sustainable energy for mobility, public lighting and buildings. We only mention a few of our efforts here by way of example: energy scans, the breakthrough of LEDs in public lighting and the support for energy efficiency initiatives in the municipalities. Internally, we have reviewed our car policy towards a greener fleet and we have continued our broad action plan focused on a more sustainable mobility profile. The global Eandis Environmental Action Plan 2015-2019 is implemented through detailed annual environmental actions plans. Please consult our combined 2016 report for more details on Eandis System Operator's sustainability efforts. For the first time, Eandis System Operator has published a combined 2016 Activity report and Corporate Social Responsibility report.

The average **headcount** at the Eandis Group slightly decreased over 2016 (minus 2,6 per cent) to 4.240 employees at 31 December 2016. At the end of 2016, the Group's parent company Eandis System Operator employed 3.967 people (corresponding to 3.793,23 full-time equivalents), down from 4.041 (or 3.869,22 FTE) employees at year end 2015. In 2016 Eandis System Operator also deployed 1.503 employees of contractors.

An independent survey demonstrated that **customer satisfaction** for our core business processes in 2016 was at the record level of 94,5 per cent (2015: 94,3 per cent).

Eandis's 2016 **safety results** were clearly below the standards set by management. The frequency index scored 5,96 (compared to 3,16 in 2015). The 2016 gravity index scored 0,13 (0,09 in 2015). Industrial accidents accounted for 767 working days lost in 2016, compared to 537 the previous year, while the number of such accidents resulting in working days lost increased from 19 in 2015 to 35 for 2016. Two employees lost their life in work-related accidents: one technician was killed in an electricity-related accident while another employee lost his life in a traffic accident while on his way to work. Management has reiterated its unambiguous policy priority on safety at work and has taken a range of measures to improve safety results.

Grid reliability reached a new positive record level with an average outage time of 19 minutes 47 seconds (down from 20 minutes 36 seconds in 2015). The 2016 figure is the best ever recorded by Eandis System Operator. Overall outage frequency evolved from 0,375 in 2015 to 0,415 in 2016 (plus 10,7 per cent); the five-year average score is 0,451.

<u>Developments at our subsidiaries</u>

The former subsidiary **Indexis** was fully integrated into Eandis System Operator as of 1 January 2016.

Our subsidiary **Synductis** *(33 per cent stake for Eandis System Operator, consolidated according to the equity method)* gained clout over the year 2016. New entrants in 2016 were Pidpa, Infrax and De Watergroep. Synductis now coordinates the synergy in infrastructural operations in the public domain for seven sectors: coordination of planning, electricity, gas, telecom, water, sewage and road systems. Synductis has already demonstrated its capabilities in realising clear synergy benefits in the field.

The customer communication centre **De Stroomlijn** *(64 percent stake for Eandis System Operator, full consolidation)* was able to continue its excellent operational performance. In 2016 the collaboration with De Watergroep was renewed and reinforced.

Atrias *(25 per cent stake for Eandis System Operator, consolidated according to the equity method)* has continued its work on the technical and administrative preparations for the start of the federal Clearing House in 2018.

Two new subsidiaries were founded in the course of 2016. **Warmte@Vlaanderen** was founded as a 50/50 joint venture with Infrax with a view to the development of district heating projects. Warmte@Vlaanderen's focus will be on the grid infrastructure needed for these kinds of sustainable projects.

Fluvius was also founded as a 50/50 joint venture with Infrax. Its aim is to detect and develop synergies between both operating companies in the field of distribution grid management and other activities, at the request of its shareholders.

KEY DATA

E = electricity / G = gas	2016	2015	Change (%)
FINANCIALS (consolidated, IFRS)			
Balance sheet total (1.000 EUR)	4.352.389	4.206.595	+ 3,5
Revenue (1.000 EUR)	975.843	1.026.543	- 4,9
TECHNICAL			
Net length E (km)	97.667	97.312	+ 0,4

Net length G (km)	42.837	42.598	+ 0,6
Connections E	2.664.391	2.641.551	+ 0,9
Connections G	1.773.585	1.740.197	+ 1,9
Public lighting (lamps)	849.092	845.250	+ 0,5
SOCIAL			
Connections E social supplier	62.717	60.655	+ 3,4
Connections G social supplier	48.461	47.138	+ 2,8
Active budget meters E	32.819	32.506	+ 1,0
Active budget meters G	23.930	23.725	+ 0,9

RISK FACTORS

The Group focuses its risk policy on minimising the potentially negative impact of risks on the Group's operations and its financial situation and results. The company uses the **'integral risk management'** methodology in order to identify risks in all aspects of its operational processes and activities. Management updates the risk identification annually.

In 2016, the **ISO 9001 quality certificate** was extended to all core business processes at Eandis System Operator, thus testifying to the company's thorough management and execution of its processes.

The Group's **financial risks** and their potential negative impact are mitigated by the way Eandis System Operator executes its tasks as the DSOs' operating company.

As to the **interest risk**, Eandis has - until the reporting date - issued all of its bonds and long-term loans with a fixed interest rate.

The **credit risk** is the risk that a party involved in a financial instrument does not meet its obligations, which may result in a financial risk or loss for the counterparty. The Eandis Group is closely monitoring this risk and has therefore opted for a diversification of counterparties. At balance sheet date, there was no major concentration of credit risks. The maximum credit risk is the balance sheet value of each financial item.

The **liquidity risk** is the risk that the Group cannot meet its financial obligations. The Group is actively reducing this specific risk by continuously monitoring its cash flows and by ensuring that the Group can at all times rely on sufficient short-term credit facilities, both committed and non-committed. In this respect, the Group has entered into a number of credit facility contracts with banks and financial institutions. More details can be found in the financial statements.

Eandis is not substantially exposed to the **currency risk**, as all current contracts are in euro.

Pricing risks for Eandis System Operator are to a large extent non-existent, since the company can pass through its costs to the DSOs.

CORPORATE BODIES AND MANAGEMENT COMMITTEE

As per 1 January 2017, the **Board of Directors** of Eandis System Operator was made up as follows (*between brackets the DSO/shareholder represented by each director*):

Chairman: Piet Buyse (Intergem)

Vice-Chairmen: Koen Kennis (IMEA), Geert Versnick (Imewo) and Louis Tobback (Iverlek)
Members: David Coppens (Intergem) Jean-Pierre De Groef (Sibelgas), Christof Dejaegher (Gaselwest), Paul Diels (Iveka), Greet Geypen (Iverlek), Luc Janssens (IMEA), Piet Lombaerts (Gaselwest), Luc Martens (Gaselwest), Katrien Partyka (Iverlek), Ilse Stockbroekx (Iveka), Sven Taeldeman (Imewo) and Filip Thienpont (Imewo).

There were no changes to the Eandis **Management Committee** in 2016:

Chairman: Walter Van den Bossche (CEO)
Members: Guy Cosyns (Customer Operations), Wim Den Roover (Network Operations), Jean Pierre Hollevoet (Network Management), David Termont (CFO; Financial & ICT Management), Donald Vanbeveren (Regulation & Strategy) and Werner Verlinden (HR & Organisational Management).

RELATED PARTIES TRANSACTIONS

The parent company's directors were awarded a total gross remuneration for 2016 (including allowances for transport costs) of 65.898,90 EUR. No other benefits in kind, share options, loans or advances have been granted to them. The Board of Directors was convened ten times during 2016.

Total remuneration for the members of Eandis System Operator's Management Committee for 2016 amounted to 3.252.982,07 EUR, which includes a pension cost of 624.971,32 EUR.

MAJOR EVENTS AFTER THE REPORTING DATE

On 18 January 2017, Eandis System Operator obtained a second corporate rating, this time with the German rating agency **Creditreform Rating AG**. After a thorough analysis Creditreform assigned an **A+ (stable outlook)** rating to the company.

On 3 February 2017, the Flemish government took a decision on the r**oll-out of the smart, digital meter**. Starting in 2019, the smart meter will be rolled out first in the segments of renovated and new homes, prosumers and budget meter customers. Between now and 2019 the roll-out will be prepared by Fluvius, on behalf of Eandis System Operator and Infrax, and a precise cost/benefit analysis will be executed.

Mr Sven Taeldeman, member of Eandis System Operator's Board of Directors and its Audit and HR Committees, resigned on 20 February 2017. No successor has been appointed yet.

OUTLOOK

In Eandis System Operator's judgment and barring unforeseen economic developments, the financial outlook for 2017 for both the operating company Eandis System Operator as well as the Eandis Economic Group as a whole, will remain stable within the current tariff framework (i.e. the tariff methodology for the period 2017-2020).

The Board of Directors expects that the ongoing discussions on the future organisation of the energy distribution sector in Flanders, and more specifically the work being carried out on the further integration of Eandis System Operator and Infrax, might result in decisions having a substantial impact on the company itself and, to a large degree, on the Eandis Economic Group. The company will communicate on the developments in this field.

The energy transition will undoubtedly be the major trend affecting our strategy and operations in the medium to long term. Management expects a trend towards increased electrification (heat pumps, electric mobility, etc.), digitalisation (the internet-of-things and big data) and the integration of smart applications for energy distribution.

REPORTING STATUS

This financial report for the period ended 31 December 2016 was approved for publication by Eandis System Operator's Board of Directors on 29 March 2017.

Eandis System Operator's Annual Financial Report can be consulted on the company's website (www.eandis.be, see 'Investor Relations').

On 29 March 2017, Eandis System Operator's statutory auditor, Ernst & Young Bedrijfsrevisoren (EY), represented by Mr Paul Eelen, issued an unqualified audit opinion on the parent company's financial statements for the twelve-month period ended 31 December 2016, stating that these financial statements have been prepared in accordance with BE-GAAP.

On 29 March 2017, Eandis System Operator's statutory auditor, Ernst & Young Bedrijfsrevisoren (EY), represented by Mr Paul Eelen, issued an unqualified audit opinion on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) for the year ended 31 December 2016.

STATEMENT BY THE RESPONSIBLE PERSONS

The undersigned persons state that, to the best of their knowledge,

- *the financial statements of Eandis System Operator cvba and its consolidated subsidiaries as of 31 December 2016 have been prepared in accordance with the applicable standards for financial statements, and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and*
- *that the management report gives a fair overview of the development of the company's results and of the position of Eandis System Operator and its consolidated subsidiaries, and also describes the major risks and uncertainties to which they are exposed.*

Melle, 28 April 2017,

David TERMONT,	***Walter VAN DEN BOSSCHE,***
CFO	*CEO, Chairman of the Management Committee*

ANNEX

Eandis System Operator's IFRS consolidated financial statements for the year ended 31 December 2016:

- Consolidated statement of profit or loss
- Consolidated statement of comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Explanatory notes
- Information concerning the parent company

CONTACT

Eandis System Operator cvba, Brusselsesteenweg 199 – B-9090 Melle

VAT number: BE 0477.445.084

Press

Simon VAN WIJMEERSCH, tel. +32 9 263 45 54 - mail: simon.vanwijmeersch@eandis.be

Investor Relations

Koen SCHELKENS, tel. +32 9 263 45 04 - mail: investors@eandis.be

EY
Building a better working world

Ernst & Young
Bedrijfsrevisoren
Reviseurs d'Entreprises
Moutstraat 54
B - 9000 Gent

Tel: +32 (0)9 242 51 11
Fax: +32 (0)9 242 51 51
ey.com

Free translation from the Dutch original

Statutory auditor's report to the general meeting of the company Eandis System Operator CVBA for the year ended 31 December 2016

As required by law and the Company's by-laws, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated statement 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 ended 31 December 2016 and the disclosures (all elements together "the Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of Eandis System Operator CVBA ("the Company") and her subsidiaries (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 € € 4.352.389 thousand and of which the consolidated income statement shows a result for the year of € 0.

Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors 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 Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors 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.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 29 March 2017

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by

Paul Eelen
Partner

17PE0082

EANDIS SYSTEM OPERATOR Group

Consolidated Financial Statements IFRS

Year end 31 December 2016

Content

Consolidated Financial Statements

Consolidated statement of profit or loss

(In thousands of EUR)	Notes	2016	2015
Operating revenue	**3**	**998.121**	**1.044.062**
Revenue		975.843	1.026.543
Other operating revenue		22.278	17.519
Operating expenses		**-978.829**	**-1.023.479**
Changes in inventories of finished goods and raw materials		-88.851	-79.785
Cost for services and other consumables	4	-522.885	-570.927
Employee benefit expenses	5	-360.963	-368.432
Depreciation, amortization and changes in provisions		-5.473	-3.926
Other operational expenses		-657	-409
Result from operations		**19.292**	**20.583**
Finance income	6	109.107	109.431
Finance costs	6	-119.206	-119.552
Profit (loss) before tax		**9.193**	**10.462**
Income tax expenses	7	-9.193	-10.462
Result for the period		**0**	**0**

Consolidated statement of comprehensive income

(In thousands of EUR)	Notes	2016	2015
Result for the period		**0**	**0**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on long-term employee benefits	19	-5.311	51.003
Actuarial gains (losses) on rights to reimbursement on long-term employee benefits	19	5.311	-51.003
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**0**	**0**
Total comprehensive income for the period		**0**	**0**

Consolidated statement of financial position

(In thousands of EUR)	Notes	31 December 2016	31 December 2015
Non-current assets		**3.534.199**	**3.756.646**
Intangible assets	8	780	1.204
Property, plant and equipment	9	2.303	2.512
Investments in other companies	10	30	11
Other investments	11	832	919
Rights to reimbursement on post-employment employee benefits	12	259.363	331.250
Long-term receivables, other	13	3.270.891	3.420.750
Current assets		**818.190**	**449.949**
Inventories	14	35.295	45.316
Short-term receivables, other	13	150.000	0
Trade and other receivables	15, 21	322.646	255.506
Receivables cash pool activities	15	307.587	145.492
Cash and cash equivalents	16, 21	2.662	3.635
TOTAL ASSETS		**4.352.389**	**4.206.595**
EQUITY	**17**	**1.099**	**1.099**
Equity attributable to owners of the parent		**1.006**	**20**
Share Capital, reserves and retained earnings		1.006	20
Non-controlling interest		**93**	**1.079**
LIABILITIES		**4.351.290**	**4.205.496**
Non-current liabilities		**3.506.515**	**3.726.010**
Interest bearing loans and borrowings	18, 21	3.247.152	3.394.760
Employee benefit liability	19	259.363	331.250
Current liabilities		**844.775**	**479.486**
Interest bearing loans and borrowings	18, 21	561.321	225.238
Trade payables and other current liabilities	20	269.868	236.859
Liabilities cash pool activities	20	0	11.400
Current tax liabilities	20	13.586	5.989
TOTAL EQUITY AND LIABILITIES		**4.352.389**	**4.206.595**

Consolidated statement of changes in equity

(In thousands of EUR)	Share capital	Reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2015	**18**	**2**	**0**	**20**	**1.079**	**1.099**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 December 2015	**18**	**2**	**0**	**20**	**1.079**	**1.099**
Change in consolidation scope	897	70	19	**986**	-986	**0**
Result for the period	0	0	0	**0**	0	**0**
Other comprehensive income	0	0	0	**0**	0	**0**
Subtotal	**897**	**70**	**19**	**986**	**-986**	**0**
Balance at 31 December 2016	**915**	**72**	**19**	**1.006**	**93**	**1.099**

On 1 January 2016 Eandis incorporated the activities and employees from its subsidiary Indexis cvba. Further information was disclosed in the note 'Share capital and reserves'.

Consolidated statement of cash flows

(In thousands of EUR)	Notes	2016	2015
Result for the period		0	0
Amortization of intangible assets	8	428	478
Depreciation on property, plant and equipment	9	920	1.169
Impairment on current assets (Reversal-; Recognition +)	21	4.125	2.279
Gain or loss on realization receivables		106	163
Net finance expense	6	10.099	10.121
Gain or loss on sale of property, plant and equipment		23	0
Income tax expense (income)	7	9.193	10.462
Operating cash flow before changes in working capital and provisions for employee benefits		**24.894**	**24.672**
Change in inventories	14	10.022	-11.117
Change in trade and other receivables	15	-71.289	708.933
Change in trade payables and other current liabilities	20	32.999	35.490
Net operating cash flow		**-28.268**	**733.306**
Interest paid		-116.792	-117.743
Interest received		108.652	109.149
Financial discount on debts	6	291	460
Income tax paid	7	-1.596	-7.381
Net cash flow from/used in operating activities		**-12.819**	**742.463**
Proceeds from sale of property, plant and equipment	9	10	0
Purchase of intangible assets	8	-4	-333
Purchase of property, plant and equipment	9	-744	-208
Purchase of financial assets	10	-19	0
Proceeds from sale of other investments	11	168	387
Net investment in other long-term receivables	13	-141	9
Net cash flow used in investing activities		**-730**	**-145**
Proceeds from short-term loans and borrowings	18	186.071	225.238
Change in cash pool	15, 20	-173.495	-972.827
Net cash flow from/used in financing activities		**12.576**	**-747.589**
Net increase/decrease in cash	**16**	**-973**	**-5.271**
Cash and cash equivalents - at beginning of period		**3.635**	**8.906**
Cash and cash equivalents - at end of period		**2.662**	**3.635**

Notes to the consolidated financial statements

1. Corporate information

Eandis System Operator, formerly Eandis, a limited liability partnership (‘coöperatieve vennootschap met beperkte aansprakelijkheid’/’société coopérative à responsabilité limitée’) under Belgian law, is registered in Belgium, at Brusselsesteenweg 199, 9090 Melle. It is registered under number 0477.445.084 in the central enterprise register of Ghent (section Ghent). The consolidated financial statements of Eandis for the year ended 31 December 2016 contain the information of the company and its subsidiaries (see note 'List of group entities included in the consolidation '), and together they form the 'Group'.

On 1 January 2016 the name of Eandis cvba was changed into Eandis System Operator (ESO) cvba but its alias remains ‘Eandis'.
Also on 1 January 2016, the activities and employees of the subsidiary Indexis cvba were incorporated by Eandis.

The shareholders of Eandis are seven Distribution System Operators or DSOs in the Flemish region (Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas), that are distributing both electricity and gas (the ‘Flemish DSOs’).

The role of Eandis is limited mainly to the development, the operation and the maintenance for the Flemish DSOs of the low voltage and mid voltage distribution networks for electricity as well as their low pressure and mid pressure distribution networks for gas. The grid assets themselves remain owned by the Flemish DSOs that are also the holders of the electricity and gas distribution system operator licences granted by the Flemish energy regulatory authority, VREG.

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. The company carries out its operational activities at cost price without charging any commercial margin to the Distribution System Operators. This means that all costs incurred are passed through to the DSOs according to fixed allocation rules. Each month Eandis System Operator invoices each of the DSOs for the operational services rendered. The result of the Group is without profit or loss.

The Flemish DSOs have appointed Eandis as their operating company.
The Flemish energy regulator (VREG) decided in 2015 to grant permission to the distribution system operators Gaselwest, IMEA, Imewo, Intergem, Iveka, Iverlek and Sibelgas to call on the services of the operating company Eandis for electricity and gas. This authorisation shall apply from 5 September 2014 for electricity and from 14 October 2015 for gas for a period of twelve years.
For more information, visit our website www.eandis.be

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 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.

This financial report for the financial year ended 31 December 2016 was approved on 29 March 2017 by the Board of Directors.

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 is supposed to exist if Eandis, directly or indirectly, holds 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 company, 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 company. 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 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.

An overview of the subsidiaries of the Group is set out in note 'List of group entities included in the consolidation'.

2.3 Segment reporting

The Group does not distinguish between different segments, neither at the level of activities, nor geographically, since the Group generates income as operating company for the Flemish DSOs.

2.4 Significant accounting policies

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

a) Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company provided that the income can be measured reliably and its collection is likely.

Goods sold and services rendered

The proceeds from the sale of goods and services rendered are recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Finance income includes mainly interest realized from borrowing funds from the bond issuances and from the cash pool activities. This interest is recognized when acquired and for the period to which it refers (taking into account the effective interest rate of the asset), unless collectability is doubtful.

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 them 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 systematically presented in the income statement as other operating income in the same period in which the costs are included.

b) Finance costs

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 income tax of the year comprises the tax charge payable. The tax on profit is recognized in the income statements. 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.

c) Intangible assets

Intangible assets are measured at cost less any accumulated amortizations and impairment losses.
Intangible assets with a finite useful life are amortized on a straight-line basis over the expected useful life.

The following amortization percentage based on the estimated useful life is used:

Software	20,00 %

d) Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses. The historical cost comprises the initial purchase price and any costs directly attributable to bringing the asset to the condition necessary for it to be operational in the manner intended by management.

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

The applied depreciation percentages on the basis of the average useful life are as follows:

Office furniture and equipment	10,00 %
Leasehold improvement	11,12 %
Computer equipment and hardware	20,00 % and 33,33 %
Test equipment (Electronic Vehicles in Action)	50,00 %
Charging stations for electric vehicles	10,00 %
Motor- & bicycles	20,00 %

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

Gains and losses on sale
Any gain or loss arising from the 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, recovery 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, is classified as operational lease.
Lease payments based on operational leases are expensed on a straight-line basis, unless another systematic method is more representative for the time pattern of the benefits for the user.

Impairment
For each of the Group's property, plant and equipment it is assessed on each balance sheet date whether there are any indications of impairment for a particular asset. If any such indications exist, the recoverable amount of the asset has to be estimated.

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

e) Investments
All investments are accounted for at trade date.

Investments in equity securities are undertakings in which the Group does not have significant influence or control. This is the case for companies where the Group holds less than 20% of the voting rights. Such investments are designated as available for sale financial assets 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 are measured at purchase cost. Their value is determined using the moving weighted average method.
An impairment is carried out for consumption goods or necessities that, due to their obsoleteness, are no longer usable for operational purposes or of which the estimated sale price is below the net realizable value. If items of inventory have not been used for more than a year, a loss of 100,00 % 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 their amortized cost.
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.
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 are therefore impaired at 100,00 % (excluding VAT).
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 recoverability is not possible. Also when it can be revealed that the revenue associated with a possible recovery does not compensate (i.e. is not economically justified) the costs for this recovery, the receivable is completely impaired using the provision which was set up for this purpose.

The impairment losses are recognized in the income statement.

h) Cash and cash equivalents

Cash and cash equivalents comprise the readily available cash resources, deposits that can be immediately withdrawn from credit institutions and other short-term, highly liquid investments (with a maximum maturity of 3 months), that are readily convertible to known amounts of cash. 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) 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.

j) Loans and borrowings
Interest bearing loans are recognized initially at fair value. Subsequent to initial recognition, interest bearing loans are valued 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) Trade and other liabilities
Trade and other liabilities have been stated at amortized cost.

l) Current tax liabilities
Taxes on the result of the financial year include the taxes due. The taxes contain the expected tax liability on the taxable income of the year and adjustments to the tax liability of prior years. For the calculation of the taxes on the taxable income of the year, the tax rates were used that were enacted (or substantially enacted) by the end of the reporting period.

2.5 Summary of changes in accounting policies 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

2.6 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that 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 the period of the revision and future periods if the revision affects both current and future periods.

Pensions and other post-employment benefit plans

The cost of the 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 the sensitivity analysis are disclosed in note ‘Pensions and other post-employment benefit plans’.

2.7 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 Unrealised 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.

3. Operating revenue

(In thousands of EUR)	2016	2015
Recharge of costs to the Distribution System Operators	970.053	1.016.208
Construction works for third parties	5.790	10.335
Revenue	**975.843**	**1.026.543**
Other operating revenue	**22.278**	**17.519**
Total	**998.121**	**1.044.062**

The total operating revenue has decreased when compared to 2015 with 45.941 k EUR to 998.121 k EUR.

The Group realized most of its revenue from management fees invoiced mainly to the Distribution System Operators. The pass-through via the management invoices reflects all costs necessary in order to carry out its duties as an independent service delivery company for the operation of the electricity and gas grids.
The billing of 'Construction works for third parties' comprises mainly groundworks in synergy, whereby their respective share in the costs is charged to the other utility companies.

The 'Other operating revenue' mainly comprises repayments of general costs of contractors, insurance companies and other entities.

4. Cost for services and other consumables

(In duizenden EUR)	2016	2015
Cost contractors for grid construction and maintenance	208.037	226.440
Cost for direct purchases	65.471	79.123
Fee for usage of installations including charges	64.269	60.699
Advertising, information, documentation, receptions a.o.	7.576	9.227
Subsidy for rational use of energy (RUE)	72.595	72.820
Contracts and administration costs	8.581	7.478
Consultancy and other services	51.220	65.630
Other	45.136	49.510
Total	**522.885**	**570.927**

The cost for services and other consumables decreases with 48.042 k EUR compared to 2015 and amounts to 522.885 k EUR.

The costs for the rational use of energy (RUE) amount to 72.595 k EUR in 2016 and 72.820 k EUR in 2015.

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

All of these costs have been recharged mainly to the Distribution System Operators.

5. 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	17.894	16.268
Total	**360.963**	**368.432**

The employee benefit expenses amounted to 360.963 k EUR in 2016, a decrease of 7.469 k EUR compared to 2015.

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

6. Financial results

(In thousands of EUR)	2016	2015
Interest income Distribution System Operators	108.623	108.566
Interest income banks	1	103
Other financial income	483	762
Total financial income	**109.107**	**109.431**
Interest expenses Distribution System Operators	89	354
Interest expenses banks	1.004	1.109
Interest expenses bond loans	108.510	108.337
Other financial expenses	9.603	9.752
Total financial expenses	**119.206**	**119.552**

The interest income was principally realized from the interest on the loans to the Distribution System Operators, as well as the interest on the cash pool activities with the Distribution System Operators.

Other financial income mainly comprises financial discounts (291 k EUR in 2016; 460 k EUR in 2015), income from the sale of 'investments in other companies' (81 k EUR in 2016; 220 k EUR in 2015).

The interest expenses were the result of the interest on the bond loans, loans with the banks and partly from the cash pool activities with the Distribution System Operators.
The other financial expenses comprise costs related to debt, financial costs for rent, interest costs on pension liabilities and various bank costs.

7. Income tax expenses

(In thousands of EUR)	2016	2015
Tax expenses on current year results	9.200	10.447
Tax adjustments	-7	15
Total income tax expenses (income)	**9.193**	**10.462**

(In thousands of EUR)	2016	2015
Profit (loss) before tax	9.193	10.462
Effect of non-deductable expenses	17.877	20.331
Effect of deductable expenses	-3	-58
Tax basis	**27.067**	**30.735**
Total income tax expenses*	**9.200**	**10.447**

* subject to the Belgian legal tax rate of 33,99 %

8. Intangible assets

(In thousands of EUR)	Licenses and similar rights	Total
Acquisition value at 1 January 2016	4.745	**4.745**
Acquisitions	4	**4**
Acquisition value at 31 December 2016	**4.749**	**4.749**
Amortization and impairment at 1 January 2016	3.541	**3.541**
Amortization	428	**428**
Amortization and impairment at 31 December 2016	**3.969**	**3.969**
Net book value at 31 December 2016	**780**	**780**

(In thousands of EUR)	Licenses and similar rights	Total
Acquisition value at 1 January 2015	4.412	**4.412**
Acquisitions	333	**333**
Acquisition value at 31 December 2015	**4.745**	**4.745**
Amortization and impairment at 1 January 2015	3.063	**3.063**
Amortization	478	**478**
Amortization and impairment at 31 December 2015	**3.541**	**3.541**
Net book value at 31 December 2015	**1.204**	**1.204**

9. Property, plant and equipment

(In thousands of EUR)	Installations, machinery and equipment	Furniture and vehicles	Other	Total
Acquisition value at 1 January 2016	70	68.749	1.913	**70.732**
Acquisitions	0	50	694	**744**
Sales and disposals	0	0	-1.117	**-1.117**
Acquisition value at 31 December 2016	**70**	**68.799**	**1.490**	**70.359**
Depreciation and impairment at 1 January 2016	18	66.528	1.674	**68.220**
Depreciation	7	873	40	**920**
Sales and disposals	0	0	-1.081	**-1.081**
Depreciation and impairment at 31 December 2016	**25**	**67.401**	**630**	**68.056**
Net book value at 31 December 2016	**45**	**1.398**	**860**	**2.303**

(In thousands of EUR)	Installations, machinery and equipment	Furniture and vehicles	Other	Total
Acquisition value at 1 January 2015	0	68.612	1.913	**70.525**
Acquisitions	0	208	0	**208**
Other	70	-71	0	**-1**
Acquisition value at 31 December 2015	**70**	**68.749**	**1.913**	**70.732**
Depreciation and impairment at 1 January 2015	0	65.457	1.594	**67.051**
Depreciation	7	1.083	80	**1.170**
Other	11	-12	0	**-1**
Depreciation and impairment at 31 December 2015	**18**	**66.528**	**1.674**	**68.220**
Net book value at 31 December 2015	**52**	**2.221**	**239**	**2.512**

As of 31 December 2016 and 2015 there were no limitations on ownership and on property, plant and equipment which serve as guarantee for obligations.

There were no engagements for the acquisition of property, plant and equipment at the end of 2016 and 2015.

10. Investments 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), 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.

11. 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 do December 2016 (2015: 919 k EUR). This decrease is due to the sale of the business centre Kempen (see note 'Financial results'-financial income).

12. Rights to reimbursement on post-employment employee benefits

The costs related to the employee benefit liabilities are recoverable from the Distribution System Operators. At the end of 2016 the rights to reimbursement on the long-term employee benefits amounted to 259.363 k EUR and 331.250 k EUR at the end of 2015 (see note ‘Pensions and other post-employment benefit plans’).

13. Short- and long-term receivables, other

(In thousands of EUR)	2016	2015
Receivable from DSOs following lending-on funds from issuance bonds with private investors (retail)	150.000	0
Total short-term receivables, other	**150.000**	**0**
Receivable from DSOs following lending-on funds from issuance bonds with private investors (retail)	170.000	320.000
Receivable from DSOs following lending-on funds from issuance bonds with institutional investors	440.000	440.000
Receivable from DSOs following lending-on funds from issuance bonds with European institutional investors (EMTN programme)	2.660.500	2.660.500
Other	391	250
Total long-term receivables, other	**3.270.891**	**3.420.750**

*Euro Medium Term Note (EMTN) programme – see note ‘Financial instruments’

The long-term receivables decrease from 3.420.750 k EUR at the end of December 2015 to 3.270.500 k EUR at the end of December 2016 because of the transfer of 150.0000 k EUR to short-term since the related loan short-term is refundable (June 2017).

The terms of the long-term loans to the Distribution System Operators were identical to those of the respective bond loans (see note ‘Interest bearing loans and borrowings’).

14. Inventories

(In thousands of EUR)	2016	2015
Raw materials and consumables	41.207	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 included in the profit and loss account.

15. Trade and other receivables, receivables cash pool activities

(In thousands of EUR)	2016	2015
Trade receivables - gross	217.693	160.340
Impairments on trade receivables	-6.440	-2.316
Trade receivables - net	**211.253**	**158.024**
Other receivables	**111.393**	**97.482**
Total trade and other receivables	**322.646**	**255.506**
Receivables cash pool activities	**307.587**	**145.492**

The trade receivables consist mainly of receivables with the Distribution System Operators and amount to 175.517 k EUR in 2016 and 122.151 k EUR in 2015. This increase in the receivables from the Distribution System Operators is the result of the larger amount of charges at year end 2016 to be invoiced to the DSOs and the DSOs paying these management fees at their due date instead of direct payments.
Besides, receivables are recorded amounting to 33.836 k EUR (2015: 32.348 k EUR) relating to an external customer group. Based on the valuation principles, an impairment of 6.440 k EUR (2015: 2.316 k EUR) was to be recorded.

The increase in the 'Other receivables' is mainly due to an increase of the receivable amounting to 52.941 k EUR (2015: 41.512 k EUR) for a VAT amount to be recovered from the members of the VAT group. The other receivables also contain accrued interest from the Distribution System Operators on the bonds that were recharged.

The item 'Receivables cash pool activities' comprises the balances on the accounts of the Distribution System Operators related to the cash pool and should be evaluated together with the item 'Liabilities cash pool activities'.

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

16. Cash and cash equivalents

Cash resources amount to 2.662 k EUR in 2016 (2015: 3.635 k EUR) and comprise bank deposits, cash resources and fund investments that are readily exchangeable into cash.
All resources are reported in euro.

17. Equity

The separate components of shareholders' equity and the movements therein from 1 January 2015 until 31 December 2016 are included in the 'Statement of changes in equity'.

The share capital amounts to 915.124,84 EUR (2015: 18.550 EUR) and was fully subscribed and paid up. It is represented by 17.189.104 shares without indication of nominal value. Each share represents 1/17.189.104th part of the capital. The shares are nominative in the name of the Distribution System Operators and are distributed as follows:

	2016	2016	2016	2015	2015	2015
Distribution System Operator	**Amount in EUR**	**Number of shares**	**%**	**Amount in EUR**	**Number of shares**	**%**
Gaselwest	151.886	2.852.920	16,60	3.079	57.830	16,60
IMEA	125.921	2.365.216	13,76	2.552	47.944	13,76
Imewo	205.136	3.853.144	22,42	4.158	78.105	22,42
Intergem	100.169	1.881.507	10,94	2.030	38.139	10,94
Iveka	131.258	2.465.460	14,34	2.661	49.976	14,34
Iverlek	177.811	3.339.885	19,43	3.604	67.701	19,43
Sibelgas	22.944	430.972	2,51	465	8.736	2,51
Total	**915.125**	**17.189.104**	**100,00**	**18.550**	**348.431**	**100,00**

On 1 January 2016 the activities and the staff of the subsidiary Indexis cvba were incorporated by Eandis System Operator. Eandis System Operator owned 70% of the shares of Indexis. The non-controlling interest in Indexis, held by Ores, was then transferred to the DSOs.
The merger is part of a reorganization of the energy market, in which all netoperators of Atrias want to establish a federal clearing house together with the energy suppliers. Therefore, the company Atrias cvba was founded by the distribution system operators.
The activities of Indexis overlapped with those of Atrias. Partly due to the introduction of an important application at Ores, the Indexis application will be used exclusively by and for Eandis System Operator. Therefore it was decided that Eandis System Operator would merge with Indexis. Consequently, all the assets and liabilities were merged into Eandis System Operator at 1 January 2016 but excluding the French-speaking staff who transferred to Ores, but are seconded to Eandis System Operator.
Due to the specific structure of Indexis (costs are fully recharged), the value of the company is determined based on the net asset value:

(In thousands of EUR)	**Indexis**
Share Capital	3.216
Reserves	6
Retained earnings	65
Equity attributable to owners of the parent at 1 January 2016	**3.287**

The transaction resulted in an increase of capital with 897 k EUR by creating 16.840.673 shares and a share premium of 68 k EUR which was included as a reserve.

The reserves amount to 72 k EUR at the end of December 2016 (2015: 2 k EUR).
The legal reserve was formed out of profits to be distributed at a rate of 5,00 % up to a maximum of 10,00 % of the assigned capital.

The Group's results are in all cases without profits or losses, since all operational costs can be billed through to mainly the Distribution System Operators.
During 2016 the result of Indexis was incorporated for an amount of 19 k EUR.

A non-controlling interest decreased from 1.079 k EUR in December 2015 to 93 k EUR at December 2016 as a result of the merger with Indexis.
The non-controlling interest at the end of December 2016 amounts to 93 k EUR comprising the participation held by Farys/TMVW in De Stroomlijn.

18. Interest-bearing loans and borrowings

(In thousands of EUR)	**2016**	**2015**
Loans, non-current	**3.247.152**	**3.394.760**
Current portion of long-term loans	150.012	0
Short-term loans	411.309	225.238
Loans, current	**561.321**	**225.238**
Total	**3.808.473**	**3.619.998**

At the balance sheet date of 2016, the Group has taken up additional loans amounting to 188.475 k EUR compared to 2015.

Loans on long-term
All outstanding loans are expressed in euro and have a fixed interest rate.

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

(In thousands of EUR)	2016	2015	Initial amount	Coupon	Yield at issue price	Maturity
Bond issue retail - June 2010	150.012	150.038	150.000	4,00	3,672	2017
Bond issue retail - December 2010	169.946	169.932	170.000	4,25	4,013	2020
EMTN - November 2011	498.821	498.578	500.000	4,50	4,542	2021
EMTN - July and September 2012	134.983	134.949	135.500	3,95	3,985	2032
Bond issue private - September 2012	49.188	49.113	50.000	3,50	3,700	2027
EMTN - November 2012	496.425	495.819	500.000	2,75	2,890	2022
EMTN - March 2013	54.336	54.321	54.500	3,50	3,535	2028
EMTN - March 2013	20.419	20.414	20.500	3,75	3,785	2033
Bond issue private - June 2013	48.386	48.325	50.000	3,50	3,704	2043
EMTN - October 2013	497.237	496.827	500.000	2,88	2,971	2023
Bond issue private - March 2014	50.522	50.467	52.000	3,55	3,726	2044
Bond issue private - March 2014	22.794	22.783	23.000	3,55	3,619	2036
EMTN - May 2014	542.424	541.809	550.000	2,88	2,994	2029
Bond issue private - October 2014	169.448	169.428	170.000	3,00	3,018	2044
Bond issue private - October 2014	94.704	94.687	95.000	2,60	2,623	2034
EMTN - December 2014	397.520	397.269	400.000	1,75	1,820	2026
Total	**3.397.164**	**3.394.760**	**3.420.500**			
Current portion of long-term loan	150.012	0	150.000			
Total	**3.247.152**	**3.394.760**	**3.270.500**			

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)

The yield at issue price represents the gross actuarial yield at issue.
The capital of the debenture is repayable at maturity.

Loans on short-term

The loans on short-term contain the portion of the long-term loans which are repayable within one year (150.012 k EUR on year end 2016, 0 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 (1)
Commercial paper	(2)	522.000	355.000	167.000	0,06%
Fixed advances		200.000	0	200.000	N/A
Fixed loans/Bank overdraft (1)	Daily	200.000	56.309	143.691	0,50%
Fixed loans		100.000	0	100.000	N/A
Total at 31 December 2016		**1.022.000**	**411.309**	**610.691**	
Commercial paper	(3)	522.000	166.800	355.200	0,09%
Fixed advances		200.000	0	200.000	N/A
Fixed loans/Bank overdraft (1)	Daily	200.000	58.438	141.562	0,70%
Fixed loans		100.000	0	100.000	N/A
Total at 31 December 2015		**1.022.000**	**225.238**	**796.762**	

(1) The average interest rate of the used amounts at the end of the period
(2) 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
(3) 65.000 k€ at 18/1/2016 and 101.800 k€ at 29/1/2016

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

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	3.619.998		3.392.363	
Movements on non-current loans (LT)				
Change in non-current loans	0	2.404		2397
Transfer of short-term portion of LT loans to ST	0	-150.012	0	0
Movements on current loans (ST)				
Proceeds of current loans	411.309	0	225.238	0
Transfer of short-term portion from LT loans to ST	0	150.012	0	0
Repayment current loans	-225.238	0	0	0
Total movements	**186.071**	**2.404**	**225.238**	**2.397**
Total at 31 December	**3.808.473**		**3.619.998**	

19. Employee benefit liability

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.

Right of reimbursement
Since the expenses related to the employee benefits are reclaimable from the Distribution System Operators, rights of reimbursement, equal to the employee benefit liability reported in the balance sheet, are recognized.

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 retirment 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.

20. Trade payables and other liabilities, liabilities cash pool activities, current tax liabilities

(In thousands of EUR)	2016	2015
Trade debts	81.572	98.306
Invoices to be received	37.561	26.517
Subtotal	**119.133**	**124.823**
VAT	24.405	431
Taxes payable on remuneration	1.767	2.395
Remuneration and social security	76.483	62.740
Other current liabilities	48.080	46.470
Total trade payables and other current liabilities	**269.868**	**236.859**
Liabilities cash pool activities	**0**	**11.400**
Current tax liabilities	**13.586**	**5.989**

The items relating to trade payables and other current liabilities increased with 33.009 k EUR compared to 2015 mainly due to the increase of the VAT balances payable and the payable balances on remuneration and social security.

The other current liabilities mainly comprise the costs to be attributed, principally relating to the finance costs for issuing bonds, car fleet and Information & Communication Technology projects.

The payable cash pool activities amount to 0 k EUR at year end 2016 (2015: 11.400 k EUR) as only receivables are recorded (see note Trade and other receivables, receivables cash pool activities).

The payment term and conditions for these payables are as follows:
For the standard trade contracts the average payment term was 39 days and for contractors 30 days after invoice date.
The Value Added Tax payable and the withholding tax payable were due 20 and 15 days respectively after the end of the month. All amounts were paid on their expiry date.

21. 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, for compliance with the guidelines on risk management and reporting.

The Group's functioning as the operating company for the Distribution System Operators limits to a large degree the risks and their possible negative impact.

Equity structure

The Group's equity structure consists of equity and the financial liabilities.
Apart from the legally required minimum levels for equity that are applicable for Eandis System Operator and its subsidiaries, the Group is not subject to any external required qualifications for its capital structure.

Within the Group short-term financing has been called upon to support the working capital. The long-term loans are contracted by Eandis System Operator to finance the DSOs and are lent through at the same conditions as the contracted loans.

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 maximum credit risk is each financial asset's balance sheet value.
The Group recharges its costs mainly to its shareholders, its non-controlling interests and the associates, whereby it limits its credit risk.

Ageing analysis of trade receivables past due, but not impaired

(In thousands of EUR)	2016	2015
0 - 30 days	2.625	3.858
31 - 60 days	2.115	2.824
61 - 90 days	1.093	1.126
91 - 120 days	1.024	798
> 120 days	2.436	1.276
Total due	**9.293**	**9.882**

Movements in accumulated impairments on trade receivables

(In thousands of EUR)	2016	2015
Total at 1 January	**-2.315**	**-37**
Write down of receivables	-6.089	-2.305
Amounts received during the year	1.964	27
Total at 31 December	**-6.440**	**-2.315**

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 continually scrutinizing cash flows and by taking care that a sufficient number of credit facilities are available.

The Group calls upon several banks to attract resources on short-term. Commercial paper was issued within the framework of a treasury bill programme. Fixed advances and commercial papers can be called on with a maturity of one week up to twelve months, as well as fixed loans (straight loans) with a maturity between one day up to one year. All loans have fixed interest rates during the term of the loan except for the bank overdraft that has a variable interest rate.

The Group enters into long-term loans to finance the DSOs. These long-term loans were fully lent-on at the same conditions as the contracted loans.
The DSOs use these resources to finance the investments in the distribution grids, to refinance loans and to pay interest.
Eandis, however, also used a part of the net proceeds of these loans at the end of 2014 to pay the fee in the name and on behalf of the public administrations to Electrabel as part of its exit out of the DSOs.

In 2010 the first bond loans were issued for 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 Ltd.’ (Moody’s).
In October 2011, Moody's granted Eandis an ‘A1’ credit rating ‘with a negative outlook’. This rating was reconfirmed 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 launched in 2009. 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 € 2.660,5 million or 53,21 % was issued at the end of 2016. Since year end 2014 no bonds were issued under this programme.

All funds of the bond loans were fully lent on to the DSOs at the same conditions as the bond loans. The resulting receivables for the Group are included in notes ‘Short-term receivables, other’ and ‘Long-term receivables, other’.
An overview of the loans is included in note ‘Interest-bearing loans and borrowings’.

Interest rate risk
The Group has entered into long-term loans with a fixed interest rate.
The resulting financial costs for Eandis System Operator are all passed on to DSOs and are reported as a financial income.

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	108.424
In 2017	108.424	108.424
In 2018	102.424	102.424
In 2019	102.424	102.424
In 2020	102.424	102.424
In 2021	95.199	95.199
In 2022 and beyond	538.568	538.568
Total	**1.049.463**	**1.157.887**

Other
More information about the risks of the Group and the shareholders is included in the prospectus of 25 November 2014 concerning the guaranteed Euro Medium Term Note Programme and the investor presentation of January 2016. These documents can be consulted on our 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 a transaction at arm’s length and not in a forced sale or liquidation sale.

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, 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 quoted bond loans is based on the indicative quotations on Bloomberg (Bloomberg is a prominent provider of business and financial market news. It delivers world economic news, quotes for stock futures, stocks and other) at the reporting date.

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

(In thousands of EUR)	**Level 1**
Other investments	987
Cash and cash equivalents	2.662
Total	**3.649**
Loans on long-term	3.728.065
Loans on short-term	564.219
Total	**4.292.284**

22. Related parties

Transactions between Eandis System Operator and its subsidiaries (the associated parties) have been eliminated in the consolidation process and are therefore not included in the present note.

The total remunerations paid to the management committee and the directors for 2016 amounted to € 3.318.971,97 and € 3.562.056,96 for 2015. The post-employment benefits included in the total remuneration mentioned for 2016 amounted to € 624.971,31 and € 786.435,55 for 2015. There are no other benefits in kind, share options, credits or advances in favour of 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 duizenden 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

Transactions of the Group with its shareholders (Distribution System Operators) were as follows:

(In thousands of EUR)	2016	2015
Amount of the transactions		
Recharge of costs to the Distribution System Operators	970.053	1.016.208
Recharge of costs from the Distribution System Operators	20.671	22.167
Interest income Distribution System Operators	108.623	108.567
Interest expenses Distribution System Operators	89	354
Amount of outstanding balances		
Non-current assets, employee benefits	259.363	331.250
Non-current assets, other	3.270.500	3.420.500
Short-term receivable, other	150.000	0
Trade receivables, invoices to be issued	176.564	122.151
Other receivables, cash pool	307.587	134.092
Other receivables, accrued financial income bond loan	31.518	31.431
Other current liabilities	0	391
Trade payables	20.370	17.051
Receivable VAT-unit	52.905	41.454
Guarantees and securities received		
Concerning financial obligations	822.000	822.000

All invoices to and from the Distribution System Operators are payable within 30 days after invoice date.

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 company paid fees of 46 k EUR to the statutory auditor and an amount of 281 k EUR for other assignments. The fee for other assignments was approved by the Audit Committee.

23. Commitments and contingencies

(In thousands of EUR)	2016	2015
Rent deposits, buildings	1.463	1.374
Other bank guarantees	125	125
Guarantees given	**1.588**	**1.499**
Guarantees obtained from contractors and suppliers	26.553	25.819

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

The Group rented several buildings and adjoining parking lots for a total value of 6.259 k EUR in 2016 and 6.294 k EUR in 2015, as well as vehicles for a value of 4.796 k EUR in 2016 and 4.862 k EUR in 2015.

The future minimum lease payments (included as operational lease liability) relate to buildings, vehicles and other material.
The contracts relating to buildings contain renewal clauses and have an average duration of two years.

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

(in thousands EUR)	2016
In 2017	8.729
In 2018 and 2019	10.400
In 2020 and 2021	3.655
In 2022 and beyond	918
Total	**23.702**

The Group is involved in legal disputes for which the risk of loss is possible but not likely. Currently, the possible timing of the settlements cannot be estimated reliably.

24. Events after the reporting date

On 18 January 2017 the credit rating agency Creditreform Rating AG has granted Eandis 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 Authorities) 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 electricity 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 the common 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.

25. List of group entities included in the consolidation

Subsidiary	Registered office	Shares owned %	voting rights %
Parent company			
Eandis System Operator cvba	Brusselsesteenweg 199, B-9090 Melle		
Subsidiary			
De Stroomlijn cvba	Brusselsesteenweg 199, B-9090 Melle	64,03	64,03
Atrias cvba	Ravensteingalerij 4, 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

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

Information concerning the parent company

The following information is extracted from the statutory Belgian GAAP financial statements of the parent company, Eandis System Operator cvba.
These statutory financial statements, together with the report of the Board of Directors to the General Assembly of Shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits.
These documents are also available as from 4 May 2017 on the website www.eandis.be or on request at the following address: Brusselsesteenweg 199, 9090 Melle.

The statutory auditor's report is unqualified and certifies that the financial statements of Eandis System Operator cvba are prepared in accordance with Belgian GAAP.

Condensed balance sheet **In thousands of EUR, at 31 December**	**2016**	**2015**
Fixed assets	**2.160**	**3.692**
Tangible fixed assets	743	46
Financial fixed assets	1.417	3.646
Current assets	**4.348.846**	**4.202.713**
Amounts receivable after more than one year	3.270.500	3.420.500
Stocks and contracts in progress	35.295	45.316
Amounts receivable within one year	738.055	359.874
Cash at bank and in hand	9.405	5.241
Deferred charges and accrued income	295.591	371.782
Total assets	**4.351.006**	**4.206.405**
Equity	**1.007**	**20**
Capital	915	19
Other equity components: reserves, share premium, retained earnings	92	1
Provisions for liabilities and charges	**259.363**	**331.250**
Amounts payable	**4.090.636**	**3.875.135**
Amounts payable after more than one year	3.247.152	3.394.760
Amounts payable within one year	798.373	436.738
Accrued charges and deferred income	45.111	43.637
Total liabilities	**4.351.006**	**4.206.405**

Condensed income statement **In thousands of EUR, at 31 December**	**2016**	**2015**
Turnover	1.050.033	1.061.415
Operating profit (loss)	13.500	14.510
Financial result	-4.461	-4.325
Income taxes	-9.039	-10.185
Profit for the period	**0**	**0**